

Annual Report | M.Video-Eldorado | 2022 5. CORPORATE GOVERNANCE 4. CARE FOR EMPLOYEES AND SOCIETY 5. CORPORATE GOVERNANCE 6. ANNEXES

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## **ABOUT THE REPORT**

M.Video-Eldorado Group's Annual Report 2022 is addressed to a wide range of stakeholders. It presents the Group's key results in strategic and corporate governance, its financial and operating highlights and sustainability performance.

The Annual Report includes, among other things, M.Video-Eldorado Group's long- and medium-term plans. These plans and objectives are forward-looking and depend on various political, economic and legal factors beyond the Group's control (such as current conditions in key markets, changes in tax and environmental legislation, etc.). As a result, actual future performance may differ from the forward-looking statements contained herein

The **Efficient Retail** title reflects the business flexibility and sustainability balance. M.Video-Eldorado is reconfiguring and adjusting its current business processes to the economic conditions formed in 2022. The Company updates strategic aspects of assortment planning, access to global supplies and vendor relationships.

The following terms are used in this Annual Report [2-2]:

- M.Video-Eldorado Group, the Group, the Company Public Joint-Stock Company M.video (PJSC M.video, the Company, the Group), and all companies directly or indirectly controlled by the Group as at December 31, 2022;
- M.Video, the brand the retail network of MVM Limited Liability Company (MVM LLC) under the M.Video brand;
- Eldorado, the brand the retail network of MVM Limited Liability Company (MVM LLC) under the Eldorado brand.

The Annual Report is prepared in accordance with Russian laws and the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards).

We are committed to balancing the interests of various stakeholders while making full and timely disclosure of the relevant information. Defining material topics makes up an important part of this effort. [2-29]

In 2022, stakeholders conducted an online survey and identified and assessed a list of material topics that was updated for disclosure in this Annual Report. [3-1] [3-3]

#### List of material topics by importance [3-2]

- 1. Operational efficiency and economic performance
- 2. Product safety and availability, service quality, consumer confidence
- 3. Cybersecurity and personal data protection
- 4. Technology, innovation and digital transformation of the business
- 5. Employee well-being and decent working conditions
- 6. Business ethics and anti-corruption
- 7. Workplace health and safety
- 8. Employee development and career progression
- 9. Responsible marketing
- 10. Circular economy and waste management
- 11. Diversity, inclusion and equality
- 12. Local communities and volunteering



# 1.1 2022 CHALLENGES AND BUSINESS MODEL RENEWAL

M.Video-Eldorado Group is Russia's leading e-commerce, consumer electronics and household appliances retailer. In 2022, the Group's gross merchandise value (GMV) amounted to RUB 489 billion. The share of imports in the Group's turnover totaled 25% at the end of the reporting period [2-6]

Manufacturers suspending operations in Russia, fraught logistics and customer demand volatility posed unprecedented challenges to M.Video-Eldorado Group and the entire Russian consumer electronics (CE) and home appliances market this year. We adjusted our business processes and operations, focusing on customer needs and our own efficiency.

In the reporting period, M.Video-Eldorado promptly launched import operations from scratch. Given that, the product range on our platforms in many categories returned to the 2021 level by the end of 2022, and the share of own imports of household and digital devices in sales reached double digits. To expand the product range, we started developing import operations and also continued to interact with various manufacturers as part of direct supply and distributors. Brands from China, Turkey and the CIS countries demonstrate the highest growth rates. In addition, we created new partnerships, namely, with Artel, Hisense, Toshiba, Thunderobot, etc., that became a high-quality alternative to companies that had reduced their offer, as well as scaled the marketplace and private label areas (for more details, see the Our Assortment section, pp. 21–25).

Deep restructuring of key processes, cost control and operational efficiency focus allowed us to significantly improve the Group's financial position and maintain our business scale. We continue to work in about 370 Russian cities from the Kaliningrad Region to Kamchatka, develop a mobile platform and online services (for example, M.Video and Eldorado client applications were installed more than 50 million times in 2022). In the current environment, stores remain the main platform for getting advice on new brands, choosing goods and receiving service support. People have become more careful in their choices, preferring to pre-test large purchases and consult with experts, so a store is one of the key places to promote new electronics brands. This year, we opened over 1,000 stores-within-a-store, including the first ones for a number of Chinese and Turkish brands: Hisense, Grundig, realme, TECNO, etc. (for more details, see the Brand Strategy section, pp. 26–29).

In addition to maintaining the product range, we also challenged ourselves to maintain prices for customers, especially at the ruble volatility peaks. In March, M.Video-Eldorado Group became one of the few retailers that have frozen prices for a host of in-demand appliances. We also supported Russian consumers by launching in-house loan products, rapidly deploying installment plans and keeping the loyalty program and promos (for more details, see the Customer Service section, pp. 30–33).

We also remain focused on digitalization and our own IT products. In spring, the Group spun off IT development and product teams into a separate company, M.Tech. We continued to enhance client applications, expanded recommendation models for assortment planning, stock, prices and promos, developed services of customized product selection and a client chat bot based on machine learning that already processes more than half of written client requests. As part of import substitution in a number of key processes (logistics, for example), we switched to our own IT solutions, significantly reducing the cost of support and greatly improving the quality of calculations (for more details, see the IT Infrastructure section, p. 39).

In doing so, M.Video-Eldorado Group geared to the new conditions, focusing on customer outreach as well as online and conventional stores integration to improve customer service despite the tectonic changes in the Russian economy and home appliances and electronics market

The OneRetail technology platform unites our websites, mobile applications and conventional stores that complement each other and substantially enrich the customer experience. As a result, the Group creates important competitive edges over online players and traditional retailers (for more details, see the Business Model section, p. 16).

Responsible and efficient business of M.Video-Eldorado Group creates value for all stakeholders, present and future generations

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## 1.2 KEY HIGHLIGHTS IN 2022

#### IMPROVING THE GROUP'S FINANCIAL POSITION WHILE MAINTAINING THE BUSINESS SCALE AND OPERATIONS

RUB
326.8 bln
total online sales,
67% of GMV

+2.5 p.p.
gross margin
growth

by 69% to RUB
15.5 bln
adjusted EBITDA
growth

32%
traffic growth
in the client
mobile app

25%
share of imports
at the year-end

over 72.5
mln pieces
number of devices
sold in a year

**400**items
in assortment of private label offer

#### **ESTABLISHING OUR OWN IT COMPANY**

- M.Tech is responsible for developing IT products, introducing new solutions, developing a big data office, searching for and implementing innovations.
- M.Tech acts as an external partner for the entire M.Video-Eldorado IT development and as a platform to subsequently roll out own IT solutions to the external market.

#### **DEVELOPING A SPECIALIZED MARKETPLACE:**

- ONE RETAIL technologies enable M.Video-Eldorado to offer new sales and customer interaction formats to our partners and an expanded range to our customers.
- At the year-end, we doubled the assortment of partner products to 110,000 items, and the marketplace turnover more than tripled.
- Over the year, the number of M.Video-Eldorado marketplace partners doubled as well, and about a quarter of them are small businesses operating under the simplified tax system.

#### **STARTING IMPORT OPERATIONS**

- Launching and actively expanding import, M.Video-Eldorado Group replaced the brands that had left the Russian market. Starting from the second quarter of 2022, agreements were signed with suppliers from over 15 countries, allowing for fast-moving home and digital appliances.
- At the end of the reporting period, sales of imported goods increased and reached a 25% share of the total GMV.

#### **IMPROVING THE LOGISTICS FUNCTION**

- M.Video-Eldorado Group covers most of the Russian territory with its unique delivery and pickup services. In 2022, we refined the logistics infrastructure for our customers from all major cities to receive 80% of orders per day.
- We converted part of the store area in the regions into local warehouses. New facilities complement the M.Video-Eldorado logistics system of about 70 regional distribution warehouses, central distribution warehouses and cross-docks, from which goods are sent to stores and customers.
- We have developed and launched Titan, a platform for procurement planning, sales forecasting and goods distribution. This solution is almost two times cheaper with a significant increase in the speed and accuracy of calculations.

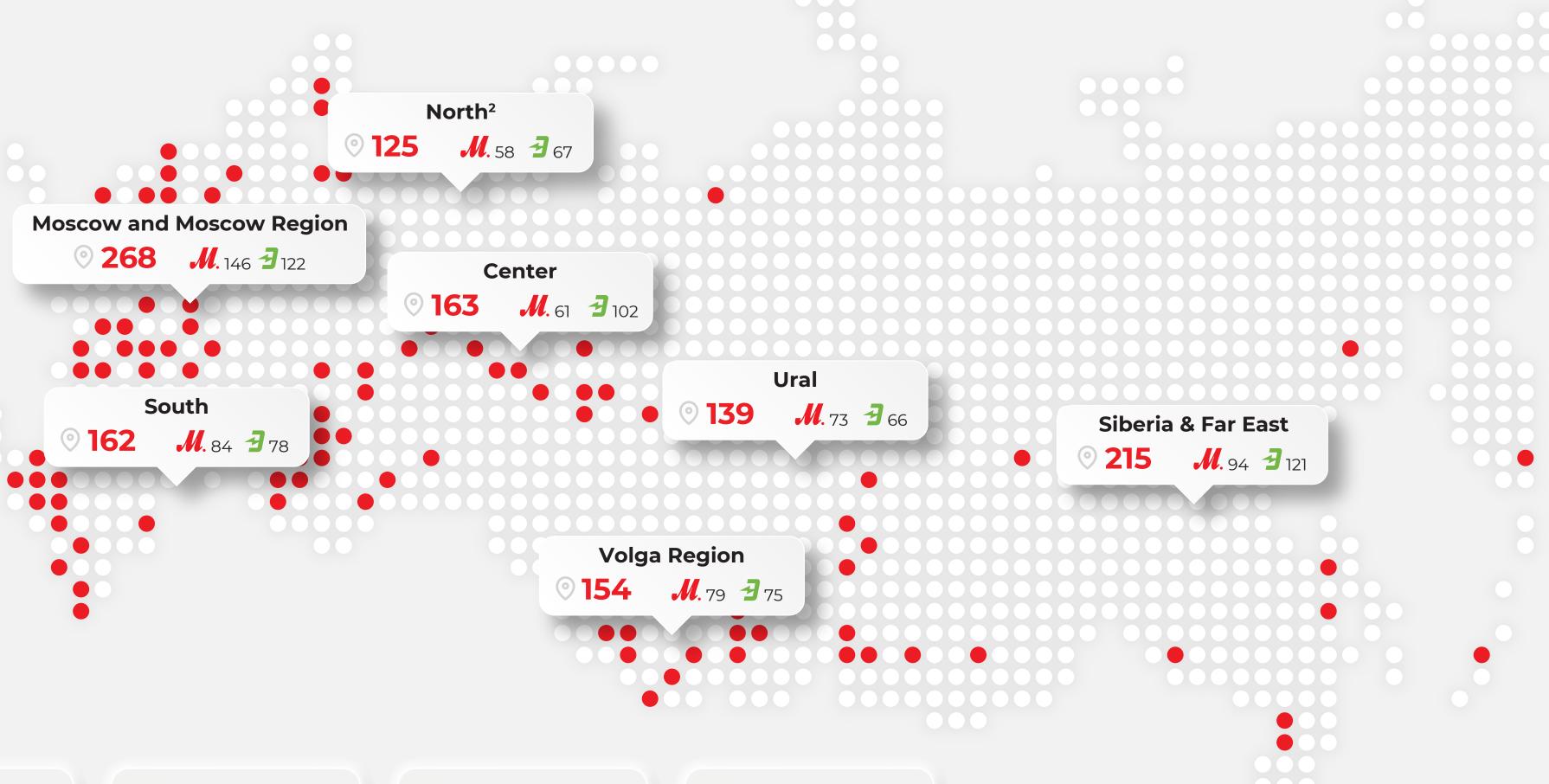
#### ADAPTING HR PROCESSES

- M.Video-Eldorado Group combined the main planning and time tracking systems for retail staff, synchronized them with each other and enabled employees to plan and use their working time via the work shift "marketplace" and visual online performance dashboards. Having improved HR processes this way, we freed up 1–2 hours of working time daily for store directors to invest in sales and team development, and also reduced administrative and other staff costs by an average of 30% per employee.
- Due to changes in the brand landscape, procurements and supplies of household appliances and consumer electronics in the Russian market, we had to revise some approaches to the organizational framework and cross-functional interaction within the central office.
   Our commercial division is responsible for working with vendors and other partners and purchasing goods.
   As part of this division, business units combined all the functions relevant to the product range: product category management, marketing, development of retail and online sales, logistics, and imports.

# 1.3 GEOGRAPHY

Amid 2022's challenges, we are once again sure M.Video-Eldorado has reasonably chosen the omnichannel customer outreach by integrating online and conventional stores. On the backdrop of substantial brand renewal, customers more often go to conventional stores for expert help and advice. Retail service support is more and more significant, while clients consider physical retail an additional guarantee of quality and after-sales service

In 2022, 92% of orders were filled using store infrastructure. The developed logistics infrastructure of M.Video-Eldorado Group encompasses 1,226 stores<sup>1</sup> that concentrate about 65% of the entire inventory. Orders that account for 40% of our GMV are available for pickup within 15 minutes. Focusing on operational efficiency, the Company plans to further develop the infrastructure to leverage logistics and develop convenient delivery services for its customers.



stores stores in ~370 Russian cities1

100% online coverage in cities of operation<sup>1</sup>

of population covered by same-day delivery (within 24 hours)<sup>3</sup>

**65**% of stock value is located in stores<sup>1</sup> for customer convenience 40% of all orders are ready for pickup within 15 minutes<sup>3</sup>

# 1.4 VALUE-BASED LEADERSHIP

Recognition and awards reflect the value we create for key stakeholders

# No. 1 for customers

Winner of the annual Retail Week Awards 2022 in the Best Shopping Experience nomination

# No. 1

#### for employees

Best Employer certificate according to the trusted organization Top Employers Institute

#### Winner of the HR Brand award

according to HeadHunter in the HR by Other Rules nomination

# Our values

### **Responsibility for the future**

We make deliberate decisions and plans, being responsible to the Company, industry and society

### **Personal involvement in all ways**

We believe it lies in our power to make the world a better place

# Being open to change

We see change as an opportunity to improve and reach our full potential

### **Team partnership**

We firmly believe that trust, mutual support and respect for everyone are required to achieve joint success

### **Courage to innovate**

We persistently seek and implement the latest technologies, developing the market and confirming our leadership

### **OUR MISSION**

By filling the world with technology, we give people time and inspiration. We create a future to be proud of



# 2.1 MANAGEMENT TEAM STATEMENT

Today, we apply all our expertise, knowledge, and competencies to support the most constructive development of the Russian consumer electronics and household appliances market and protect the interests of our shareholders, customers, and employees in this geopolitical environment.

M.Video-Eldorado's team fulfilled the tasks set for 2022: rebuilding the business model and gearing it to new economic conditions, retaining almost the entire retail network, while boosting the operational efficiency of all key business processes and revising the approach to marketing and promo, combining the communications of both brands, leveraging logistics and lease relationship, and replacing a number of out-of-market IT solutions with own developments. As a result, the Group's operating and capital expenditures decreased by RUB 24 billion, adjusted EBITDA increased to RUB 15.5 billion, and EBITDA margin rose to 3.8%.

We can work with customers and their needs, from product selection to after-sales service, which is our strong point. Manufacturer brands of appliances and electronics are renewing, so customers more often need professional advice and expertise and prefer physical retail stores to choose and buy products. As usual, M.Video-Eldorado chooses models and brands that interest Russian customers, as well as supports vendors in conveying the benefits of new products and promoting technological solutions, for example, 8K TVs or smart home devices. Launching imports from the ground up this year, we quickly replaced the brands that had left the Russian market and attracted new players. With that, the share of our own imports of household and digital devices in sales reached 25%.

In addition to maintaining the product range, we also challenged ourselves to maintain prices for customers, especially at the ruble volatility peaks. M.Video-Eldorado Group has become one of the few retailers that have frozen prices for a host of in-demand appliances. We also supported Russian consumers by launching in-house loan products, rapidly deploying installment plans and keeping the loyalty program and promos.

Heading for digital transformation, we created M.Tech, our own IT company, to develop products and IT services for retail, e-commerce, consumer lending, and the digital payment market. The new company will drive current operational performance of the entire M.Video-Eldorado Group and provide digitally independent IT solutions.

Developing the marketplace is another strategic business area. OneRetail technologies enable M.Video-Eldorado to offer new sales and customer interaction formats to our partners and an expanded range, including from small companies and Russian manufacturers, to our customers. At the year-end, we doubled the assortment of partner products to 110,000 items, and the marketplace turnover more than tripled.

M.Video-Eldorado's employees are a prerequisite for achieving the Group's goals with flying colors. 2022's economic and social changes prompted us to reformulate key HR aspects. We have combined the main planning and time tracking systems, synchronized them with each other and enabled employees to plan and use their working time via the work shift "marketplace". Amid the general turmoil, we also put an emphasis on social support, particularly for line staff in retail, while providing jobs and opportunities for training and development within the Group.

M.Video-Eldorado's management team greatly appreciates the trust and remains transparent for its customers, partners, shareholders, and employees. We will make every effort to stay as reliable and efficient as possible in a new and rapidly changing world.

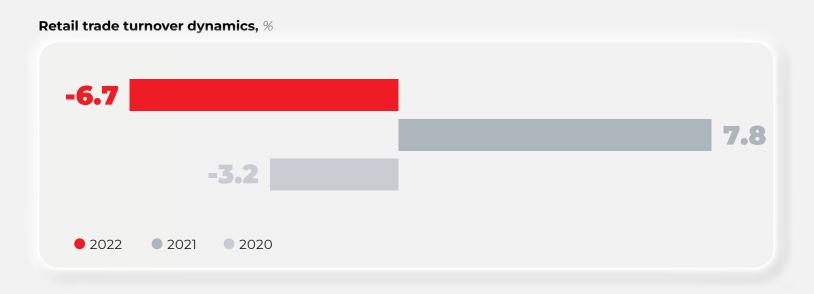
# 2.2 MARKET OVERVIEW

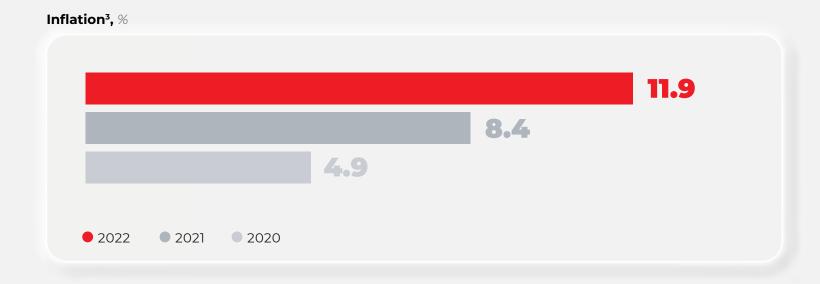
In the reporting year 2022, the Russian economy faced a number of new challenges — additional sanctions were imposed on Russian companies and individuals, and some international companies refused to work on the Russian market. These events have had a high impact on the activities of Russian organizations in various economy sectors and require a restructuring of business processes

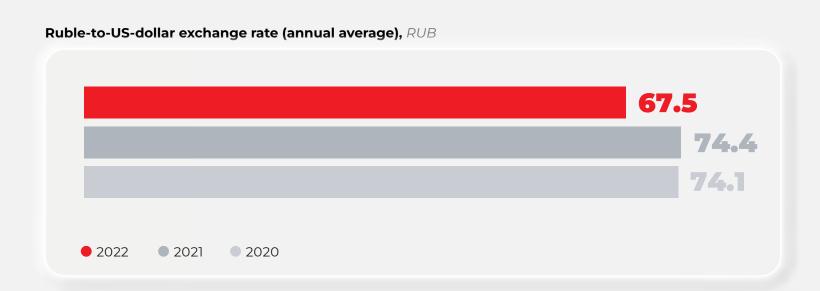
#### **MACROECONOMIC SITUATION IN RUSSIA IN 2022<sup>1</sup>**

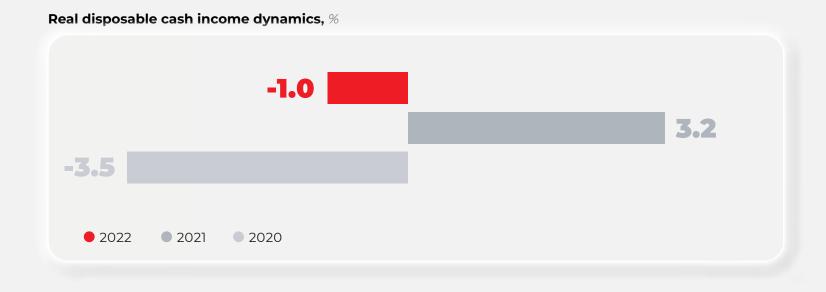
At the end of 2022, Russia's GDP decreased by 2.1%. A decrease in consumer activity is further observed. The total turnover of retail trade, public catering and paid services of the population amounted to -4.1% of the previous year level. The main decrease is accounted for by the turnover of retail trade: -6.7%. The consumer price index at the end of the year amounted to +11.9%. The situation on the labor market is stable, that is, the average annual unemployment rate was 3.9%. Based on the results of the reporting period, the nominal wages of the population increased by 12.7%, while the real wages decreased by 1.1%. Despite the fact that real money incomes of the population in the reporting year decreased by 1.4% given high inflation in March–April, income growth resumed at the end of the year: +0.4% in the fourth quarter of 2022. This situation is similar in terms of real disposable income: a decrease by 1.0% at the end of the year and an increase in the fourth quarter by 0.9%.

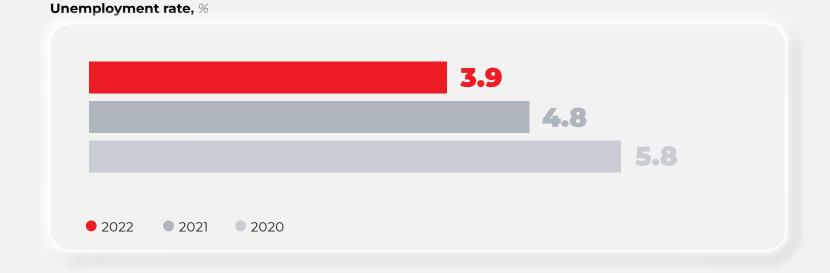












Source of data on the macroeconomic situation in Russia in the section: review of the Russian Ministry of Economic Development "On the ongoing

situation in the Russian economy": https://www.economy.gov.ru/material/file/c5eae890fdea17276c86004981bd51f2/2023\_02\_08.pdf

The volume of GDP in 2022 is given based the Rosstat estimate dated February 20, 2023, source: https://rosstat.gov.ru/folder/313/document/198546

<sup>&</sup>lt;sup>3</sup> https://www.vedomosti.ru/economics/articles/2023/01/13/959014-rosstat-otsenil-inflyatsiyu

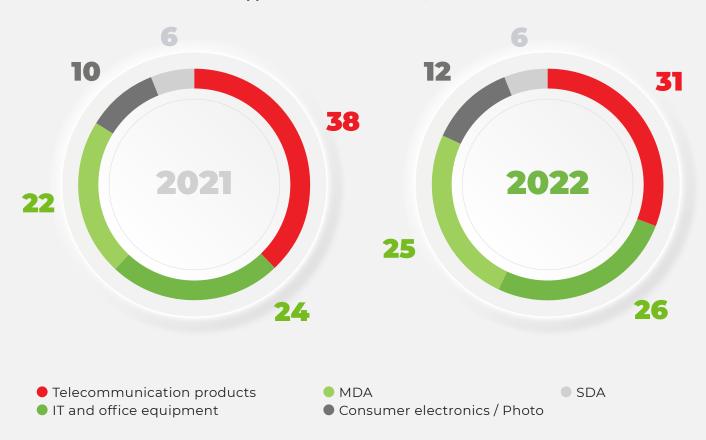
# RUSSIAN CE MARKET: DYNAMICS AND KEY TRENDS IN 2022

Sanctions, coupled with the withdrawal of large manufacturers from the Russian market, have had a significant impact on the structure of the household appliances and electronics segment. Amid the dollar rise and the announcement of the departure of brands in the first quarter of 2022, there was an increased demand for premium segment goods, especially in digital categories. In the second quarter, on the backdrop of high economic uncertainty, consumer electronics market experienced a noticeable decline. The situation was improved by Chinese and Turkish companies, as well as localized brands from Russia and the CIS, offering high quality goods at lower prices, which adjusted the overall annual sales trend.

Overall, the current situation opens up a whole range of opportunities for new brands: new players are entering the Russian market, transactions are taking place to transfer production in Russia. At the same time, the consumer, for its part, is willing to test out new brands.

Nonetheless, the Russian home appliances and electronics market ended 2022 with negative dynamics, losing about 8% in volume. Meanwhile, the dynamics proved uneven: for example, demand for smart speakers increased by 80%, sales of dryers, air conditioners and computer monitors increased by 25-30%. Against the backdrop of turbulence, the market structure also experienced a change, with a noticeable reduction in the turnover of telecommunications products against the backdrop of restrictions on the supply of key brands.

#### Market structure of household appliances and electronics, %



In most product categories, Russians yielded the highest demand in the middle and upper price segments, that is, consumers prefer to invest in more expensive and productive equipment, especially during the period of high demand in the first quarter of 2022 given ruble volatility.

In 2022, about 55% of the electronics market turnover came from offline sales, and about 45% from online. This ratio remains stable at the level of last year, following the explosive growth of online sales worldwide amid the pandemic. The trend towards increased demand for a number of categories in large appliances, as well as the increased need for professional advice as a result of changes in the product range, however, forms a counter-trend that supports the role of physical stores in choosing goods and making purchases.

#### CONSUMER ELECTRONICS LIFECYCLE<sup>1</sup>

2022 saw the continued downward trend in the number of consumer electronics devices in operation per household. This reflects a change in the structure of consumer electronics sales towards one-size-fits-all technical solutions that combine the functions of several devices against the backdrop of the expansion of information technology.

Consumer electronics is a durable product that, in times of economic instability, is usually only upgraded in cases of extreme necessity. That being said, a much more affordable alternative to replacing equipment, especially expensive, is its repair, leading to an extension of the full service life and a change in the format of demand.

#### **EXTENDED SERVICE LIFE**

In the periods of 2022–2023, the average life of consumer electronics in Russia will increase by 1.8% compared to 2021. Such a forecast is related directly to the reduction in efficient demand during the geopolitical crisis.

Parameter <sup>2</sup>	2018	2019	2020	2021	2022	2023
Average service life, years	5.8	5.7	5.7	5.6	5.7	5.7
Dynamics, % against the previous year	-3.8	-0.5	0.1	-2.5	1.2	0.7

#### **DIGITAL EQUIPMENT**

The major reason for the decline in the Russian telecom market is the reduction in supplies or the departure of large manufacturers given the sanction-imposed pressure. This factor had the greatest impact on the smartphone market, which lost up to a third of its size, rolling back to the 2020 level. Meanwhile, Chinese brands have significantly strengthened their positions, increasing their share of presence to 65% of the sales volume in pieces.

The expanded product range by Chinese brands for different needs and the expansion of the offer in the flagship niche contributes to the further mass penetration of a number of technologies and functions. 95% of the sold devices feature biometric sensors (88% a year earlier), 73% of smartphones pack a battery with over 5,000 mAh capacity (60% last year), the share devices with NFC remained at the same level of 2021 (70%), one in five supports 5G networks (10% a year earlier), the average screen size has been expanded from 5.8 to almost 6.2 inches, smartphones with a triple sensor of the main camera and a quad camera have taken up about 60%.

M.Video maintains interest in smartphones in the upper price segment owing to the availability of key new products, new brands, convenient shopping methods, personalized price offers, as well as installment and trade-in programs.

The Chinese brand Xiaomi became the leader in terms of unit sales in Russia. Sales of the brand-made devices take up about 25% of the piece volume of the smartphone market. For the first time in 10 years, the Korean brand Samsung has missed out on the top spot, taking the second position. Apple did not even make it to the top three, skipping Realme ahead, which significantly increased its share from 5% to about 15% in the Russian smartphone market.

In the telecom segment, the least negative dynamics in quantitative terms was accounted for by wearable devices, including smart watches, fitness trackers, children's watches, which lost about 10% against the background of consumers' focus on health and awareness, tracking indicators during sleep and exercise. Demand for push-button mobile phones further experience a little decline, losing less than 15% of sales due to continued demand among labor migrants, the elderly and children. These models are also relevant as a replacement for fixed-line home phones and for users who are worried about the safety of their data.

On the backdrop of the reduction of the most expensive categories, an increase in demand for related products is observed. The continued increase in the frequency of use of smartphones, the decrease in the frequency of their replacement and the increased need to ensure stable operation over an extended period of time – all further fuel the demand for wireless chargers, the market size of which added up to 5% in 2022.

The demand for headphones with Bluetooth connection is actively growing, which share is already amounts to about 60% in unit terms. The most popular type of headphones are fully wireless and autonomous in-ear True Wireless Stereo (TWS), which take up about 50% of the total volume.

Data provided by the research strategy agency DT-Team.

Data source: Federal State Statistics Service of the Russian Federation.

#### **HOME OFFICE EQUIPMENT**

The main growth drivers for the IT/office equipment market were desktop computers and monitors (+5% and +24%, respectively). Such computer equipment is used primarily for work or educational tasks, but the gaming segment is also expanding. Using purpose-built laptops, PCs and monitors, you can both play and tackle work and creative tasks that require more performance. At the same time, the demand for laptops yielded a negative trend against the backdrop of stabilization after outstripping demand growth in 2020-2021 in the wake of the pandemic and the development of remote and hybrid work formats.

Hard drives and network equipment further revealed high dynamics in quantitative terms (growth of about 8%), while a number of peripherals and printing products remain in demand.

Overall, the trend towards the choice of goods from the middle price segment in this sector, which accounts for more than a third of demand in monetary terms, is increasing. The product examples include laptops and tablets. Such equipment will work and will be relevant longer than the cheapest solutions, while the functionality and performance allow you to use them with comfort at the level of premium models.

#### **MAJOR DOMESTIC APPLIANCES**

Against the backdrop of expected supply problems and other sanctions restrictions, demand for major domestic appliances has increased. Consumers have opted for the advance upgrade of their devices. Major domestic appliances (refrigerators, washing machines, hobs, hoods, ovens, etc., including built-in models) in monetary terms grew by over 5% compared to 2021.

Premium technology and features are getting better and more affordable. In this regard, more and more goods of the middle price segment appear on the Russian market, packing the functionality of more expensive models. The shift in consumer demand occurs towards the middle price segment as well. Dishwashers have gained massive popularity, which introduction into our market is still significantly inferior to the level of advanced economies. The demand for induction hobs has grown, and the function of expanding the heating zone of the burners and programmed on/off feature has become more relevant. Integrated washer-dryers are also becoming more popular.

An additional support for the demand for large household appliances was the expansion of the residential real estate market.

We expect the Group to sell on average one in three large-sized home and kitchen products, in the above-average segments, while M.Video-Eldorado accounts for about half of market sales

M.Video-Eldorado sells **every 3**<sup>d</sup> major domestic appliance in Russia

Over 5% growth in the segment of major domestic appliances in money terms in 2022

#### **SMALL HOME APPLIANCES**

At the end of 2022, the segment of small domestic appliances decreased by less than 15% on the backdrop of saturation of demand after increased levels of the pandemic and post-pandemic periods under remote work-format conditions and high isolation of consumers who have concentrated on domestic comfort and facilitating work at home.

Meanwhile, innovative products such as robot vacuum cleaners or upright vacuum cleaners go on to show growth in quantitative terms. Beauty and care products have also become more popular: for example, the demand for electric shavers in quantitative terms increased by 10%, for trimmers by 20%, and for laser hair removal devices by two times.

# Demand in the small domestic appliances segment is shifting towards innovative products

#### **CONSUMER ELECTRONICS / PHOTO**

Smart speakers still show the most significant growth in the segment of consumer electronics and photographic equipment, the demand for which increased by 80% over the year in quantitative terms. About a third of the devices were purchased by Russian customers in December, making smart speakers one of the most popular tech Christmas gifts. Sales of these devices at the end of 2022 reached nearly 3 million pieces. The devices with Alice by Yandex became the most popular among Russian buyers. The spread of smart speakers is facilitated by the release of new products and the expansion of their capabilities, the trend for voice communication and the growing popularity of smart home ecosystems and technologies, with the support devices boasting significant growth rates as well. The most common devices include controlled sockets, lamps, motion sensors, devices for controlling curtains, air conditioners and TV, as well as video surveillance cameras.

M.Video-Eldorado Group estimated that in 2022 Russian customers purchased a little more than 6 million TVs, three-quarters of which turned out to support Smart TV (only in M. Video-Eldorado, the share of smart TVs exceeded 80%). Every tenth of the total number of TVs purchased by Russian buyers featured voice assistants and content platforms from Russian developers, (applications for watching videos, entertainment, games, etc.) i.e. Yandex or Sberbank. The popularity of digital services, loads of video content, the expansion of the range of TVs in various price segments, including through new manufacturers, Chinese brands and private labels, contribute to the mass popularity of smart TVs. In turn, an increase in the choice of high-quality content, the popularity of home leisure formats, including gaming, affect the growing popularity of TVs with 4K resolution (Ultra HD) and diagonals over 55 inches. 4K TV models accounted for about 45% of market sales; sales of models features 55-inch or more screens increased by about 10%, with more than 60% of TVs in models from 30 to 45 inches.

Russian customers go on to opt for LED panels with an optimal ratio of advanced features for a high-quality realistic image, however, the choice of solutions with patented technologies from manufacturers has increased significantly, mainly due to leading Chinese brands. In addition to Samsung, models from Hisense and Toshiba, and Haier featuring QLED technology are widely represented in M.Video and Eldorado; Grundig and Hisense are available with OLED just as Philips, LG and Sony; realme TVs have appeared in the range packing SLED technology.

In the TV category, despite the challenges imposed last year, M.Video-Eldorado Group has stabilized the situation with the product range. To expand the product range, we are raising new partners and manufacturers (Chinese realme and Artel from Uzbekistan, in the spring of 2022, together with Sber, launched the Sber brand of affordable and smart devices), we continue to interact with the available pool of brands, further expanding the selection of their products. The variability is preserved in wide screen diagonals and high-resolution models. There are original TVs of well-known brands to choose from, while brands such as Hisense and Toshiba, Haier and Grundig are actively reinforcing their positions. M.Video and Eldorado continue to introduce technology and meet demand also with their own brands Novex and Hi at competitive prices, included in the top five in-house sales.



# 2.3 STRATEGIC PRIORITIES

Faced with high uncertainty, the Group is adjusting its strategy and using all the accumulated expertise, knowledge and experience to provide buyers with in-demand household appliances and electronics at competitive prices. Given constantly changing market conditions, we expect to update our medium-term forecasts as the situation normalizes.

Our focus is on reinforcing the positions of M.Video-Eldorado Group as the main center for meeting the needs of Russians in household appliances and electronics, as well as restoring leadership on this market

There is currently a high level of long-term unpredictability following the dramatic changes in market structure, logistics and the overall macroeconomic environment that was observed in 2022. At the same time, the key strategic priorities of M.Video-Eldorado Group remain unchanged, that is, to be the first destination for consumer electronics with the best products, offering unique seamless multi-channel services for customers.

In this situation, in a constantly changing external environment, we are focusing on our core retail development expertise, formed as a result of extensive successful experience in establishing two leading retail brands. We strive to build up an environment for customers to satisfy any request related to home appliances and electronics. This means both access to a wide range of technology and innovative products, as well as offering high-quality consulting support, coupled with the option to opt for the best solution. This way, we increase customer loyalty, reduce the risk of them switching to competitors, and enhance the perception of our brands as the first choice for addressing safety issues.

M.Video-Eldorado Group brands are leaders in the Russian market among electronics sellers and marketplaces in terms of the share of respondents who named the brand by heart in the first place (Top of Mind) —

35%

The ever-changing market conditions encourage us to plan our strategic priorities taking into account various scenarios, while maintaining the Group flexibility and adaptability.

M.Video-Eldorado priorities in 2022 were focused primarily on tackling the tasks of stabilizing business operations, maintaining operational efficiency, adapting key business units to new market conditions and returning opportunities for customers to fulfill their needs for purchasing household appliances and electronics.

The successful completion of 2022 has reflected our ability to withstand shocks and challenges, and we intend to build further strategic development on the basis of an updated operating model that has proven to be reliable in the challenging reporting period. We rely on the key competitive edges of M.Video-Eldorado Group: an expert portfolio, the creation of an exceptional customer experience, an up-to-date digital platform, as well as the great experience and involvement of the combined brand team.

The Group identifies major and strategically significant areas that it focuses on during a period of high turbulence and market uncertainty:



GROWTH THROUGH THE DEVELOPMENT OF A VALUE PROPOSITION FOR CUSTOMERS



ENHANCING THE EFFICIENCY OF BUSINESS OPERATIONS

<sup>&</sup>lt;sup>1</sup> "M.Video-Eldorado Group brands" here means the total rate of spontaneous mention of the M.Video brand in the first place or the Eldorado brand in the first place. According to a quantitative marketing tracking survey conducted by Millward Brown ARMI-Marketing, LLC for the period from 07.04.2022 to 12.25.2022 among 3,825 respondents living in 348 cities in Russia.

#### **VALUE PROPOSITION**

The pandemic, followed by the change in the market supply of household appliances and electronics in 2022, are making adjustments to buying behavior, bringing to the fore new factors in choosing a place to shop. The ability to make a well-informed choice in a constantly changing market offer, the availability of the right product, its reliability, and security in the event of a malfunction are factors that did not play a significant role in the purchase of household appliances and electronics a year ago, today they come to the fore. The ways of interaction that have evolved during the lockdown, i.e. the ability to select a product and make purchases 24/7 in any convenient place, quickly switch between touch points, access to the full offer in digital channels, remain relevant and integrate with the previous need for

a direct experience of interacting with the product and obtaining expertise from a consultant in person.

#### M.VIDEO-ELDORADO GROUP WILL CONTINUE TO EXPAND ITS VALUE PROPOSITION CENTERED AROUND KEY CUSTOMER NEEDS:

**Assortment** – extending the best expert product range on the market

**Expertise** – being close to the customer when the need arises and providing a fun shopping experience

**Service** – providing a comprehensive solution to customer needs

**Benefits** – providing a market-leading balance of purchase price and added value

#### **ASSORTMENT**

The Group is committed to providing customers with the best expert range on the market, covering 100% of customer needs.

The change in the structure of suppliers that has taken place on the market, including the withdrawal or reduction of the presence of a number of global trade brands of household appliances and electronics, and the development of cooperation parameters, urge a change in approach to providing buyers with a sought-after product range. New conditions set the course for a high level of flexibility and adaptability of supply chains. Under these conditions, one of the Group's key priorities is to ensure sustainable channels for the purchase of goods and their diversification.

To this end, we are elaborating on a set of initiatives aimed at meeting the needs of our customers and providing goods in various categories and price segments.

To replace the supplies of brands and distributors that left the Russian market, the Group began to actively strengthen and expand its own import operations. At the same time, we expect to develop both long-term agreements with suppliers that involve the traditional format of pre-planning the supply of the main assortment, and maintain an additional flexible reserve network of partners for spot purchases as necessary. This approach enables us to ensure maximum stability of supply and the stable availability of product range for customers.

The Group continues to focus on building long-term partnerships. We have also accumulated significant experience in introducing new and unfamiliar brands to the market, which allows us to develop a product offer that distinguishes the Company from the competitive environment and provides customers with profitable products and services traditionally expected from M.Video-Eldorado. We expect to develop both new brands from Turkey, China and the CIS countries, as well as products under our own brand.

86%

of Russians are willing to buy new or little-known electronics brands, 83% are convinced that manufacturers from China, Turkey, Russia and the CIS countries will be able to compete with products from a number of well-known brands<sup>1</sup>

As a strategically significant direction, the Group also considers the expansion of its own marketplace, which allows supplementing the main range of product categories of household appliances and electronics with complementary positions and products, as well as enhancing the representation of goods from an expanded list of categories, including sports goods, gardening tools, etc.

All offers of the updated range are carefully selected for quality and reliability. The Group boasts a long-standing reputation and image as a seller of high quality goods, which it maintains, among other things, by providing a full guarantee for all items sold. We do not strive to pack everything that exists on the market on the shelves: we understand that the choice of safety equipment is one of the most difficult stages for the customer. We help our customers make the choice easy by selecting and offering the best range that covers all needs, relying on many years of expertise of M.Video-Eldorado Group and a deep understanding of the needs of a wide variety of customers.

#### **BEST CUSTOMER EXPERIENCE**

The Group aims to be at the customer's side whenever an expert in household appliances and electronics is needed, and to ensure that customers enjoy every purchase they make, from selection to use.

**Proximity to the customer and quality of interaction** are key components of the experience.

M.Video-Eldorado operates 1,226 stores in Russia, a website and a mobile app with about 2 million unique visitors daily. The development of a digital platform that connects all touchpoints and provides a seamless cross-channel experience remains an important strategic focus for the Group.

bln customer contacts in 2022

Over 100 mln

M.Video and Eldorado brand loyalty cards

# M.Video has the most attractive loyalty program on the household appliances and electronics market<sup>1</sup>

On top of the existing successful store formats, the Group continues to look for new opportunities to get closer to customers and is developing a new highly efficient M.Compact format that will allow it to become even closer to customers, expand into new geography and realize additional potential for expanding its loyal customer base.

M.Video-Eldorado further plans to expand partnerships in digital channels to develop opportunities for contact with potential buyers beyond its own touch points, presenting the assortment on alternative sites, while maintaining a focus on ensuring audience loyalty.

<sup>&</sup>lt;sup>1</sup> Data provided by the M.Video-Eldorado online survey, conducted by questioning 2,000 respondents aged 18–54 years in July 2022.

According to a quantitative marketing tracking survey conducted by Millward Brown ARMI-Marketing, LLC for the period from 07.04.2022 to 12.25.2022 among 3,825 respondents living in 348 cities in Russia. The largest number of respondents agreed that the M.Video brand offers attractive loyalty program conditions

The quality of service and deep understanding of the customer has always distinguished M.Video-Eldorado in the competitive field, and we will continue to focus on the strategic aspects of interaction with our customers, i.e. the development of various delivery methods, expertise in all directions, taking into account customer preferences and improving interaction processes that reduce customer efforts and enhance the shopping experience.

#### **SERVICE**

A broad service offering is another strategic priority for the Group, and it implements the rules of selling a «turnkey solution» and fulfilling the full mission of the buyer, as opposed to focusing only on the main product. We attach particular importance to developing an ecosystem of goods and services around household appliances and electronics as one of the main factors of customer satisfaction.

Within the service offer, the main role is played by traditional services related to the sale of household appliances and electronics: delivery, installation, and configuration. At the same time, the development of such an ecosystem takes place both around traditional goods and innovative categories. In particular, M.Video-Eldorado attaches the priority to the formation

of subscription services and the development of services related to the smart home ecosystem technology.

The entry of a large number of new manufacturers into the market and the curtailment of service support by global brands increase the importance of warranty and postwarranty service issues for buyers. As part of this trend, the Group plans to focus both on extending warranty service for any branded and new brands sold, and on providing a wide range of additional tools – extended warranty, product insurance – allowing customers to be confident that the purchased goods will serve them for a long time.

#### **FINANCIAL AND TECHNICAL INSTRUMENTS**

A separate focus for M.Video-Eldorado Group is the development of financial and technical instruments.

A wide range of financial instruments removes the limitations of customers to meet the needs of home appliances and electronics here and now. Lending, installment plans, complementary insurance products, BNPL, any convenient payment methods will significantly expand the possibilities when buying a range of goods.

Our advantage along these lines is supported both by high investments in digital transformation and the expansion of IT platforms in previous periods, and by the presence of Direct Credit LLC in the Group, which is the No. 1 brokerage platform in terms of the volume of loans issued.

# Direct Credit is No. 1 credit broker in terms of the volume of loans issued in the Russian market<sup>1</sup>

One of the competitive edges of M.Video-Eldorado is an innovative consumer lending platform, owing to which the Group provides a comprehensive offer for customers, including the most profitable loan with an approval rate of over 75%. In addition, lending through the platform allows customers to significantly reduce the time for repeated purchases: most fields are filled out automatically, documents in an online order can be signed via a text message, there are additional services such as insurance, legal support, credit history saving.

#### **BENEFIT**

These elements of the value proposition, coupled with promo and a loyalty program for regular customers, will enable M.Video-Eldorado Group to remain highly attractive and offer customers the most profitable offers for a wide range of products. **While maintaining a strategic focus on creating value for customers**, we will continue to maintain market leadership and win the love of customers by expanding our active customer base.

#### **OPERATIONS EFFICIENCY**

In response to new market and macroeconomic conditions, M.Video-Eldorado Group is adapting its existing strategy and reconfiguring current business processes, forming a sustainable and efficient model for developing leadership in the Russian home appliances and electronics market.

The strategic priority is to ensure sustainability and enhance the business operational efficiency. Facing high rates of technology development and the formation of best practices, the Group sees an opportunity to optimize regular processes, taking into account the best practices in the market.

In terms of operating expenses, M.Video-Eldorado will continue to work to control costs and improve efficiency in all key areas. As regards to rental costs, we will continue to build long-term optimal agreements with landlords to ensure the improvement of rental rates, while not excluding the possibility of closing or relocating unprofitable, in terms of rentals and stores. In terms of personnel costs, we will attach particular importance to enhancing the efficiency of retail employees, which translates into an increase in overall sales. In terms of marketing spending, efficiency and return on spending will be enhanced through the development of a co-branding approach and prioritization of promotion channels, taking into account a long-term strategy to attract and retain customers.

The Group also sees the optimization of logistics operations among the sources of efficiency improvement, which will increase the connectivity of warehouses at different levels, their productivity and, as a result, expand the availability of goods for points of sale, and, as a result, the assortment offer for buyers, as well as the speed of delivery while maintaining optimal parameters commodity stocks. At the same time, we remain focused on further enhancing the efficiency of regular processes in all business facets, including automation, unification, and restructuring of irrelevant processes.

Product portfolio optimization will increase the return on investment in the expansion of digital channels, products and customer touchpoints by prioritizing projects while maintaining control over their relevance. The transformation of the development and interaction processes will ensure high reliability and cost-efficiency of the Group's digital services and internal processes, including the development of proprietary technologies and the optimization of IT solutions used.

The business model that combines online and physical retail remains the strategic focus of M.Video-Eldorado Group. At the same time, ONE RETAIL continues to be our competitive advantage as the technology platform that unifies our mobile apps, websites and retail stores into a single omnichannel consumer experience. In 2023, the Group plans to further expand the functionality of the platform to improve the offering of digital services, data and solutions for suppliers and key partners.

At the end of 2022, own analysis based on data from Frank RG.

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# 2.4 BUSINESS MODEL

BUSINESS FOCUS: Efficient Retail through Improvement of Retail Expertise, Online Business, Technologies, and Logistic Processes

#### Stability and development amid turbulence:

- > providing a wide assortment
- improving expertise in consumer electronics
- > enhancing efficiency through best IT practices in customer service and business processes

M.Video-Eldorado offers a seamless customer experience due to a developed technological platform, market expertise and flexible business processes



**156** th SKUs assortment is almost

**51** mln user app at the level of 2021 installs

**2.3** p.p. — gross margin growth

~RUB **24** bln cost optimization in 2022

>100 mln people

total number of participants in the M.Video and Eldorado loyalty programs

Growth in operational efficiency through brand strategy adaptation

М.видео ЭПЬДОРАДО.ВИ

Elaborating on a new store format



**M.Compact** 

Launching an in-house IT company



M.Tech

#### ASSORTMENT DEVELOPMENT

- > Reinforcement of existing partnerships and new agreements with brands from Turkey, China, and the CIS countries
- Development of innovative categories (smart home)
- Development of in-house marketplace doubling the range and number of partners
- Development of own brands nearly 400 items of equipment in 37 popular categories

#### **ECOSYSTEM APPROACH**

- Own warranty support
- Credit programs, payment instruments, insurance and development of other fintech solutions
- > Loyalty programs, promotions and events for buyers
- Accessories and additional services

**366** cities

Digital content enriching the customer experience

#### **EFFICIENT BUSINESS PROCESSES**

- ▶ Launch of direct import by the end of 2022, 15 countries
- of goods
- solutions

#### Creating value for stakeholders in 2022

#### **Shareholders and investors**

24%

—free float

### RUB 1.6 bln

bond coupons paid

Successful placement of the 3rd issue of bonds with the participation of a broad market

#### **Customers**

>3.5 mln

orders delivered (98% on time)

### over **97**%

of the retail network preserved

40%

share of orders ready for pickup within 15 minutes

**1.3** bln

customer contacts per year

are small businesses

Expansion of own electronics marketplace, 25% of partners

#### **Suppliers and partners**

**Employees** 

culture

High level

conditions

Secure jobs in crisis

**"0-accident"** safety

of engagement

- Expansion of the number of suppliers and introduction of new brands on the Russian market
- Development of cooperation with the largest marketplaces

Community

Price-freeze for socially important CE equipment during a period of high ruble volatility

### > **1,500** tonnes

of electronics collected and transferred for proper recycling

RUB 4.7 bln

— in taxes and contributions to extra-budgetary funds

- agreements were signed with suppliers from over
- New formats of fulfillment processes and storage
- > Import substitution in IT: implementing in-house

Infrastructure and logistics:

**1,226** stores in

7 central distribution warehouses

**54** regional multi-platforms

ESG FOCUS: commitment to the rules of sustainable development and their integration into all aspects of activities











# 2.5 OPERATING AND FINANCIAL RESULTS

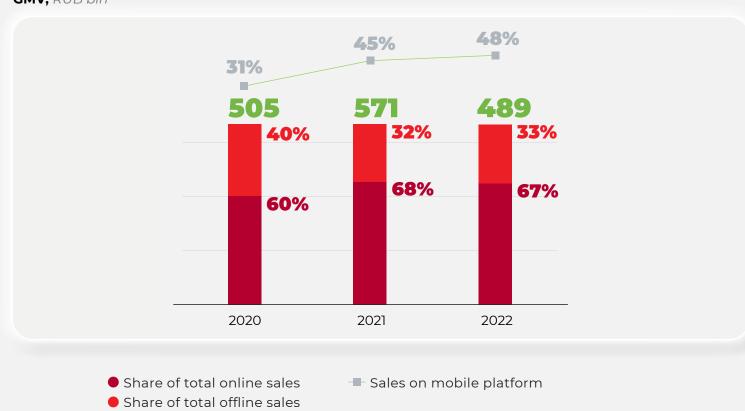
#### **GROUP OPERATING RESULTS FOR 2022**

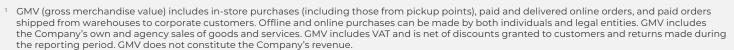
At the end of 2022, the total sales of GMV M.Video-Eldorado decreased by 14.3%, which was caused by macroeconomic uncertainty, an unstable situation with supplies and departure, or the suspension of a number of well-known brands' operation in Russia

GMV<sup>1</sup> of M.Video-Eldorado Group decreased in 2022 by 14% to RUB 489 billion (VAT included). Combined online sales<sup>2</sup> amounted to RUB 327 billion (VAT included) or 67% of GMV Group.

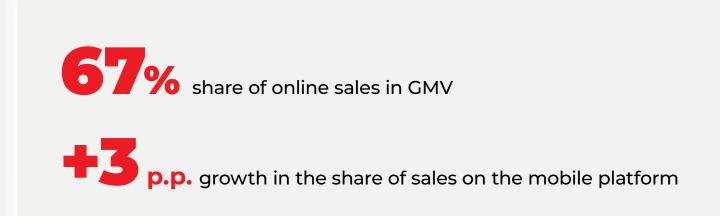
The Group continued to expand the ONE RETAIL mobile platform, whose share in total turnover increased by 3 p.p. and reached 48%, including through the transfer of users from the website to mobile products. This enables the Group to increasingly communicate directly with customers and use promotional and advertising mechanisms more effectively.







<sup>&</sup>lt;sup>2</sup> In accordance with the ONE RETAIL model, combined online sales of M.Video-Eldorado Group take into account all sales to authorized customers via the Internet, including home delivery, pickup and sales registered in stores through the seller's mobile app. Sales through the seller's mobile application are currently only available in M.Video stores.

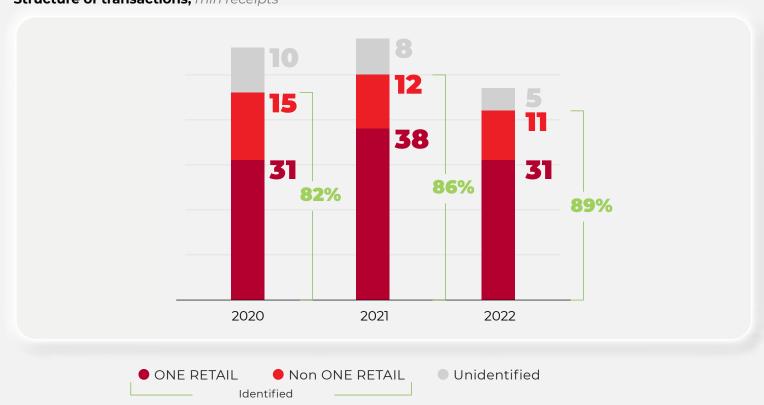


Traffic, including online and in-store visits, totaled 1.3 billion visits, down a modest 7.2% year-on-year amid general turbulence and a decline in mall traffic due to the exit of a number of brands from the Russian market. Meanwhile, traffic in the client mobile app grew by 32% year-on-year, reaching 35% of total traffic.

M.Video and Eldorado custom mobile app installs reached 51 million, up 73% year-on-year, with 5.6 million monthly active buyer mobile app users (MAUs).

The number of active identified customers was 18.3 million, of which 62% are ONE RETAIL customers, i.e. active identified customers who make purchases through the buyer's mobile application, seller mobile app or on the Group's web platform. At the same time, the share of transactions of ONE RETAIL customers reached 66%. The share of unidentified transactions made by unidentified clients decreased by 3 p.p., amounting to just over 10% of the total number of receipts.

#### Structure of transactions, mln receipts



89% share of identified transactions

55% share of ONE DETAIL transactions

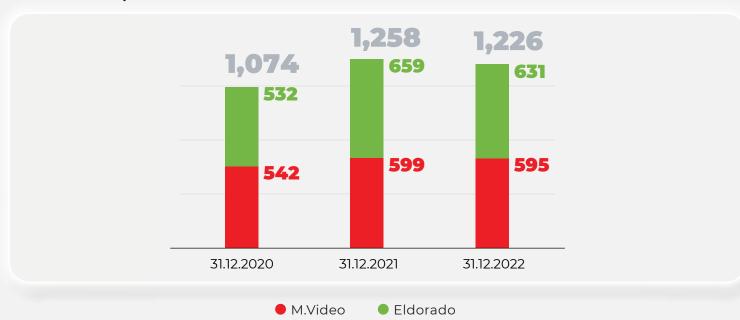
Faced with the general volatility of the home appliances and electronics market in 2022, the Group's sales also showed non-standard seasonality. In the first quarter, the investment demand for premium equipment made it possible for the Group to show a sales growth rate outstrip the market. Starting from the second quarter, amid high economic uncertainty, an unstable situation with supplies and the withdrawal or suspension of activities in the Russian Federation of a number of well-known brands previously presented in stores and on the Group's website, there was a slowdown in sales.

At the same time, the turnover of M.Video-Eldorado during the period of demand cooling was additionally supported by the following factors:

- up to six times growth in sales of private label equipment against the backdrop of changes in the range of electronics on the Russian market and growing consumer interest in the low and medium price segments. In 2022, the Group increased the offer of Novex and Hi trademarks to about 400 items in 37 popular categories. The top sellers are TV sets and accessories, refrigerators, climate control equipment, built-in appliances, washing machines, vacuum cleaners, dishwashers, miscellaneous kitchen appliances and personal care products. The demand for electric toothbrushes has grown six times, four times for vacuum cleaners, three times for freezers and dishwashers, and two times for air conditioners;
- increased sales of brands from China, Turkey, Belarus and other CIS countries —
  the demand for brands such as Haier, Beko, Candy, Vityaz, Hisense, Grundig, etc. within
  the Group has doubled compared to last year;
- building import procurement and logistics processes, raising new partnerships both as part
  of direct electronics purchases and in the marketplace format to ensure the availability
  of the demanded product range in retail and online sales. At the end of 2022, the share
  of imported goods in turnover was about 25%;
- launch of updated loan products and programs, including expansion of the range of equipment available for purchase under installment programs. An increase in the period of validity of loans without overpayments to 30 months further contributed to the recovery of loan sales to the 2021 level;
- more than a threefold increase in the turnover of its own marketplace on the backdrop
  of more than a doubling of the available range of equipment and electronics to 110,000
  items. In 2022, the number of partners of the M.Video-Eldorado marketplace doubled,
  with about 25% being suppliers, i.e. small businesses;
- 9% year-on-year sales growth during Black Friday (November 1–7) due to the efficient organization and implementation of an advertising campaign.

In 2022, M.Video-Eldorado Group generally maintained its network scale, despite the suspension of expansion amid the high level of market uncertainty. The decrease of 32 stores was due to the regular closure of inefficient stores and was at a level comparable to previous periods. As of December 31, 2022, M.Video-Eldorado Group is represented in 366 cities and comprises 1,226 stores.

#### **Number of Group stores**



#### **GROUP FINANCIAL RESULTS FOR 2022**

Key financial indicators of M.Video-Eldorado Group in 2022:

- · revenue decreased by 15.5% year-on-year to RUB 402 billion;
- · gross profit increased by 2.3 p.p. year-on-year to 20.6% and amounted to RUB 83 billion;
- · selling, general and administrative expenses (SG&A) excluding depreciation amounted to RUB 69 billion and decreased by 17.9% to comparable costs in 2021<sup>1</sup>;
- the adjusted EBITDA<sup>2</sup> increased by 69% year-on-year to RUB 15.5 billion, the pre-adjusted
- EBITDA amounted to RUB 14.4 billion;
- the adjusted EBITDA margin increased by 1.9 p.p. and amounted to 3.8%, the pre-adjustment figure was 3.6%;
- the adjusted net loss<sup>2</sup> decreased by 10.2% to RUB 6.7 billion;

adjustment and there are all grounds for writing off accrued liabilities.

• the net debt as of December 31, 2022 amounted to RUB 65.5 billion (14.7% increase compared to December 31, 2021), net debt/adjusted EBITDA of 4.2x (compared to 6.3x as of December 31, 2021).

For comparability purposes, the data is presented without taking into account the SLA adjustment as a result of changes in accounting estimates for leases in 2021. The Group has reviewed the leases for which it has considered an adjustment for the straight line recognition of lease expenses. As a result of the massive renegotiation of lease agreements in 2020, the Group concluded that there are no grounds for further accrual of this

Adjusted EBITDA and net income for 2021 are based on restated figures and exclude the one-off transactions: income from revaluation and sale

mln RUB (excluding VAT)	IAS 17		year-on-	IAS 16		year-on-
	2022	20211	year, %	2022	2021	year, %
Revenue	402,462	476,364	-15.5	402,462	476,364	-15.5
Gross profit	83,045	87,520	-5.1	83,107	87,579	-5.1
Gross margin, %	20.6	18.4	+2.3 p.p.	20.6	18.4	+2.3 p.p.
Adjusted EBITDA	15,476	9,132	69.5	34,828	25,294	37.7
Adjusted EBITDA margin, %	3.8	1.9	+1.9 p.p.	8.7	5.3	+3.3 p.p.
Adjusted net loss	-6,725	-7,489	-10.2	-9,472	-12,814	-26.1

#### **REVENUE**

M.Video-Eldorado Group's revenue decreased by 15.5% year-on-year to RUB 402 billion against the backdrop of a high level of volatility in the home appliances and electronics market in 2022, the withdrawal or suspension of activities in the Russian market of a number of global brands.

#### **GROSS PROFIT**

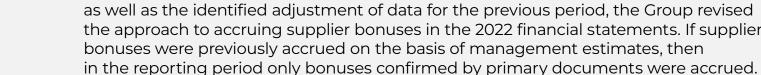
The gross margin increased by 2.3 p.p. year-on-year to 20.6%, while in absolute terms, gross profit decreased by 5.1% year-on-year to RUB 83 billion. The key factors that supported the gross profit include:

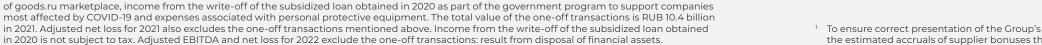
- · change in the sales mix by category with a reduction in the share of sales of low-margin categories of phones of individual brands;
- · updating commercial conditions with suppliers and increasing the involvement of suppliers in the Company's business processes through the development of a technological platform and the supplier's personal account, as well as improving analytics systems;
- improving warehouse logistics and "last-mile" processes.

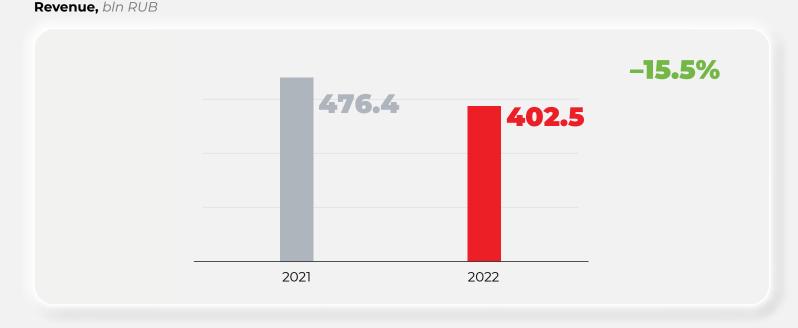
In preparing the consolidated financial statements for 2022, the Group reversed part of the bonuses receivable from suppliers for 2021, which was accrued on the basis of preliminary estimates and was not subsequently confirmed by the final agreements with suppliers.

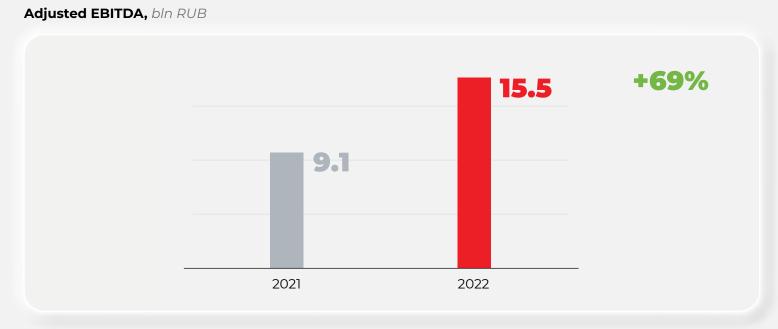
The valuation approach to bonus accrual has been used by the Group for many reporting periods and has always been validated by suppliers.

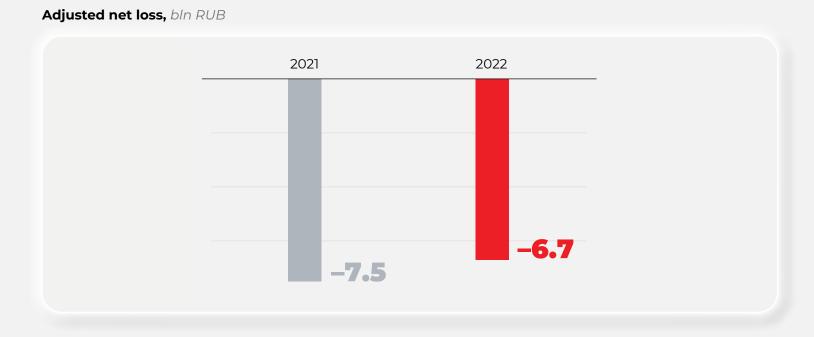
Given the high level of uncertainty in the current operating environment, as well as the identified adjustment of data for the previous period, the Group revised the approach to accruing supplier bonuses in the 2022 financial statements. If supplier bonuses were previously accrued on the basis of management estimates, then











To ensure correct presentation of the Group's annual financial results, the 2021 financial statements were adjusted to exclude from the 2021 results the estimated accruals of supplier bonuses that were not confirmed later.

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#### **SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (SG&A)**

Since April 2022, the Group has been implementing a program to reduce SG&A by improving operational efficiency. As a result, savings on comparable SG&A expenses, excluding SLA adjustment<sup>1</sup> and amortization, reached RUB 14.9 billion or 17.9% in 2022, despite a significant share of fixed costs. The key factors behind the change in operating expenses were:

- reduced share of personnel costs in revenue by 0.2 p.p. up to 5.8% as a result of optimization of management levels and process automation;
- reduction in advertising and marketing costs as a percentage of revenue by 0.4 p.p. up to 1.3% due to prioritization of more efficient promotion channels, consolidation of advertising campaigns of two brands and development of communication through the in-house mobile platform;
- decrease in other expenses by 0.1 p.p. up to 1.5% through the implementation of a program to improve business operational efficiency;
- rental and utility costs decreased by RUB 2.1 billion as a result of reaching agreements with landlords to switch stores to variable rent as a percentage of revenue and/or receive discounts on fixed rental payments. At the same time, the growth of the relative indicator of revenue by 0.4 p.p. was due to high expenses in early 2022 on the backdrop of a surge in sales in February–March, as well as additional, compared to 2021, rental costs for a large number of new stores opened at the end of 2021;
- decrease in bank expenses by 0.2 p.p. up to 0.9% by reducing the cost of acquiring and collection.

Depreciation expenses increased in the reporting period to RUB 11.7 billion compared to RUB 8.9 billion a year earlier due to the introduction of a number of technological developments that were the result of significant investments in IT during 2021.

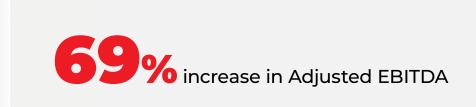
UB 24 bln

— cumulative decrease in like-for-like SG&A¹ excluding depreciation and investment costs in 2022 year-on-year

66%
share of ONE RETAIL transactions

#### ADJUSTED EBITDA

Adjusted EBITDA increased by 69% year-on-year and reached RUB 15.5 billion, adjusted EBITDA margin increased by 1.9 p.p. year-on-year to 3.8% in 2022 due to gross margin growth.



#### **ADJUSTED NET LOSS**

The adjusted net loss of the Group in 2022 decreased by 10.2% and amounted to RUB 6.7 billion compared to RUB 7.5 billion loss for 2021 on the backdrop of lower sales, significant finance costs and depreciation costs.

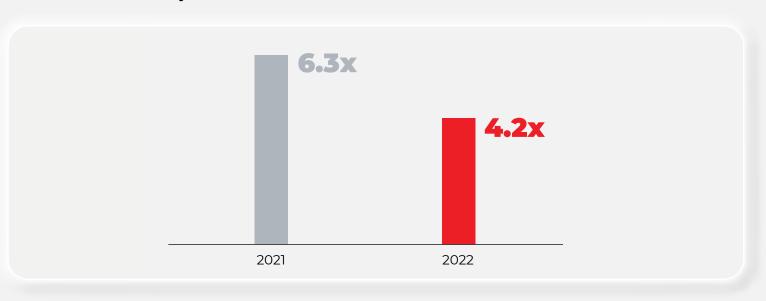
#### **DEBT**

As at December 31, 2022, the Group's total debt increased by RUB 26.5 billion year-on-year to RUB 95.7 billion, while cash and cash equivalents increased by RUB 18.1 billion at the end of the reporting period compared to December 31, 2021 to RUB 30.2 billion.

The Group's net debt at the end of the reporting period increased by RUB 8.4 billion year-on-year and amounted to RUB 65.5 billion. The main reasons for the increase in net debt are the launch of parallel imports and the need to advance import deliveries in the context of low penetration of financial instruments due to the unstable geopolitical situation. All debt obligations of the Group are denominated in rubles.

As a result, the net debt/EBITDA ratio at December 31, 2022 was 4.2x, a decrease of 2.0x compared to December 31, 2021.

#### Net debt under IAS 17/adjusted EBITDA under IAS 17



The audited consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) for the twelve months ended December 31, 2022 are posted on the corporate website of M.Video-Eldorado Group. [2-4]

Indicators are expressed without SLA-adjustment for comparability. In 2021, the Group reviewed lease agreements which were subject to a straight line adjustment (SLA) for smooth recognition of lease expenses. Having renegotiated lease terms en masse in 2020, the Group found no grounds to further apply such an adjustment, deeming it reasonable and necessary to write off the accrued expenses.



# **3.1 OUR ASSORTMENT**

# In 2022, M.Video-Eldorado set out to maintain the range of in-demand appliances and new products at the most attractive prices

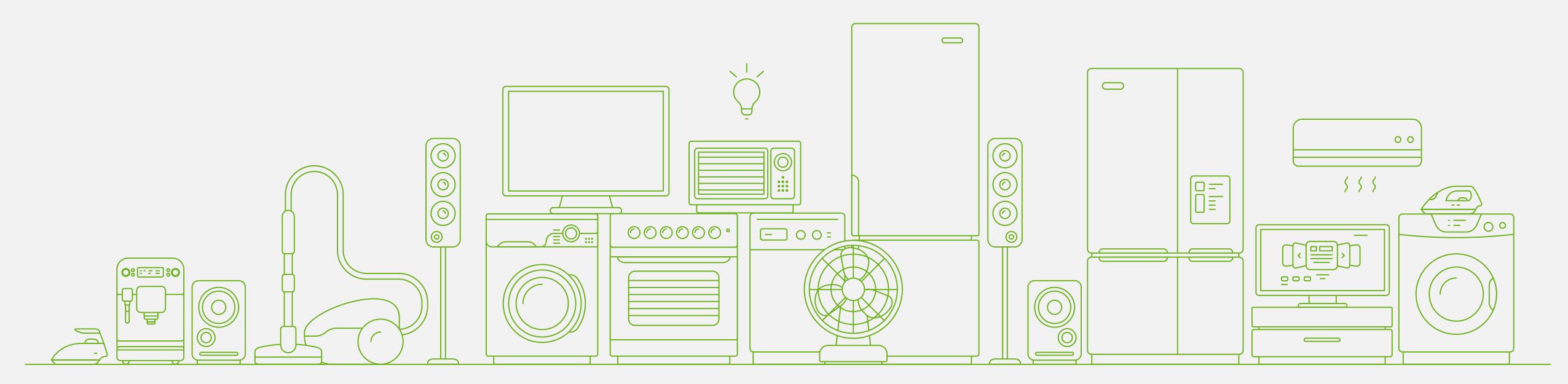
Manufacturers suspending operations in Russia, fraught logistics and customer demand volatility posed unprecedented challenges to M.Video-Eldorado Group and the entire Russian consumer electronics (CE) and home appliances market. We adjusted our business processes and operations, focusing on customer needs and our own efficiency.

To develop its assortment, M.Video-Eldorado Group continued to work with various manufacturers through direct supplies and distributors, built its own import operations and logistics from the ground up, attracted new partners, and scaled up the marketplace and partner product sales for a fee, enriching the range of appliances and complementary products.

The Company remains a trendsetter with the right assortment being its strong suit. We offer unique products each and every year

In 2022, we made new friends — Haier, Artel, Hisense, Thunderobot, LitRes and others — and created new categories in stores — power tools, backpacks, stationery, e-books

Our successful efforts consistently provided Russian customers with familiar and new appliance brands in response to their budget and features, while the product range in most major categories corresponded to the beginning of the year.



#### **CEMENTING AND ATTRACTING PARTNERSHIPS**

To expand our assortment and meet the needs of different customer groups, we can not do without long-term and trusting relationships with suppliers and partners.

The year under review marked stronger positions of Turkish and Chinese brands as well as manufacturers from the CIS. Chinese Xiaomi and realme topped the smartphone segment, while Tecno, POCO, Infinix and some other brands from China bolstered their positions and expanded the product range. Haier, Beko, Grundig, Candy, Midea, Gorenje, and Hisense also gained traction in major categories of home appliances. Demand for Russian, Belorussian and Uzbek brands that offer sought-after features in basic and middle price segments became 1.5–2 times higher. First and foremost, it is related to refrigerators and freezers, washing machines, stoves and kitchen hoods. The most popular CIS brands are Gefest, Darina, Flama, Vityaz, Atlant, Kraft, Elikor, and Artel.

This year saw about 1,000 new areas in M.Video and Eldorado stores to discover new brands, and 4,000 branded spaces from 70 manufacturers in total. With that, M.Video and Eldorado customers retain interest in those who limited their presence in the Russian market, namely, Apple and Samsung new and previous-generation devices.

#### We pioneered IPhone 14 sales with our own warranty

#### **STORE-WITHIN-A-STORE**

M.Video-Eldorado Group continues to develop retail stores as technology showrooms and introduces Russian people to new names and solutions in the market of consumer and digital electronics.

Over the past year, we have increased the number of branded spaces in our stores so manufacturers can strengthen their positions in the domestic market. The Company opened more than 1,000 stores-within-a-store, including the first ones for certain Chinese and Turkish brands: Haier, Hisense, Grundig, realme, TECNO, etc.

The store-within-a-store format represents one brand or group of products inside a big CE store where manufacturers can showcase their solutions, ecosystems or specific product lines. As a rule, such areas feature not only special design and the widest brand range but also consultants who have been additionally trained. Thereby, more in-depth consultations and extra marketing activities — entertainment or educational ones — make a vendor more visible and attract potential customers.

We develop our retail space for customers to get the most useful information and positive emotions by touching products and communicating with consultants. In turn, stores-within-a-store help dozens of our partners illustrate benefits and quality and present their products, which is crucial for new or unusual goods, or brands that have just entered the Russian market.

Throughout the year, we rolled out a host of brands being a quality alternative to foreign companies that had reduced their offer. We have built a long-lasting partnership with Artel, the largest home appliance manufacturer in Central Asia, exclusively presented Haier's Thunderobot gaming brand, launched sales of domestic RED OS software and R7-Office package and started offering realme Smart TV SLED.

#### LAUNCHING RUSSIAN SOFTWARE SALES

For the first time, users and business clients can go to M.Video-Eldorado platforms and digitally access the RED OS domestic operating system and the R7-Office package.

Nationwide sales of Russian software in our retail and online will provide millions of Russians with a wide choice of affordable, high-quality, and safe products for routine use. RED SOFT managed to develop an all-in-one and user-friendly operating system, while R7-Office enables users to comfortably work with all document formats in a familiar interface. As ever, M.Video-Eldorado Group is ready to offer a holistic solution to its customers — a variety of computer hardware at competitive prices and necessary software that will be installed and configured at the time of purchase. This year, our customers buy almost every second laptop or computer with licensed software.

#### **THUNDERBOT — GAMING DISCOVERY OF THE YEAR**

Gaming helps deal with stress in the current environment, while laptops and displays with gaming technical specifications are often bought for work or home use.

New players are gaining ground even in such a challenging segment so M.Video-Eldorado is expanding its partnership with Haier Group's Thunderobot on an exclusive basis. Our customers now can choose out of eight laptop models and gaming displays. Advanced specifications guarantee high speed, battery life and performance, excellent graphics, deep color, and wide viewing angles. Futuristic and robust design provides fully immersive gameplay or pleasant experience when fulfilling creative tasks with new-level graphics and performance.

In the peak period of laptop sales (August–September), the Thunderobot brand became a leader in M.Video and Eldorado and took a significant market share overall.

Thanks to greater cooperation with Thunderobot, M.Video and Eldorado customers can get a wide range of innovative gaming hardware regardless of external factors and with the most comfortable shopping experience and service support in over 200 service centers across Russia.

#### **IMPORT OPERATIONS**

Under the prevailing conditions, we had to promptly rebuild imports and logistics from scratch, cement existing partnerships, replace the brands that had left the Russian market, and attract new players in direct CE procurements and the marketplace format. Given that, M.Video-Eldorado platforms now have a pre-crisis assortment in many categories

Launching and actively expanding import, M.Video-Eldorado Group replaced the brands that had left the Russian market. Starting from the second quarter of 2022, agreements were signed with suppliers from over 15 countries, allowing for fast-moving home and digital appliances.

As of the end of the reporting period, sales of imported goods went up to 25% of total GMV. M.Video-Eldorado Group awaits further growth.

25% of turnover — share of imports at year-end 2022

#### **PRIVATE LABELS**

To meet the demand of price-sensitive customers for basic home appliances and consumer electronics, we produce and sell private label appliances: Hi in Eldorado and Novex in M.Video.

M.Video-Eldorado Group produces private label goods at partner plants, including in Russia, Belarus, Turkey, and China. With its partners, the Company develops product lines and controls quality and logistics. The entire range features a two-year warranty and aftersales service.

We noted high demand for private labels and further develop the assortment matrix. In 2022, Novex and Hi offerings expanded to about 400 SKUs in 37 sought-after categories, adding toasters, built-in refrigerators, food processors, meat grinders, and microwave ovens. TVs, large major domestic and kitchen appliances, climate control equipment, and vacuum cleaners sparked the greatest customer interest.

Up to SKUs — selection of Novex and Hi affordable appliances in M.Video-Eldorado

Customers take a more prudent approach to choosing appliances and electronics and more and more often prefer quality products at reasonable prices, along with popular manufacturers. TVs and accessories, refrigerators, climate control, built-in appliances, washing machines, vacuum cleaners, dishwashers, other kitchen appliances, and personal care products lead Novex and Hi sales. For instance, demand for electric toothbrushes increased sixfold, for vacuum cleaners — fourfold, for freezers and dishwashers — threefold, and for air conditioners — twofold.

The share of Novex and Hi private labels in the Group's sales keeps growing steadily. Top-freezer (46%) and single-door refrigerators (31%), freezers (18.5%), and audio and video accessories (20%) make up the largest proportion of Novex and Hi sales

Over 70% of private label appliances are bought in retail stores where consultants give the necessary information support as well as provide insight into technical specifications, warranty and after-sales service. We see that our clients appreciate convenience and ease when choosing appliances from the leading Russian electronics retailer. This year, Novex and Hi have become a quality alternative to brands with limited presence and gained traction among consumers interested in modern technology at affordable prices. Our perspective is to further develop popular categories and amplify our offer in kitchen and built-in appliances.

In the current turbulence, we aspire to provide Russian people with a variety of affordable goods for comfortable life, work, study, and recreation. To that end, in addition to own assortment purchases, M.Video and Eldorado scale up the electronics marketplace, inviting partners to our platforms for expanding product offering

#### **OWN MARKETPLACE**

# We have big plans for our marketplace as our strategic business direction that is growing every day

Owing to ONE RETAIL technologies, choosing and buying online and in stores merges into one seamless experience, allowing M.Video-Eldorado to come with new sales and customer interaction formats for marketplace partners, and an expanded offering for customers.

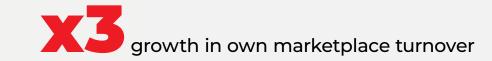
As of the end of 2022, we doubled the range of partner products to 110,000 SKUs, and the marketplace turnover grew more than threefold. Over the year, the number of M.Video-Eldorado marketplace partners doubled as well, and about a quarter of them are small business suppliers operating under the simplified tax system.

Greater assortment provides for additional

200,000-250,000 orders per month

In 2022, M.Video-Eldorado Group implemented a host of new business processes to successfully develop sales: from dedicated operational teams in logistics and other units that communicate directly with suppliers to integrated analytics on key operational and customer metrics. In addition, the Group is leveraging the technology of placing marketplace goods in retail stores. It is a one-of-a-kind format for the CE market, allowing sellers to show their products live.

As of the end of last year, the marketplace managed to maintain the target delivery time despite a significant increase in the number of orders. To that end, we expanded the list of warehouses for partner goods in as many Russian regions as possible, driving an extremely positive impact on the delivery time. In the meantime, all Russian customers can receive their orders within five days using M.Video-Eldorado infrastructure and within up to 10 days from merchant warehouses.



Our marketplace and suppliers successfully adapted to new business conditions and challenges and offered a wider choice of technology products. 2022 marked surged marketplace sales of not only smartphones, computer accessories and laptops, but also kitchen appliances, power tools, exercise machines, garden equipment, strollers and car seats, lighting and electrics. Our partners ramp up thanks to unique client analytics, recommendation IT services, multi-million target audience, infrastructure and promo of a federal retailer, as well as a large-scale logistics network across all major Russian cities. M.Video-Eldorado developed its own main business tool on the marketplace — supplier personal account for managing product cards, prices, and stock, receiving necessary reports and communicating with support (for more details, see the Assortment Planning Tools section, p. 25).

In 2022, we enabled regular assortment suppliers and marketplace partners to get detailed analytics on stocks, orders, brands, and product categories to leverage interaction with M.Video-Eldorado Group platforms

#### SUPPORTING SMALL AND MICRO BUSINESSES

We formed a partnership with individual entrepreneurs operating under the simplified tax system and offered attractive terms to small companies, including the lowest marketplace commission across the market.



of M.Video-Eldorado marketplace partners are small businesses

In the new domestic market environment, M.Video-Eldorado Group scales up cooperation with small and micro businesses as part of developing its own CE marketplace in line with the 3P model (sales of partner products without accumulating stocks). Our online store front is available to sellers of home appliances, consumer electronics, and complementary products. These can be well-known brands or the assortment, which is still new for Russia.

We provide special conditions for entrepreneurs along with technologies for effective business. Now suppliers can connect to the platform regardless of their tax system. To that end, sales launch and automated assortment management in the supplier personal account have been improved.

M.Video-Eldorado takes a flexible approach to expanding its product range and intends to strengthen cooperation with small and micro businesses that have significant potential in today's climate

#### **ASSORTMENT PLANNING TOOLS**

We have launched a data service for planning the "perfect" assortment of stores. With this product, we influence the customer experience by redefining the very essence of our product offering.

# INTERFACE FOR EXPANDING ASSORTMENT AND INTERACTION WITH SUPPLIERS

All necessary stages of interaction with counterparties are held in the personal account of the supplier, which became a separate service dedicated to helping our partners work with the M.Video-Eldorado catalog database, create product cards, update prices, manage stock, participation in promotions and bonus programs, as well as correspond with the responsible managers on all issues arising.

By registering in a personal account, counterparties gain a simple tool for sales through our marketplace, and we get the opportunity to significantly expand the assortment (potentially up to 1.5 million items from 2,000 salespeople)

The supplier's personal account turned into a unified platform where, in addition to suppliers, all M.Video-Eldorado Group specialists work in conjunction with partners: logisticians, support staff, onboarding and claims specialists. The entire interaction is automatic, which greatly reduces the timing of the establishment, moderation and reconciliation. Several technical support lines are also connected to the system.

We have developed the product ourselves, the new system was built from scratch and 75% of the work involved the integration with other systems. A web-portal has been created, to which the partner connects, logs in and then works in the format of a personal account. With an eye on the portal, a supplier's request requires the preliminary verification and approval of the request by M.Video-Eldorado's internal services.

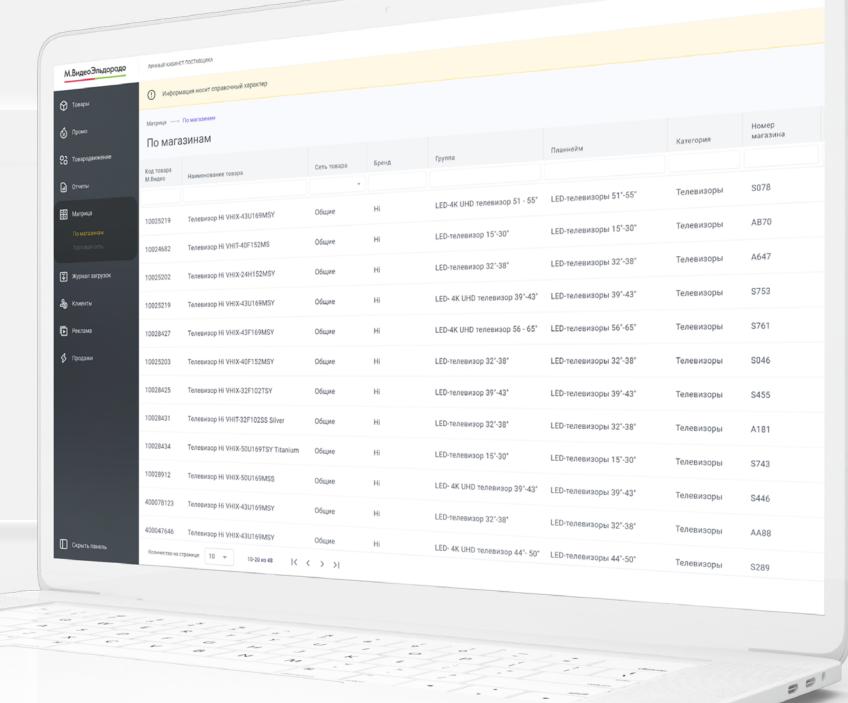
Resolving the problem of assortment formation in retail, we turned to a large volume of data collected online. The need for the product emerges before the customer arrives at the store: more than 85% of our customers use the mobile platform to choose and buy appliances. Therefore, the analysis of customer sessions, joint browsing and product comparisons revealed our customers' main needs.

Prior to changing the assortment or prices offered on the shelves of 1,226 retail stores, it is absolutely necessary to be sure that the new product offerings will not lead, at least, to an outflow of current customers and, much better yet, attract new ones. To conduct such experiments, we've redesigned our A/B testing approach to incorporate our offline specifics.

M.Video-Eldorado has been developing internal and partner products and services which, like our website and mobile application, assist in better understanding our customers and meeting their needs, while also doing so by changing the internal operations and processes of interaction with product suppliers

# In the personal account the supplier has the following options:

- $\boldsymbol{\cdot}$  registration and acceptance of the offer;
- quota transfers;
- transfer of goods prices;
- · management of participation in pricing campaigns;
- obtaining basic reporting;
- order generation.



All of these options have been broken down into separate microservices. Eventually, partners will get tools for sales forecasting, profit maximization, and personal communication with customers in their personal accounts.

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# **3.2 BRAND STRATEGY**

Our business relies on two leading retail brands, M.Video and Eldorado, both of which possess almost absolute recognition among the Russian audience. The new reality demands new approaches, formats and concepts, while maintaining the main focus towards the customer

The dual-brand strategy ensures access to all customers - from mass market to premium segment, as well as providing the flexibility to market trend shifts and the effectiveness of the retail network development. A unified back office provides management for both brands; the Group holds joint procurement, inventory management, distribution and logistics processes.

In 2022, in the context of developing a variety of scenarios for improving operational efficiency, we launched several pilot solutions designed to identify additional synergies from the merger of M.Video and Eldorado - both in communications and customer service & retail formats. We tested combined advertising campaigns, the ability to give out online orders of one brand in the stores of another and pilot co-branded Eldorado + M.Video stores. Early results of brand convergence, loyalty programs, and joint advertising campaign have yielded beneficial results with the retention of both brands' audiences, and we will continue to develop both in the future. Moreover, the brands have retained their own positioning and audience. The stores under the M.Video and Eldorado brands continue to operate in their usual formats, similar to the brands' online platforms.

М.видео

Wide assortment, including exclusive and premium products

Highly personalized customer experience

Additional Services



Accessible products and solutions for everyday use

Best prices and proximity to customer

Non-CE assortment

RUB 489 bln
2022 GMV (gross merchandise value)

RUB 327 bln total online sales

**1,226** stores

RUB 10,494
average ticket

51 mln mobile app installs Annual Report | M.Video-Eldorado | 2022 5. CORPORATE GOVERNANCE 4. CARE FOR EMPLOYEES AND SOCIETY 5. CORPORATE GOVERNANCE 6. ANNEXES

The retail store still remains an integral component of a seamless omni-channel customer experience, logistical infrastructure, and a major tool for supporting and developing online sales. The retail store still remains an integral component of a seamless omni-channel customer experience, logistical infrastructure, and a major tool for supporting and developing online sales. Furthermore, amid the emergence of new brands and changes in assortment, the store is regaining its positions as the main format where customers prefer to shop for electronics: nowadays, customers are looking for expertise and professional advice, an opportunity to test equipment before they purchase it and to receive guarantees of service support.

>235 mln customers have visited our stores in 2022

92% of orders were fulfilled using store infrastructure

The chain of M.Video and Eldorado stores as of the end of December 2022 accounted for 1,226 stores of all formats in 366 cities of Russia, indicating a retention of scale virtually in its entirety. We are sustaining the retail network and optimizing the use of retail space in the context of increasing efficiency.

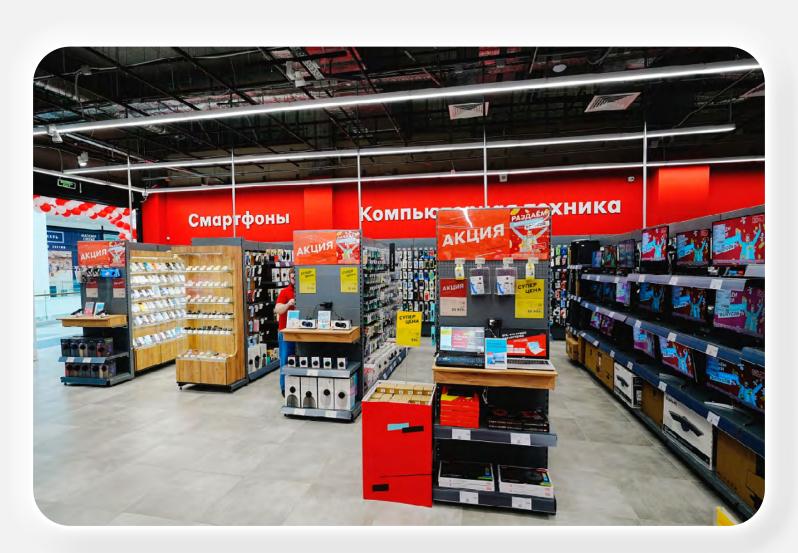
In addition, in 2022, the Group developed a new store format, "M.Compact", tailored to the challenges of the new market landscape.

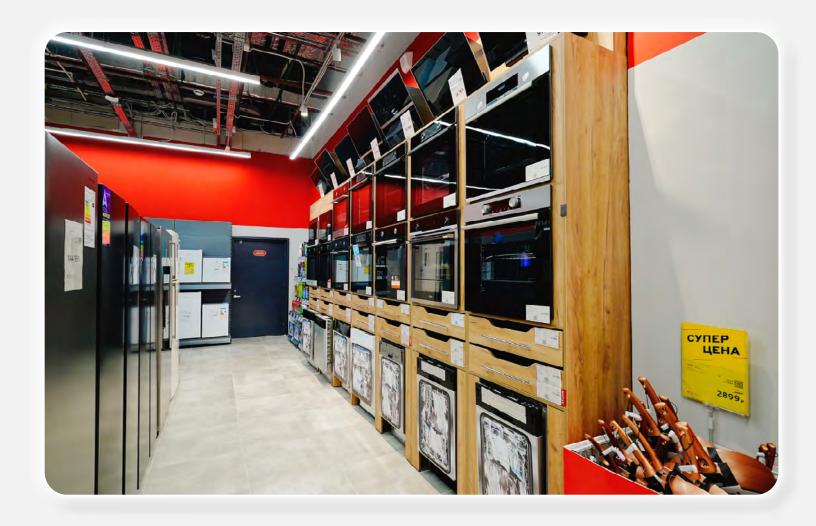
#### **M.COMPACT**

The new format "M.Compact" envisages a more flexible approach to store opening. With a target store area of 500–600 square meters, the new format features an assortment comparable to that of standard stores, which is available "here and now" – about 4.5 thousand models of home appliances and electronics in the store's area.

At the same time retail facilities require three times less investment to open due to the innovative approach to design and layout. Vertical trade equipment is used in the stores, making it possible to present more goods per meter of selling space, including large-sized equipment, on several tiers.







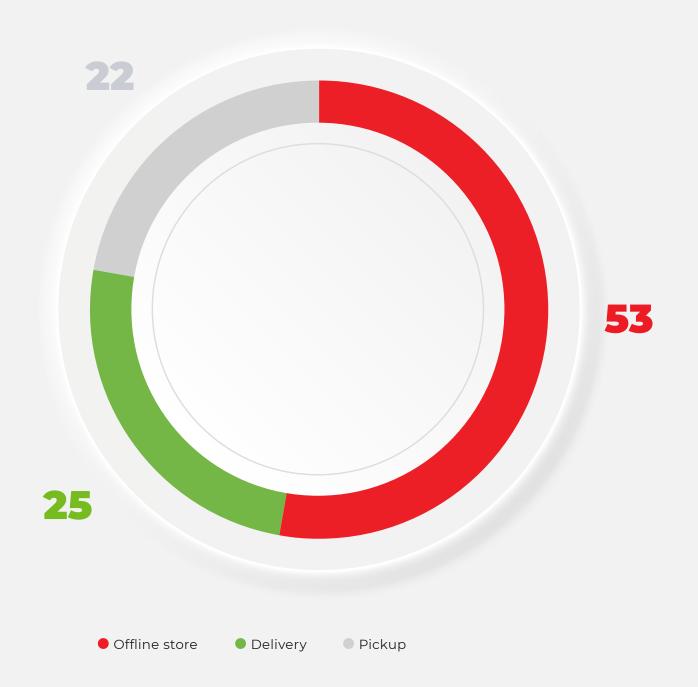


Moreover, we launched 9 pilot "Eldorado + M.Video" co-branding stores. The test facilities have been opened at the end of 2022 in Tolyatti and Ryazan on the basis of Eldorado stores, bringing together the competitive advantages of the two brands in service, assortment and promo for customers. M.Video stores in the pilot cities, as well as throughout the country, are continuing to operate in their usual mode. As part of the test format "Eldorado + M.Video" customers can additionally use M.Video bonuses at the store's checkout, there is also the possibility of getting an online order placed at M.Video online sites or, conversely, with the help of consultants choosing something that was not found in this store and placing an order with pickup from any store of the city — both "Eldorado + M.Video", and separately M.Video. Thus, M.Video enhances the potential of Eldorado, allowing it to attract additional traffic and new customers.

In 2022, approximately 92% of our customers chose to place and pick up their orders in the stores. The stores keep helping us to sell services and more high-margin product categories, as well as related and complementary products. Beyond this, many customers are still not willing to make an expensive blind purchase and prefer to first see the goods in person and consult with experts, to test the devices and appliances' functions directly at the stores.

70% of Russians turn to consultants in stores when choosing equipment

#### Structure of total sales in terms of order fulfillment in 2022, %



Within the framework of our infrastructure, we also seek to popularize the ecosystem — we have been cultivating demo areas with different usage scenarios, regularly present special offers and promos, launch novelties, and help with installation.

#### **COMBINING SERVICES ONLINE**

M.Video-Eldorado continues to develop the ONE RETAIL format, providing customers with all the benefits of online shopping and the opportunity to test products in person and receive in-store consultations.

As part of this approach, we are also integrating pickup services for online orders — now customers can get their online orders from the Eldorado website in M.Video stores. We have integrated historically different CRM and trading systems with one another, in particular, the Eldorado website has learned to display real-time information about the combined local stocks and remains of the goods the user needs in M.Video. The consolidation of information on available items in M.Video stores will significantly expand the choice for Eldorado customers — both in terms of assortment and pickup options.

During the month and a half of the pilot project, on average, several tens of thousands of Russians have already used the service. The most frequent use of co-branded pick-up is for smartphones, televisions, kitchen appliances, and health and beauty products.

The combined strength of the two brands in a number of areas, including IT, back office, logistics and marketing, has already been converted into increased economic efficiency for the Group and optimized investments, as well as additional benefits for customers. Such an approach elevates the M.Video-Eldorado synergy to a new level, provides retailers with a more rational use of their capabilities and offers more customer benefits.

1. M.VIDEO-ELDORADO GROUP PROFILE 2. STRATEGIC REPORT 3. OPERATIONAL PERFORMANCE 4. CARE FOR EMPLOYEES AND SOCIETY 5. CORPORATE GOVERNANCE 6. ANNEXES Annual Report | M.Video-Eldorado | 2022

#### **MARKETING**

On the way to getting closer to the customer, it is important for us not only to assure a broad assortment and optimal prices, but also to continually improve the formats and promotion of goods, to try something new.

#### **CROSS-INDUSTRY "WHITE FRIDAY"**

M.Video-Eldorado Group in cooperation with retailers Wildberries, Snezhnaya Koroleva, Holodilnik.ru, Shopping Live, Utkonos Online, Sokolov and UVI Jewellery (Yuvelirochka) launched the first all-Russian sale White Friday in the framework of new economic conditions, which may become the annual summer alternative to the autumn Black Friday sale.

Participating companies in the first half of June offered customers discounts of up to 50-80% on a wide range of popular products, including appliances, clothing and footwear, jewelry, food, home, beauty and health products, and accessories. During White Friday, retailers guaranteed prices at or below February 2022 levels for the majority of products.

In 2022, we held our first joint M.Video and Eldorado advertising campaign. On the eve of Black Friday, ambassadors Alexander Pushnoy and Vadim Galygin put on the images of wrestlers and in a series of videos came together in a superfight for the customers' benefit.

By combining two strong, complementary brands in one communication campaign, we strengthened our offer and made it as visible as possible. That's why for the premiere appearance of the two brands in one advertising communication we chose a really highprofile event, which is traditionally expected by millions, and for the basis of the concept we took the entourage of wrestling with its inherent features and dramaturgy, elements of competition and acting. We used our main charismatic media personalities as protagonists, who are highly recognizable and associated with the brands to the widest audience, which makes this creative even more effective and noticeable.

#### **BLACK FRIDAY**

In November, as part of the Black Friday sales, a neural network helped us to handle the sharply increasing number of requests from customers avoiding the extra costs and with a high service level.

The robotic customer support system using artificial intelligence processed several hundred thousand calls, which is 1.5 times the average monthly volume of calls in 2022.

We continued to experiment with a unified advertising concept for both brands and launched a joint campaign on the eve of the New Year holidays. Our ambassadors became the real drivers of a New Year's Eve truck full of gifts, discounts and cashback.

Based on the results of research conducted in the second half of 2022, despite the decrease in advertising spending, M.Video and Eldorado, owing to effectively selected tools and creative formats of advertising communications, have retained a high level of recognition and customer loyalty.

Thus, based on the data provided by the Millward Brown ARMI-Marketing analytical agency<sup>1</sup>, the M.Video-Eldorado Group brands<sup>2</sup> are the leaders in the Russian market among electronics retailers and marketplaces in terms of the share of respondents who mentioned a brand by memory as the first thing (Top of Mind) -35%.

Furthermore, M.Video and Eldorado are leaders in terms of cumulative spontaneous mentions of the brand in the category of stores selling home appliances and consumer electronics. Among the competitive advantages of the two brands are the bonus program, the high quality of goods, as well as a fairly high level of trust, leadership and expertise<sup>3</sup>.

In Moscow<sup>4</sup>, the largest market among Russian regions, in the household appliances and consumer electronics segment, the M.Video brand retains leadership in terms of key brand health indicators, such as total brand mention, purchase choice, and loyalty.

#### **NOW OUR SITE IS TWICE AS FAST**

As part of the process optimization and efficiency enhancement, we accelerated our official website, objectively it became two times faster, which means that it attracts more and more visitors.

We've also added a price comparison feature: now not only salespeople or analysts, but also our users on the site and in the M.Video app can compare prices with competitors. And we've also made a new shopping cart with updated shipping group logic (see details in the Cart section, p. 31).

In the reporting year, M.Video became integrated into the Roblox platform and was the first in the Russian-speaking segment to launch its own virtual electronics store. The project was launched at the beginning of the new school year to help students get involved in the educational process after the vacation, as well as in an interactive way to familiarize them with the up-to-date devices.

M.VIDEO AND THE ROBLOX UNIVERSE

The project attracted the attention of more than 25 million users, tens of thousands of people got acquainted with current technologies and took part in the interactive. On New Year's Eve, M.Video has added a city to the virtual store, where users had the opportunity to explore the holiday locations and landmarks, play mini-games and take part in contests, as well as receive bonus points and promo codes applicable in the real life.

#### **BRAND MEDIA**

The M.Video brand has launched a new proprietary media platform called M.Click. The online edition is targeted at a wide audience and offers useful and easy-tounderstand information concerning the ways to make life easier and improve it with the help of engineering and technology.

About twenty professional journalists, contributors and a news neural network work on the creation of content, which complement each other and make the formats and presentation as diverse as possible. The media project is available on the home page of the website: https://www.mvideo.ru/blog.

In the new reality, retailers with diverse inventory and access to a large and solvent audience are already emerging as one of the key platforms where consumers search for products, bypass search engines, learn about products, new brands, compare and get additional information, while also being one of the few channels capable of replacing the retired volume of inventory for engaging outreach communications. M.Video-Eldorado, as an omnichannel player, brings variability and diversity in the placement options; we actively utilize data analytics and machine learning tools to create a personalized shopping experience and develop recommendation services. The Group plans to actively develop its platforms within the retail media paradigm and expand the pool of external customers.

- According to a quantitative marketing tracking survey conducted by Millward Brown ARMI-Marketing, LLC for the period from July 4, 2022
- to December 25, 2022 among 3,825 respondents living in 348 cities in Russia. M.Video-Eldorado Group brands — cumulative index of spontaneous mentions of the M.Video brand in the first place or the Eldorado brand in the first
- $According to a quantitative \ marketing \ tracking \ survey \ conducted \ by \ Millward \ Brown \ ARMI-Marketing, \ LLC \ for the \ period \ from \ July \ 4,2022$
- to December 25, 2022 among 3,825 respondents living in 348 cities in Russia.

  Based on quantitative marketing tracking survey conducted by Millward Brown ARMI-Marketing, LLC for the period from July 4, 2022 to December 25, 2022 among 625 respondents living in Moscow.

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## 3.3 CUSTOMER SERVICE

The most convenient, functional, seamless customer service at every stage of the buying process, from search to aftersales service, remains our absolute business priority

What we believe in is a seamless model and a better customer experience that takes shape at the intersection of offline and online. At each of our touchpoints, our customers receive the same seamless experience; to do this, with the ONE RETAIL stack, we bring together websites, mobile apps, retail and salespeople with apps into one space where you can navigate from channel to channel, and all key transactions are available through your smartphone. Apart from the development of a seamless customer journey, personalization and data processing will gain relevance.

Increasingly valuable to customers in choosing where to buy is the speed of receiving the goods. For this purpose, we have been improving our logistics operations and focusing on our services, which represent a competitive advantage: 15-minute pickup from the nearest store (this method will remain the main one if the share of online purchases keeps increasing), a network of partner pick-up points (Pyaterochka, Russian Post), and express delivery within two hours.

In 2022, we are observing a significantly pragmatic approach to consumer choice and shopping. The quality of service comes to the forefront, as well as an attractive price level and a wide assortment, affordable credit offerings and credibility in product quality, as well as warranty service.

Rating on geo-platforms<sup>1</sup>

M.6u∂eo → ∃ΠЬΩΟΡΑΩΟ.RU
 Y ♥ Maps
 4.3 \*\*\*\*\*
 4.3 \*\*\*\*\*
 Q2GIS
 4.1 \*\*\*\*\*
 Y Google Maps
 4.0 \*\*\*\*\*
 4.1 \*\*\*\*\*

The new feature of the reporting year is the end-to-end customer experience map. The customer experience is divided into four main sales channels: delivery, pick up, pick-up point, and in-store purchase. At each stage, from the moment the goods are received until, as a case in point, the return of the goods, we monitor the problems and anomalies encountered by the customer and make the necessary improvements.

We also crave for maximum simplification of business processes in retail stores to cut routine operations and unleash salespeople's time both for interaction with customers and sales.

In the "high season" of 2022 only, through technology and business process redesign, we have unleashed more than

47000 hours, that are reallocated from process service to customer service

#### **M.COMMUNICATIONS**

The M.Communications telegram bot, based on a self-learning neural network, assists store employees in quickly getting answers and retrieving information from the database on any topic related to customer service.

The bot processes about 45,000 requests per day, and 50% of the requests are closed automatically in one second.



Epolicies 1 Michigan Spin.

• Выстрая достава

#### **STORE HEALTH**

Store Health is a tool that allows store management to instantly understand what's going on in the store with various operations that affect the customer and sales.

The store director needs to monitor all key in-store processes in real time for a timely response and optimal use of resources to ensure a better customer experience. It took the director about 45 minutes to gather information from the various systems and make sure everything was running smoothly. We cut this time down to one second.

We have created a unified service that accumulates all the information on key processes, incidents, product violations, delivery statuses, queues for pickup and delivery in the service area. And the status can be viewed in a convenient mobile format.

### CUSTOMER SUPPORT DURING TURMOIL

At the beginning of the second quarter of 2022, in the context of the ruble volatility, we froze prices on 140 models of various equipment and preserved the conditions of loyalty programs.

We were able to stabilize prices, bring back installment programs and promos. The cost of appliances now largely correspond to the level at the beginning of the reporting year or even lower, while for us, as for the business, the prices are influenced by the conditions of purchase, which are determined by suppliers or foreign partners. On the Russian market, this is compounded by the costs of a complicated supply chain, taxes, duties, transaction costs, and other expenses.

#### **IMPROVEMENT OF PAYMENT SERVICES**

Over the past few years, Russian users have grown accustomed to solving any everyday task with a smartphone, such as choosing products and paying for purchases. Two-thirds of our customers' transactions are performed by logging in to the customer's or salesperson's website or mobile app.

M.Video-Eldorado encourages the development of online payments, including those based on domestic contactless payment technologies, and is engaged in implementing various methods of accessible mobile payments.

Thus, we have integrated into the functionality of the sites mvideo.ru and eldorado.ru the possibility of online payment via smartphone for Sberbank customers. The SberPay service makes it possible to pay for purchases in the Sberbank Online mobile app, without the customer having to enter card details, share their data with third-party resources, or wait for SMS confirmation.

Connecting stores to the Fast Payments System ("SBP") with the help of our partner, VTB Bank, allowed us to provide M.Video customers with the opportunity to pay for purchases contactless "at the shelf", bypassing the store's checkout. The payment code is created by a salesperson in his/her mobile app. Our customers are also able to pay via SBP on the website, in the app and at the store's checkout.

#### **LOYALTY PROGRAMS**

Our objective is to develop an extensive base of loyal and interested customers. Cohort analysis of our customers showcases that we are in a position to retain more than 30% of customers as active, even after five years. This contributes to a constant increase in the share of sales generated by our loyal customer base. Both brands have been developing their own loyalty programs, M.Club and Eldoradosti. The program participants receive bonus rubles for every purchase they make and can use them to compensate for up to 50% of the cost of new orders.

The M.Club and Eldoradosti bonus programs provide our customers with the opportunity to rationally use the family budget and reduce both everyday and pre-holiday expenditures. The number of M.Video and Eldorado "virtual account" holders exceeds 50 million in each of the networks, thus making the program one of the most popular in Russia.

The total number of M.Video and Eldorado loyalty program participants exceeded

100 mln people

By the end of 2022, the number of active customers identified was 18.3 million, of whom 62% were ONE RETAIL customers. Approximately 90% of purchases at M.Video and Eldorado are made by authorized customers using the bonus program, i.e., customers either pay in bonus rubles or keep them. On average, customers pay 10% of the purchase price with bonuses.

M.Video and Eldorado hold regular promos offering birthday bonuses, as well as increased cashback, where the percentage of rewards can be as high as 30-50%. For example, in December 2022 we launched the Cashback up to 100% campaign, during which our customers received more than 2.3 billion bonus rubles. Overall, the average participant returned 19% of the purchase price in the form of bonuses, and more than 40 thousand customers received a one hundred percent cashback.

We have been further developing our loyalty programs and responding to our customers' needs to the utmost flexibility. In 2023, the Group expects to increase its investment in the loyalty program to make the necessary purchases even more profitable and satisfying.

# CHATBOT DEVELOPMENT FOR THE BENEFIT OF CUSTOMERS

M.Video-Eldorado Group is using artificial intelligence to improve the speed and quality of communication with customers. Virtual assistants Alena in M.Video and Vadim in Eldorado processed more than 3 million appeals through 2022, they respond to more than 50% of all written customer appeals so far. Such metrics as the customer satisfaction index (CSI) and the correctness of the conversation flow confirm the efficacy of chatbots: the further they develop, the more useful they are to customers.

The CSI (customer satisfaction index) with regards to communicating with bots reached

**95**<sub>9</sub>

in the reporting year

Virtual assistants Alena and Vadim identify 98% of queries and simulate a live Q&A session. Chatbots are functioning on the M.Video and Eldorado websites, in network applications, WhatsApp, Telegram, Viber messengers. The neural network is integrated into the Group's internal IT and CRM systems, allowing Alena and Vadim to help with the order or appeal status, talk about loyalty programs, bonus status, current promotions, store opening hours, delivery details, options of order delivery by taxi, exchange procedures, refunds and obtainment of a loan or payment by installments. Alena can also see the customer's cart, order and browsing history, check availability of products, select necessary accessories and recommend services. Customers most often ask such questions through chatbots as the ones related to the purchase of goods, profile setup and order delivery.

This year, Alena learned how to send a check and make changes to the order, for example, extend the reserve, change the recipient, cancel the order, and promptly select the most appropriate alternatives from the catalog. Another innovation was the opportunity to select the date and time of installation of purchased equipment with the appropriate service on an unassisted basis, through the bot. About 50% of M.Video stores take part in the pilot project, where the chatbot can connect a customer with the required store to specify the status of a product in the storefront.

In the years ahead, it is planned to expand the scenario base of service requests (loan, refund, exchange, store opening hours). We are developing a recommendation system in the bot scenarios with the order placement opportunity.

#### **CART**

Through 2022, we made some changes to the shopping cart. The simpler and more convenient the shopping cart is, the greater the chance that the purchase will be made. Therefore, we continued to optimize the ordering process in the reporting period. For example, we introduced checkboxes and divided the checkout into two steps to give an opportunity to check out priority items from the cart separately. You are offered to choose the receipt method at step one and the payment method at step two. An order can be picked up from any store, even if only a part of it is available. Products in stock at the selected store can be picked up faster than others from the order or one can collect everything at once later. This optimization enables to make full use of the competitive advantages of an extensive store chain: to collect the goods just around the corner and right away.

#### **ADDITIONAL SERVICES**

We strive to offer our customers an end-to-end problem solution, which means assistance with the purchase of goods along with related accessories and services. M.Video-Eldorado Group is developing a range of available services and piloting various projects in this sphere.

An important part of customer servicing is the ability to get additional technical and digital services from the consultants working in the store. For example, when digital devices are purchased, our consultants will help with the selection and installation of protective films on gadget screens, as well as with the setup and installation of the necessary software and applications.

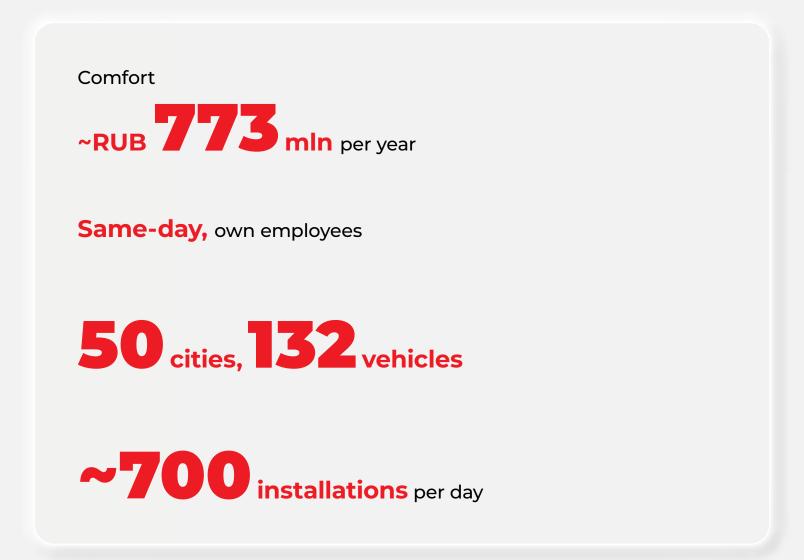
#### **Ecosystem of additional services of M.Video and Eldorado**

Services in stores	Installations	Certificates	Insurance	Disposal
<ul> <li>Installation         of licensed         software</li> <li>Setup         of PCs, laptops,         smartphones</li> <li>Installation         of protection         on the smartphone,         tablet, laptop         screen</li> </ul>	<ul> <li>Same-day delivery and installation (own fleet and expert teams), available only in M.Video and Eldorado</li> <li>Installation and assembly of any large appliances: TV sets, washing machines and tumble dryers, built-in appliances</li> </ul>	<ul> <li>Medical services</li> <li>Research</li> <li>Special exchange and return policies</li> <li>Guaranteed repair within 72 hours</li> </ul>	Wide range of insurance services from partners, including life, property, health insurance, etc.	<ul> <li>Take out         of large         outdated         equipment         for recycling         if new         appliances         are bought</li> <li>Free acceptance         of any small         appliances         in stores         for recycling</li> </ul>

#### Installations

M.Video-Eldorado has unique expertise not only in terms of the product range and servicing at sales of major domestic appliances, but also in terms of the post-sales service. Along with delivery, we offer installation services and such additional services as connection, setup, disassembly, training, removal of unnecessary equipment for disposal. Services can be ordered at purchase of major appliances both in the store and online. Services are provided nationwide by professional teams (more than 670 in-house specialists and 1,000 outsourced partners) within a 150–200 kilometers radius of the store.

M.Video-Eldorado has been developing its own delivery and installation service since 2018; availability of own vehicles and specialists enables to combine delivery and installation of major domestic appliances in one visit, which saves customer time. The fleet has been acquired through operational leasing, there are about 130 cars, the service is available in 50 cities.

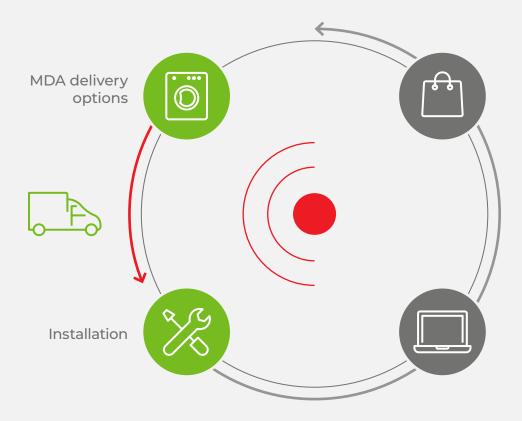


Through 2022, we installed about 440,000 major domestic appliances, including 255,000 as part of our own installation and delivery service. Most often customers order installation of washing machines and tumble dryers, refrigerators, TV sets, kitchen built-in and air conditioning equipment.

Service teams are equipped with smartphones with special software, the same as used by shopping assistants in the store. The app makes it possible to identify a buyer by phone number and make customized offers with recommendations based on data analytics.



INSTALLATION SERVICE IS INTEGRAL TO CE PRODUCTS
PURCHASE





INSTALLATION IN LINE WITH EUROPEAN SERVICE STANDARDS



OWN BRANDED INSTALLATION SERVICE

#### M.VIDEO CUSTOMERS WILL BE ABLE TO KEEP BULKY AND OTHER PURCHASES IN THE STORE FOR UP TO THREE MONTHS FREE OF CHARGE

We extended the free storage period of pickup purchases to three months to make it more convenient for customers.

The service allowed to buy consumer electronics on favorable terms during the pre-New Year sales and if necessary leave the purchases in the store on a free-of-charge basis for up to 90 days, for example, in case of renovation, relocation, vacation or shortly before an important date.

#### Lending

One of the competitive advantages of M.Video-Eldorado is its groundbreaking consumer lending platform allowing to buy goods on credit in Group stores and online, including through the mobile platform.

M.Video-Eldorado provides customers with a wide range of credit products: from 12 banks and credit institutions in stores and online to the in-house credit platform under development. The approval rate is 75–80%, which is remarkably higher than if you apply to just one bank. In addition, lending through the platform allows customers to significantly reduce the time for repeated purchases: most fields are filled out automatically, documents in an online order can be signed via a text message, there are additional services such as insurance, legal support, credit history saving.

The ability to pay for goods in installments is also a standard option for our customers at all points of contact. M.Video-Eldorado Group is among the leaders of the consumer lending segment.

The well-developed multi-bank credit platform allowed M.Video-Eldorado to offer customers attractive credit products and support demand in 2022, despite dramatic fluctuations in the Russian market.

#### Insurance

When customers purchase consumers electronics, they often treat the products as major ones. So, it is only natural to provide insurance services for purchased goods. M.Video-Eldorado Group offers a wide range of insurance programs for household, health, travel goods, etc.

M.Video and Eldorado sold about

**22** mln insurance plans in 2023

#### Recycling

When one buys new equipment there often arises the question of recycling the old device. Not only did we find a solution to the matter, we designed the process in the most environmentally friendly way. M.Video-Eldorado Group is one of the first companies in Russia to implement a program for recycling equipment, giving it a new lease of life. This program is deployed in 30 regions of Russia in 770 retail outlets of the network. Non-used major domestic appliances can be removed from home along with delivery of a new product within the service called Removal of Equipment for ECO Recycling. Compared to 2021, such service was purchased 1.5 times more often. On average, nearly every twentieth delivery of major domestic appliances in 2022 was accompanied by removal of old and unwanted equipment.

Through 2022, customers donated nearly 1,500 tonnes of unwanted domestic appliances and 60 tonnes of used batteries for green recycling, an 18% increase over 2021 (see the Developing Projects in Cyclic Economy and Sustainable Development section, p. 52).

# COLLABORATION WITH THIRD-PARTY MARKETPLACES

M.Video-Eldorado notes a change in customer behavior and the development of a new sustainable market segment in the format of marketplace platforms.

With this trend in mind, we aim to develop the best selection of products with guaranteed quality and a high level of service for customers on various marketplaces. We develop trade and delivery of consumer electronics partnering with and on the platforms of the largest marketplaces, including SberMegaMarket, OZON, Yandex.Market.

The Group plans to offer all currently available sales models, including Click & Collect (pickup from the retail store network) and Delivery by Seller. Thanks to such cooperation, users can order goods from the M.Video-Eldorado range on a marketplace and get them in any convenient way, for example, in the nearest pick-up point, store or to be delivered in 1–2hours.

Thus, when ordering on the marketplace, you can get the goods in different ways, and pay for orders immediately or over time: in installments or on credit.

# 3.4 LOGISTICS

We deliver more than 100 million goods per year and still the choice of buyers and, as a result, their satisfaction is largely influenced by the speed and promptness of order delivery. While offering a wide range of delivery and pickup options, we are simultaneously improving the logistics function of M.Video-Eldorado and focusing on efficiency

M.Video-Eldorado Group covers most of the territory of Russia with its unique delivery and pickup services. In 2022, we improved the logistics infrastructure, which allowed our customers in all major cities to receive 80% of orders per day.

Our infrastructure for the storage, distribution and delivery of goods throughout Russia includes about 800,000 square meters of warehouse area, including central warehouses, regional distribution centers and storage areas in stores. The latter account for more than 300,000 square meters of warehouse area and about 65% of the Group's inventory (as of the end of 2022). The density of the retail network significantly increases the availability of goods and decreases the time of delivery in regions. Taking into account the size of Russia, we consider stores located in all regions of the country to be the most important competitive advantage over marketplaces and other online players.

In 2022, our main tasks were to increase the efficiency of our operational processes and optimize costs. Thanks to the improvement of our logistics function, we are able to reduce costs in this area and increase the turnover and speed of distribution of goods, which is very important within the limited inventory, and also establish import routes.

M.Video-Eldorado strives to make the whole movement of goods as clear and transparent as possible. In this regard, one of the task is to set up the monitoring and measuring of processes and metrics.

We determine the "ideal order" as the derivative of three components of success: an order delivered on time, in full and without any customer complaints. In the reporting year, we also introduced the "window display completeness" metric and began working on a control metric for ensuring the promptness of delivering goods to stores. The key development areas of M.Video-Eldorado Group are the following:

- · introduction of the limitation system;
- · improvement of the forecasting system;
- · improvement of the skills and performance of staff members.

**Logistics platform** 









1,226
stores



**30,000** online orders

#### STORAGE AND DISTRIBUTION OF GOODS

The system for the storage and distribution of goods includes retail chain stores, large central distribution centers in Moscow and regions, as well as smaller warehouse centers (multiplatforms).

**FACILITIES** 

**1,226**M.Video and Eldorado stores

**DESCRIPTION AND FUNCTIONALITY** 

Storage of small domestic appliances and digital devices

Limited storage of major domestic appliances

Distribution of orders to online and offline customers and couriers

Presentation of appliances in showcases

GEOGRAPHY

366 Russian cities

**7**central distribution warehouses

Concentration of all goods purchased by the Group in a total area of over 150,000 square meters

Distribution of goods to stores and regional multi-platforms

Chekhov, St. Petersburg, Novosibirsk, Kazan, Rostov-on-Don, Yekaterinburg, Vladivostok

54
regional multi-platforms

Storage of major domestic appliances

Delivery to stores and customers within 150–200 kilometers

Large and medium-sized cities in Russian regions

Each store of the network is used, in particular, as a storage center for inventory available for self-pickup or courier delivery. Thus, stores maintain the dynamics of online sales in the region and significantly reduce the costs of developing the logistics infrastructure as a whole. Since March 2022, the Group has been developing a flexible approach to form the assortment of each store, while focusing not only on typology, but also on the current demand and performance of each store.

# EXPRESS DELIVERY OF CONSUMER ELECTRONICS AND HOME APPLIANCES

Over the past year, the demand for express delivery has doubled. The self-pickup of goods remains the most popular way to receive goods (more than 70% of all orders), while every fifth order placed in the M.Video application with the subsequent delivery of goods is received by buyers within two hours if goods are delivered by courier via taxi.

M.Video-Eldorado continues to develop its fulfillment function for increasing the speed of own service and the variability of methods for delivering goods to customers.

In Moscow, the round-the-clock ordering of goods from 24-hour stores was launched in a pilot mode. The launch of 24/7 ordering became possible thanks to the high density of the retail network and the unique ONE RETAIL technology stack, which helps to make comfortable purchases anywhere. Our retail infrastructure, which is implemented according to the digital dark store model, makes it possible to ensure that an order is ready for pickup within 15 minutes or fast delivery. Each store is not only a technology showroom and place where you may get expert advice, but also a large warehouse.

# NEW INFRASTRUCTURE FORMAT - CITY WAREHOUSES

We continue to improve our "last mile" delivery service. At the end of the year a new infrastructure format is launched. In particular, city warehouses, which are based on flagship stores. Such warehouses will accelerate the replenishment of stocks of all stores in a particular city with a popular assortment of consumer electronics and home appliances and ensure the self-delivery and customer delivery of small online orders within 24 hours.

M.Video-Eldorado improves the efficiency of its retail infrastructure and will convert a part of store areas in regions into local city warehouses. All new facilities complement our logistics system of about 70 regional distribution warehouses, central distribution warehouses and cross-docks from which goods are transported to stores and customers

The first pilot city warehouses were opened this year in Volgograd and Tyumen. In 2023, Chelyabinsk, Yakutsk, Krasnoyarsk, Barnaul, Ryazan, Samara and other cities of the country will join them.

Each city warehouse will be able to accommodate an additional

15,000 items

of goods, which will increase the assortment matrices of cities by 10% The minimum waiting time for the express delivery option is

30 minutes

and the average time, including assembly, is about 1.5 hours

In 2023, we plan to open 17 city warehouses with an average area of 1,000–1,500 square meters, where the main and most popular assortment of digital goods, accessories and small household appliances will be stored. A convenient location within the city will allow such a warehouse to process courier deliveries and issue online orders (i.e. perform the functions of pick-up points). We also plan to expand the assortment of household appliances and complementary goods in cities by storing high-turnover goods of M.Video-Eldorado marketplace merchants in city warehouses.

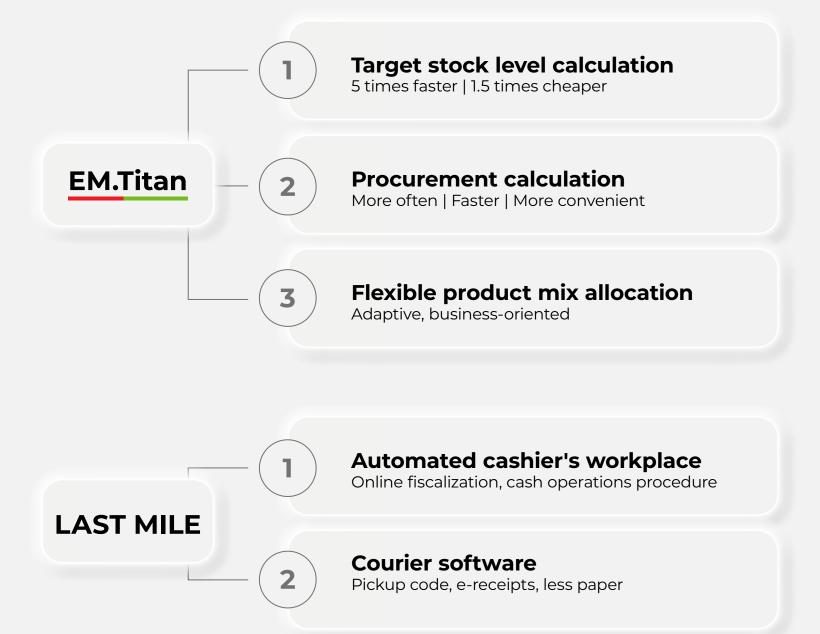
City warehouses will also make it possible to distribute the load on our fleet — the delivery of small household appliances will be performed from stores by vehicles, while major household appliances will begin to arrive to customers directly from regional distribution centers and stores by trucks. We continue to develop our services for the delivery and installation of major household appliances in one visit, which saves time for our customers.

# OWN DIGITAL DEVELOPMENTS IN LOGISTICS

Continuous improvement in the efficiency and digitalization of inventory and transportation management systems is a necessary condition for increasing the availability of goods to buyers and efficiently expanding online business.

M.Video-Eldorado has been investing for many years in the most modern IT systems that support logistics processes. Thanks to the implementation of most of them, the Group has become a pioneer in the industry and a significant source of unique expertise in the market. In 2022, more than ever, the need for own developments arose.

### **NEW SYSTEMS**



We have developed and launched the platform for procurement planning, sales forecasting and distribution of goods across the Group's facilities. The Titan inventory management system replaces the American Predictix SaaS solution, which we used earlier. This solution costs M.Video-Eldorado Group 1.5 times less with a significant increase in the speed and accuracy of calculations.

Titan is completely developed by the M.Video-Eldorado product team. It works in a cloud environment and may be easily adapted to changing business needs and maintained with own efforts

Titan is a system for forecasting sales and planning the replenishment of the Group's facilities with goods. Thanks to own predictive analytics, it forms the need for the amount of inventory that we need to purchase and distribute to stores, central and regional warehouses and distribution centers — more than 1,300 facilities. The solution makes calculations based on product matrices, historical data and sales forecasts, while considering seasonal traffic, desired level of service (speed at which a customer receives a purchase), geography of each facility, online dynamics, share of self-delivery of online orders. Own development helps to flexibly and quickly respond to market changes — adjust algorithms for the distribution of goods depending on the scope of delivery, transport goods to those stores where they are most in demand and bought faster.

As a result, Titan makes it possible to determine the amount of the target inventory for each item at each facility. In turn, users may flexibly adjust the input data for making calculations depending on the tasks set: speed of delivery, scope of accumulated goods at the facility, level of pickup of large household appliances, replenishment rate, etc. Titan is also integrated with the Group's assortment planning system and considers all customer needs revealed by mathematical algorithms based on data analysis.

The Titan solution makes the necessary calculations on a daily basis within 1.5–2 hours — five times faster than the previous system, which makes it possible to more accurately plan logistics transportation, while avoiding non-optimal stocks at facilities or too long delivery times — in some regions, delivery times from central warehouses may be halved

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# 3.5 TECHNOLOGIES FOR BUSINESS AND INFORMATION SECURITY

Its well-developed IT competencies and high level of digitalization of business processes help M.Video-Eldorado to provide the best customer experience and offer unique services on the ONE RETAIL platform, while ensuring customer loyalty and partner engagement and increasing operating efficiency

The priority direction of the business strategy of M.Video-Eldorado Group is the development of technological solutions for customers and own business functions, further improvement of data analytics and machine learning tools. We continuously implement innovations using a wide range of technologies.

The transition of retail stores to the online space requires greater efficiency and flexibility in bringing new IT solutions to the market. For us, it means the need to develop our business as a fully technological retail company using the best IT practices in customer service and all business processes.

Currently, M.Video-Eldorado Group is developing more than 100 products and solutions based on data analysis, biometrics, artificial intelligence and machine learning, while using a modern microservice and mainly cloud infrastructure

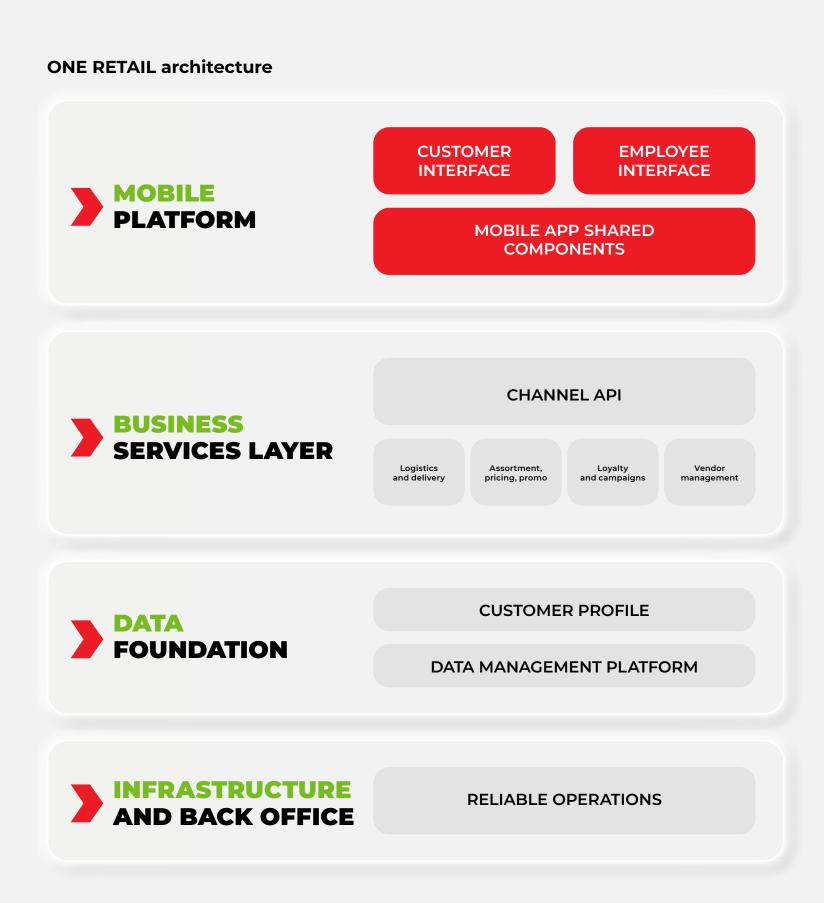
### **ONE RETAIL PLATFORM**

The ONE RETAIL platform is a constantly evolving range of technologies that allows our customers to receive the best service at any point of contact with the retailer, wherever it is convenient — in the store, on the website or in the mobile application (without compromising the speed of purchase and the quality of services).

ONE RETAIL is based on a mobile platform that combines the mobile application for buyers and the mobile application for sales assistants, as well as related services and IT products. The application for customers automatically authorizes each customer online, and then sales assistants will be able to identify the buyer in stores. Together with advanced data analysis systems, mobile technologies helps us to better understand customer needs and ensure highly personalized service and customer loyalty, which ultimately leads to a higher average ticket and purchase frequency.

In addition, the ONE RETAIL platform joins buyers and vendors in a single space, while creating a mechanism ensuring the high involvement of product manufacturers and other partners contributing to a high-quality choice when making purchases, favorable price offer and, as a result, increase in customer loyalty and business scale:

- · unique customer experience online and in stores increases customer loyalty and order flow;
- extensive base of loyal customers and wide opportunities for promoting goods online and in stores strengthen the interest of vendors in cooperation;
- involvement of vendors ensures the relevant assortment and fair price offer, which also helps to increase the flow of customers.



1. M.VIDEO-ELDORADO GROUP PROFILE 2. STRATEGIC REPORT 3. OPERATIONAL PERFORMANCE 4. CARE FOR EMPLOYEES AND SOCIETY 5. CORPORATE GOVERNANCE 6. ANNEXES Annual Report | M.Video-Eldorado | 2022

### **ESTABLISHMENT OF M.TECH**

In 2022, we established our own IT company (M.Tech). It will focus on the development of products and IT services for retail, e-commerce, consumer lending and electronic payments market and will also improve the operating efficiency of the current business of the entire M.Video-Eldorado Group.

The establishment of a company focused on the development of IT solutions will help M.Video-Eldorado to focus on the centralized development and scaling of IT developments with a focus on the high operating efficiency of the Group's core business and the quality of its own digital products for staff, customers and partner companies. The prerequisites for the establishment of own IT company were the digital transformation of M.Video-Eldorado, improvement of its own IT competencies and switching to the product approach when launching and developing both customer and corporate solutions.

The M.Tech company was established on the basis of Direct Credit, a leading provider of fintech services, acquired in 2021. It is responsible for the development of IT products, launch of new solutions, development of big data office, search for and implementation of innovations. In the future, M.Tech may act as a supplier of individual solutions to the foreign market.

### M.Tech acts as an external partner for the entire IT development of M.Video-Eldorado, as well as the platform for possible subsequent sales of own IT solutions to the external market

M.Tech uses predominantly cloud infrastructure and microservice architecture and develops about 100 products and services for retail, e-commerce, logistics, marketing, consumer lending and electronic payment market. Among the key products are the following: mobile applications for customers and consultants, web services, fintech services platform, recommendation model for planning assortment, stock, prices and promotions, personalized product selection service and customer chat bot, corporate neural network and biometrics, video analytics, HR tools to improve the efficiency of retail staff. The Company uses data analytics, artificial intelligence and machine learning to develop its products and create new retail tech solutions.

The M.Tech product assortment is divided into three key domains with a focus on customer services: — **Customer** (solutions for dealing with partners), — **Core** (inventory and working capital management), — Back (increase in the efficiency of all other processes that support retail operations).

### Customer

Products and solutions for customers

M.Video-Eldorado has a wide retail network of more than 1,200 stores and a well-developed online platform; the Group maintains about one billion "touches" with customers through all points of contact per year. The ONE RETAIL technology stack, which aggregates all data from stores and online resources, ensures a seamless customer journey in selecting, ordering and delivering purchases. An important focus is to provide customers with the most profitable and personalized offers, which is possible thanks to the development of bonus programs, predictive models and mobile platform (such as ONE RETAIL).

The ONE RETAIL mobile platform combines the application for customers and the application for sales assistants. The application for customers automatically authorizes the customer online and provides additional opportunities in retail, while the application for sales assistants also makes it possible to identify

the buyer in stores for more complete and personalized assistance in choosing goods, as well as making the most profitable purchase, while considering available bonuses and discounts.

With a significant importance for customers to quickly receive purchases, M.Video-Eldorado offers the self-delivery of goods at the nearest store 15 minutes after placing online orders, develops the express delivery of goods from stores to homes using taxi aggregator partners, as well as its own services for the home delivery of any household appliances, which may be combined with additional services. Convenient after-sales service processes, including the exchange, return and repair of goods, are an important factor in ensuring loyalty and better customer experience.

The purchase payment stage is also one of the most important components of the consumer journey, so we strive to provide variability and convenience, regardless of the place of purchase and the desired payment method. We are also developing a retail and online lending platform, while cooperating with more than ten partner banks, and constantly improving and simplifying the loan process.

### Core

Solutions for dealing with partners, inventory management and working capital

M.Tech is engaged in the development and support of fundamental retail business services related to the most efficient movement of goods, formation of the assortment of goods, pricing conditions, promotions, interaction with partners, including direct deliveries and work through the marketplace.

The speed and promptness of order execution determine the choice of buyers and the competitiveness of retailers, therefore, as part of the digitalization of logistics, we develop the functionality of the "last mile" delivery service, create and improve data models for inventory management, fulfillment processes and transportation processes.

The Company is improving the experience of interaction not only with buyers, but also with suppliers, while providing them with a convenient and automated tool for ensuring quick and easy access to their sites, efficient planning and doing business and receiving analytics data (supplier's personal account, (for more details on the supplier's personal account, see the Assortment Planning Tools section, p. 25).

### Back

Growth in the efficiency of all other processes supporting retail operations,

We develop S2P processes and high-level modeling tools for planning purposes and automate cash flow forecasting and other solutions that improve the speed and quality of processes in retail and e-commerce.

While considering the scale and importance of the retail network, we automate lease and utility payments and ensure the management of the life cycle of retail infrastructure, data office facilities. For example, implementation of various initiatives for staff members and information security in order to manage their work schedule, personal income and motivation, establishment of an expert knowledge center, development of tools for ensuring the convenient and high-quality training of own line staff "from scratch".

> One of the key areas of the digital transformation of M.Video-Eldorado is a data-oriented approach to all key business processes. For this purpose, we are developing our data office, which develops solutions based on data analytics and machine learning (ML) algorithms in a number of areas, including the formation of personalized offers and communications for customers, work with assortment and promotions, increase in operating efficiency and reduction

M.Video-Eldorado develops and implements various code and vulnerability analysis tools, new protection measures against various threats and anti-fraud services for developing and maintaining own information security.

As part of our own technological platform, we are working on the technology for developing microservices and middleware, DevOps, SRE, FinOps and SecOps practices and improving the use of own cloud infrastructure. The support and development of both the physical component and network channels and equipment are important for own infrastructure.

### IT INFRASTRUCTURE

To increase the flexibility and reliability of the Group's IT landscape, we continue to rebuild our IT architecture based on a microservice approach, develop our data platform and products based on machine learning, and implement projects in the area of information security and migration to the cloud infrastructure.

M.Video-Eldorado Group creates a modern microservice platform built on hundreds of independent components (services). This approach involves supporting independent competing front-end products (mobile apps and websites) and common back-end systems used by both brands, including logistics, finance, IT and HR modules. The architecture based on microservices allows responding quickly to business requirements by adapting current products, while ensuring fast, seamless operation of applications as workloads increase.

The Group has implemented a transition to using cloud services as the underlying infrastructure for digital products. For the first time on the Russian retail market, the development and operation of the Company's customer-facing digital products are being fully transferred to the cloud. Over 70% of the Group's retail operations are supported by cloud solutions. The development and operation of websites and mobile applications for customers and consultants of both brands have already been transferred to the cloud platform. In addition, M.Video-Eldorado team also actively uses container development automation services to create new digital products, a managed data platform for collecting, storing, analyzing and visualizing information, services based on machine learning and serverless computing.

M.Video-Eldorado plans to complete the transition of front-end products to the cloud, to focus investment in development and to minimize the development of its own basic IT infrastructure. This allows M.Video-Eldorado to rapidly and cost-effectively expand dramatically the functionality of its key business products and services, implement data analytics at all decision-making levels and, ultimately, increase the overall digitalization of the entire business.

More than % of M.Video-Eldorado Group's operations are supported by cloud solutions

### **B2B ALTIS**

B2B Altis is the first S2P (source-to-pay) end-to-end procurement automation service in Russia created by M.Video-Eldorado in partnership with B2B-Center, the largest commercial electronic trading platform.

The cloud solution allows any business, regardless of its size, to quickly build up the process of procurement and interaction with suppliers: from searching for proposals to making payments, speeding up trade procedures and all documentary processes. The solution can automate up to 80% of the procurement loop, reduce operating costs for the procurement process by up to 35%, and integrate into corporate systems in a very short time.

Our expertise with ONE RETAIL technology has enabled us to create a system to manage the entire procurement process in a cloud environment using big data, predictive analytics, machine learning, and other advanced technologies to introduce automation, end-to-end collaboration and customization into relations with suppliers and customers ordering goods and services.

The introduction of B2B Altis allowed M.Video-Eldorado creating an analog of the online store for non-commercial purchases within the Group. The average duration of tender procedures and contract approval terms has already been reduced by 20%, while the average number of participants in competitive procedures has doubled compared to the solution based on SAP SRM

### COMSPACE COMMERCIAL AND LOGISTIC PLATFORM

While becoming a data-driven Company, we are automating product category management processes from planning purchases to managing promotional activities.

M.Video-Eldorado Group is the first retailer in the Russian market that has developed and implemented its own set of Al-algorithm-based solutions for product category management at all stages of commercial and logistics planning. ComSpace, a proprietary integrated product category management platform based on machine learning algorithms, generates an optimal product range for each store, adjusts prices daily based on actions of competitors and calculates the optimal volume of procurement and replenishments of M.Video and Eldorado stock.

The platform combines four proprietary data products, which were developed by the Group's internal teams and replaced vendor solutions in its IT landscape:

- · product range management (Optimizer);
- inventory management (Titan, for more information see the Own Digital Developments in Logistics section, p. 36);
- Pricing;
- · Promotion Planning.

The launch of the integrated system made it possible to combine the efforts of the Group's various business units. The Optimizer analyzes customer activity on M.Video and Eldorado websites and mobile applications on a daily basis and automatically generates the most optimal range for each product category. Pricing and Promotion Planning products are used for predictive management of regular and promotional prices. Today, prices for nearly onethird of the Group's product range are set offline without the direct involvement of commercial experts.

All four modules of ComSpace platform have been created entirely within M.Video-Eldorado Group and are easy to adapt and maintain in-house. This integrated solution is almost two times cheaper with a significant increase in the speed and accuracy of its calculations

ComSpace project, an integrated product category management platform, was short-listed for the Logistics and Transportation category of the independent RB Digital Awards 2023

От англ. source-to-pay – «от заявки до оплаты».

### **INFORMATION SECURITY**

In 2022, M.Video-Eldorado Group continued to implement its Information Security Development and Maintenance Strategy.

### **KEY RESULTS OF THE INFORMATION SECURITY STRATEGY**

In 2022, the main focus was on the import substitution of security agents of vendors who left the Russian market, increasing the protection level against network attacks, and improving the protection of digital products.

**Basic infrastructure protection measures** were implemented, additional **security services** were identified and launched to protect digital products from interlocking threats, and trainings were conducted to raise employee **awareness** of security threats.

Additional automation tools have been implemented to increase the level of response of the Information Security Incident Response Center.

To improve the security level **11 programs** for the information security development have been formed and are being implemented, including **88 protection measures** with more than **40** of them already implemented.

The fulfillment of information security tasks to support business goals is the target state of the information security function. In 2022, the Information Security Department managed to implement over 15 additional protection measures to ensure the security and resilience of information systems and products.

Information security services have been integrated into the digital product development process to reduce risks and potential losses from information security incidents.

In 2022, the Information Security Incident Response Center continued to develop and improve.

The distribution of information security tasks into four areas: protection, monitoring, management and resilience, allows optimizing resources to create maximum value for the business with a sufficient security level.

**Protection**. Effective balanced protection against known threats:

- developing security agents taking into account the technology used by the Group and the risk appetite;
- · identifying and implementing measures to protect personal data;
- · protecting data from disclosure, distortion and manipulation;
- · protecting customer services against failures caused by information security incidents;
- supporting business to secure new technologies;
- ensuring the security of information systems and products.

**Monitoring**. Timely detection of new threats and vulnerabilities:

- identifying information security risks in the early stages of the project and product, including new trends;
- ensuring monitoring and response to security incidents.

**Management**. Supporting the Group's business development strategy and goals:

- · developing proposals for effective protection measures;
- · ensuring that information security risks are reported to management.

**Resilience**. Minimizing the impact of information security incidents:

- · developing an action plan to manage information security risks;
- · supporting business to secure new technologies;
- supporting safe interaction with partners.

M.Video-Eldorado Group is committed to protect processed personal data.

In 2022, we continued to monitor the compliance of personal data processing and protection with legal and regulatory requirements, adjusted the most critical mechanisms implemented to ensure the security and organization of personal data processing, and implemented a roadmap to ensure the compliance of personal data processing and protection. Compliance analysis is integrated into the business process change chain.

In order to comply with the Decree of the President of the Russian Federation No. 250 dated February 1, 2022 "On additional measures to ensure information security of the Russian Federation" works were carried out to assess the security:

- · identifying and consolidating strategic information security risks (unacceptable events);
- identifying vulnerabilities in the IT infrastructure, which can be used by external
  and internal attackers to perform unauthorized actions aimed at violating
  the confidentiality, integrity and availability of processed information, as well as information
  processing software and hardware, which may result in a violation of their normal mode
  of operation and lead to the manifestation of unacceptable events;
- identifying shortages in the used information protection tools and software and evaluating the possibility of their use by an attacker;
- · verifying the feasibility of exploiting vulnerabilities;
- estimating the current security level based on objective evidence.

Based on the results, a roadmap has been developed and is being implemented to enhance the IT infrastructure and strengthen the protection level.



# 4.1 ADAPTING HR PROCESSES IN 2022: MAINTAINING PEOPLE WELL-BEING AND BUSINESS EFFICIENCY

There are several thousand professionals, enthusiasts in their field, ready to change retail behind the creation of a unique customer experience and the introduction of technologies and modern services. Therefore, all the M.Video-Eldorado Group achievements are those made by our employees. People are our greatest asset and we strive to provide a safe and comfortable working environment where everyone can unlock their potential and contribute to their community

The economic and social changes of 2022 prompted the company to review all of its business processes, including key aspects in staff management. On the one hand, M.Video-Eldorado Group managed to keep its retail network and staff in stores almost in full, while on the other one, it was able to modify all key processes and rebuild the functionality and structure so that they correspond to the current challenges and tasks to the maximum. Added up to enhancing the efficiency of key processes, the company's focus in 2022 as part of its work with staff was extending support during a period of high levels of instability, working with engagement, and retaining the best employees.

An important area of work was therefore the formation of a fully digital ecosystem of products, processes and tools for planning, controlling and motivating staff in stores and other divisions of the Group that serve customers. This contributed both to the growth of business efficiency and tackled the problems of supporting the well-being and development of employees.

M.Video-Eldorado Group fused the main systems for planning and recording working hours, synchronized their work with each other and made the employee an active participant in planning and using their working time through the work shift "marketplace" and visual online performance dashboards.

As a result, employees work more efficiently and better understand the effort-and-pay ratio. The company can react very quickly and flexibly to any market changes, controlling operational efficiency without sudden changes in headcount.

### **INTEGRATED RETAIL MANAGEMENT**

M.Video-Eldorado has finished forming a unified retail network management structure in 2022. Following the integration of centralized functions and divisions, we created a single control center at the level of each region, which united stores under both brands at the level of each city and region of the company's presence.

This enables all stores to communicate more efficiently with each other and synchronize the efforts of the two brands in the fight for buyers and sales. At the same time, the positioning of the brands was preserved, the M.Video and Eldorado stores continued to operate as usual.

As part of the office functions, amid strategic changes in the work with the assortment, the emergence of new business areas, such as imports, the key focus of the work was the renewal of the structure of the commercial directorate and the creation of business units within it. This enabled M.Video-Eldorado Group to manage the procurement, distribution and sales process more efficiently.

# ESTABLISHING BUSINESS UNITS TO INCREASE THE EFFICIENCY OF COMMERCIAL PURCHASES AND WORK WITH THE PRODUCT RANGE

The change in the brand landscape, purchasing and supplying equipment and electronics on the Russian market urged a revision of a number of approaches to the organizational structure and cross-functional interaction as part work with manufacturers and product range management. Business units combined all the functions that affect the work with the product range, i.e. product category management, marketing, development of retail and online sales, logistics and import operations. A team working with one of the product groups, for example, the telecom segment or kitchen appliances, has common goals for the end-to-end management of its category, from relationships with partners to sales in stores and online. Each expert within the business unit is assigned their own role and tasks, and their knowledge and experience contribute to achieving team goals. The key performance indicators of the team are turnover, turnover of goods and margin.

As before, the business unit leader is the administrative head for managers and specialists of their product categories. They also manage the experts of other functions (retail, marketing, logistics, import, etc.) involved in the work of the business unit, making it possible to create a single team aimed at achieving a common result. At the same time, such experts retain their positions and administrative participation within their "home" departments.

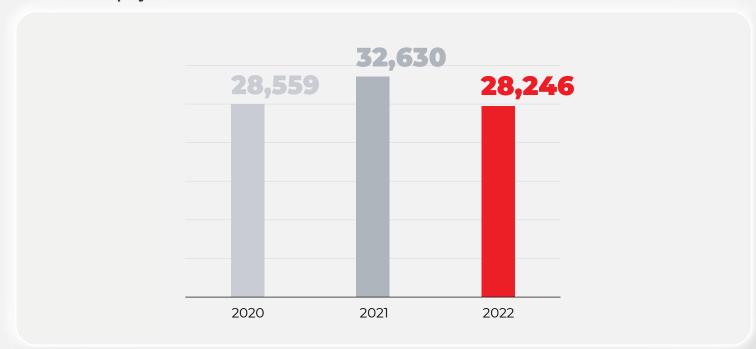
In addition to the new structure and the dream team, which combines end-to-end expertise in all aspects of the "core" of our business – assortment management – the business units received a tuned work rhythm that helps focus efforts on the main thing and get synergy within the team. This is the foundation that makes it possible to quickly implement all the initiatives and ideas planned by the team in achieving common business objectives.

In addition to structural changes designed to improve business operational efficiency, we laid the foundation for the development of projects in the field of staff training and motivation, work with engagement and well-being initiatives to support the psychological health of people in a complex environment.

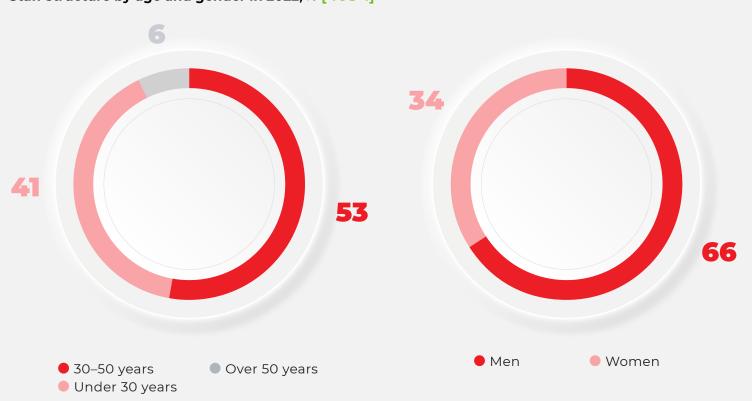
### **STAFFING**

M.Video-Eldorado Group in 2022 focused on securing jobs and headcount, while attaching significant importance to operational efficiency and cost control. Revising the functionality and optimizing processes in a number of areas made it possible to abandon excess resources where necessary. At the same time, the retail network and staff have been preserved almost in full. [2-7]

### Number of employees<sup>1</sup>



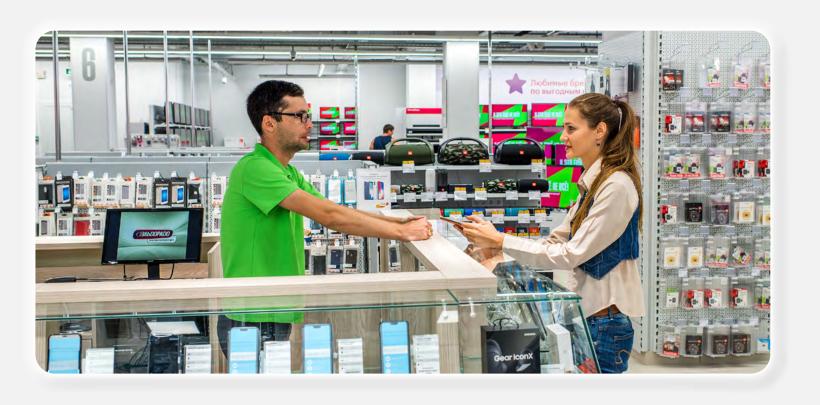
### Staff structure by age and gender in 2022, % [405-1]



### **ENSURING EQUAL OPPORTUNITIES**

M.Video-Eldorado Group remains committed to the principles of equality when hiring new employees. When reviewing candidates, the Group's recruiters are guided solely by the business qualities of the candidates. Candidates' age or gender do not count as grounds for refusing employment, and restrictions only apply to specific positions.

Developing inclusive employment is a major part of the M.Video-Eldorado Group activity. In 2022, the Group employed 140 employees with disabilities.



### **STAFF TURNOVER IN RETAIL**

Like many other retailers, M.Video-Eldorado Group faces a high level of employee turnover. In our case, dismissals of employees during and immediately after the end of the probationary period in recent years have received particular importance.

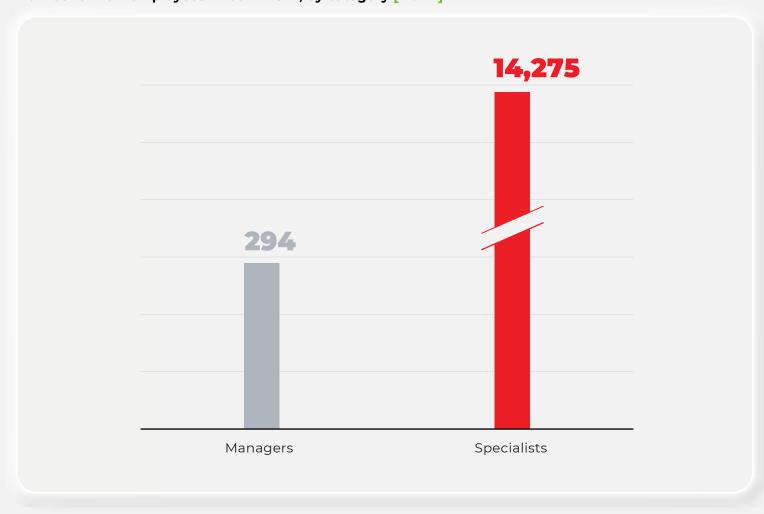
The overall staff turnover rate for the main legal entities — MVM LLC and M.Tech LLC — in 2022 amounted to 55.0%. [401-1]

To overcome the problem of staff turnover, mainly in retail, M.Video-Eldorado has elaborated a new onboarding program based on empathy and mentoring; both professional and emotional involvement of new staff members. The program applies modern technological solutions, making it possible for new employees to effectively use the time for training and quickly apply the acquired knowledge in practice. The first pilot projects have shown sustainable results and the Group will continue to expand the program in 2023.

Work with employees who wished to quit was further enhanced. In each case, the reasons and underlying motives for dismissal are thoroughly studied, ways of personal development are suggested. HR specialists and managers elaborate on career options for layoff candidates within M.Video-Eldorado Group. This work bears fruit: employees of value to the Group change their minds and withdraw their resignations.

In any case, an in-depth "exit" interview helps the HR department to identify shortcomings in the work with staff and develop measures to overcome them. Work aimed at employee retention will be performed and improved in 2023.

### Number of new employees hired in 2022, by category [401-1]



 $<sup>^{\</sup>mbox{\tiny 1}}$  The 2022 and 2021 figures are given based on data provided by Direct Credit Center LLC.

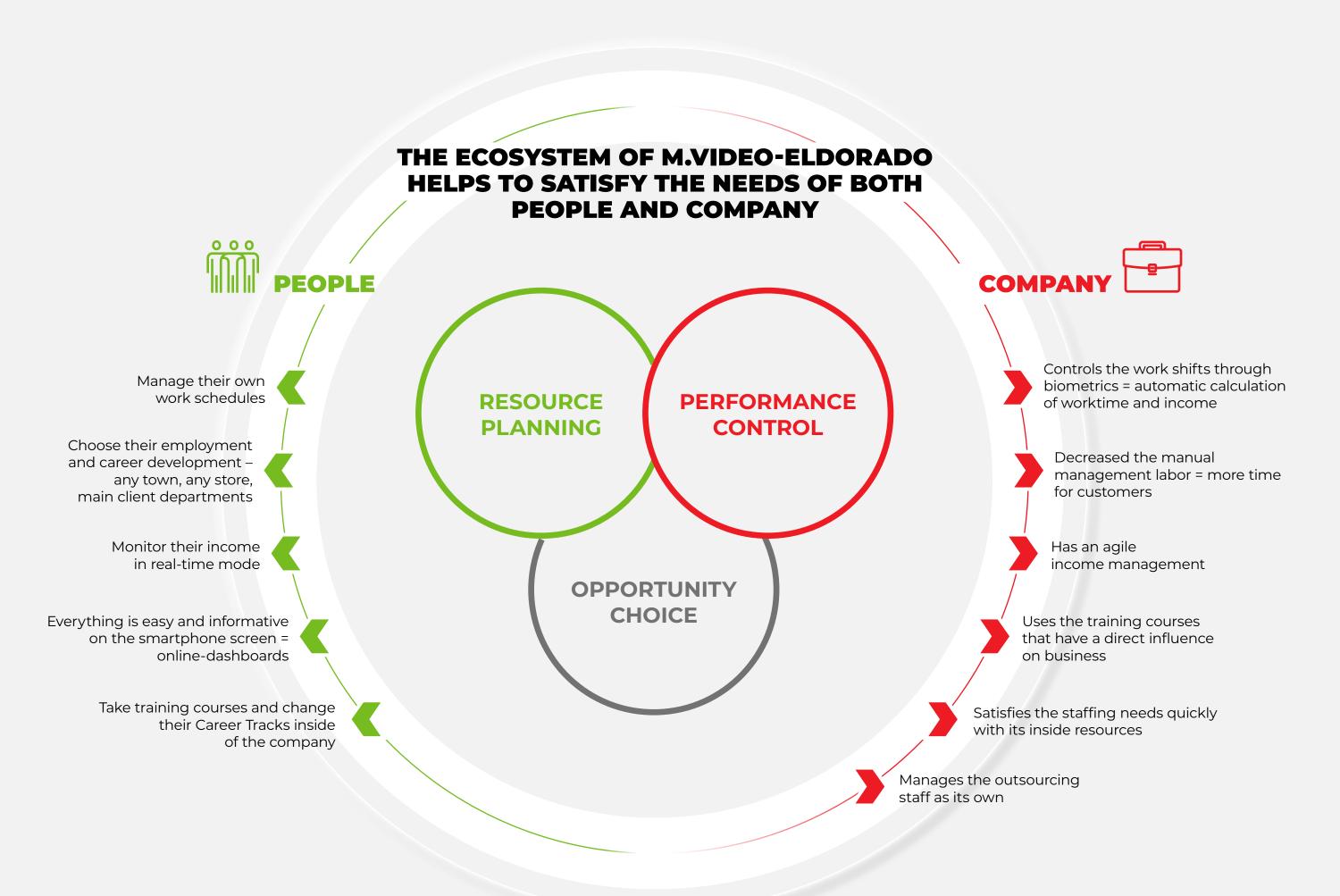
# 4.2 ECOSYSTEM OF STAFF CONTROL AND MOTIVATION IN STORES

A sharp increase in market volatility in 2022 (manufacturer brands exit, exchange rate fluctuations, changes in consumer activity) and, as a result, sharp fluctuations in sales (+30% year-on-year in the first quarter of 2022 and -29% year-on-year in the second quarter of 2022) urged the need for flexible and accurate workforce planning tools

Many people in the store mean extra expenses, few people in the store lead to lost sales. M.Video-Eldorado operates over 1,200 stores, each having its located peculiarities, product range and other features, and general metrics and planning for all do not provide the proper degree of operational efficiency. The reduced visibility and planning horizons further required a significant reduction in the training and deployment of additional staff members. In addition, amid general instability, it was important for us to support employees from community perspective, especially line staff in retail, provide people with jobs and retain experienced trained people.

M.Video-Eldorado therefore faced the task of increasing the efficiency of all business processes in terms of line staff management, including:

- increased flexibility and accuracy of headcount calculations in stores: people need to be in the right place at the right time;
- · ultra-fast closing of retail staffing needs with positive sales dynamics to maximize business results in the "plus 200 work shifts tomorrow" format;
- enhancing the personal employee efficiency and thus improving sales;
- · support of staff amid economic and social instability.



Line employees (shop assistants, warehouse workers) can manage their income in real time from their personal mobile devices through the corporate SuperApp, determine additional workload and develop skills, which boosts motivation and opens up new career opportunities. A service with real-time tracking of major KPIs, gamification and prompt feedback on the composition of the receipt motives to increase own sales further.

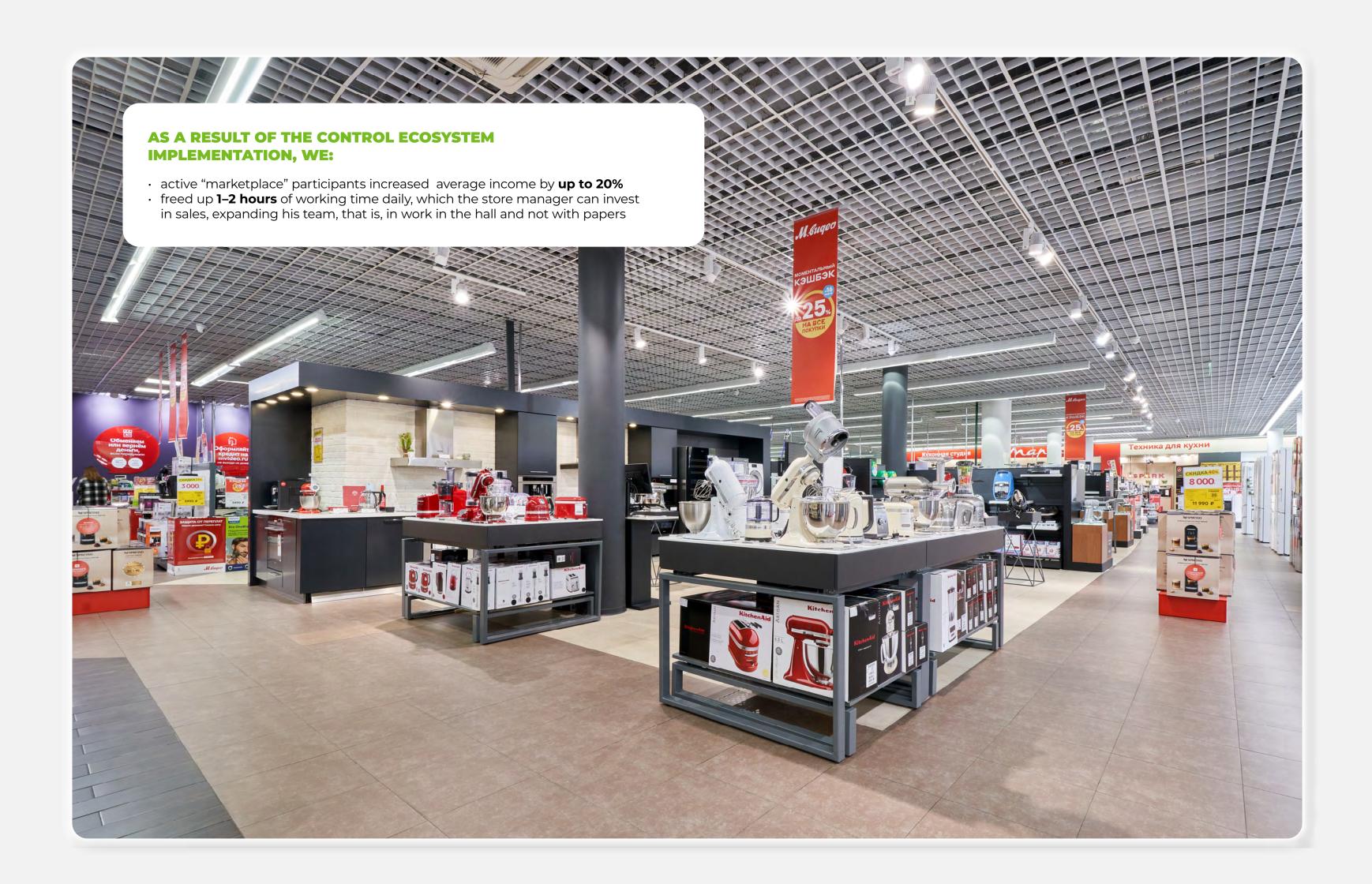
When planning and choosing a work shift, an employee can predict his income even before leaving. They can also choose a new role for themselves and get a new experience — a sort of game that the employees picked up with pleasure. They mark their "favorite stores", which are the first to receive notifications about shifts on the "marketplace" of working hours. Meanwhile, the Company is building up knowledge about part-time jobs — this will help in developing new career tracks.

The central office functions significantly reduced the cost of headcount planning in retail, increased the accuracy of these processes by raising already trained staff from different locations. For example, the Company makes a decision on additional advertising promotion on Thursday, and on Thursday on Friday, directors plan the number of employees in stores based on the new task. On Saturday and Sunday, employees go to the store knowing exactly how and how much they can earn. Should employees get sick or someone leave the team, their shifts are automatically sent to the "marketplace" of working hours, where it is easy to find the performer.

The ecosystem further helps quickly resolve both tactical and larger issues of the number and training of line staff. For example, if requests to the contact center have grown, salespeople can take work shifts there, help and earn extra money. These are already trained staff members who can be quickly brought to the task.

### What's unique

- 1. A clear understanding of efficiency was obtained the number is accurate to the hour, we get to know which stocks and trading/non-trading activities employees should enter.
- 2. Training and adaptation of beginners has been simplified through a clear link between training and sales results each consultant sees his results in a convenient format and automatically receives courses to pass on "lagging" topics (such as selling accessories or loans).
- 3. Control of the management of partner staff as their own biometrics, exit-care, performance has been exerted.
- 4. Employees received a "marketplace" of working hours a transparent system of current workload and payment, the opportunity to take extra hours or try themselves in a new area. It is important that this approach is implemented in any city, any store and any department
- 5. Gamification and online dashboards have been launched to increase engagement and increase efficiency. Employees received real-time visibility and ease of use (the smartphone displays income, sales details and a number of other parameters).



# 4.3 CREATING THE WORK AND LIFE ENVIRONMENT

Caring for employees is one of the major areas of all internal events in 2022. As part of the support for mental and physical health, the beginning of the year was marked with meetings with experts on exciting topics. In addition to tools for self-regulation in times of stress and ways to adapt to uncertainty, particular importance was attached to working with managers who acted as crisis managers for their teams [403-6]

# CARING FOR EMPLOYEES AMID STRESSFUL CHANGES IN SOCIAL AND ECONOMIC CONDITIONS

To help the M.Video-Eldorado managers organize work in times of crisis, we held meetings with experts, where we discussed how to build teamwork during a period of change, and also shared useful recommendations in terms of providing support to employees when necessary. Meetings and consultations in financial planning, economic and legal issues, which have become relevant due to the unstable external economic situation in the world, have become an important area of corporate programs for employees.

The Group devoted considerable attention to supporting and reinforcing emotional ties between employees in order to enhance the efficiency of cross-functional interaction and building communications. To do this, in the first half of 2022, we held weekly "Coffee to go" meetings, where employees got to know each other online and talked about the topics proposed by the moderator. Feedback showed a high interest in such events, because the period of remote work revealed a lack of informal communication between employees. In the second half of the year, this initiative switched to an offline format: "meetings in a good company" is a pilot project to build communication between employees and create a supportive culture of interaction. These meetings uncovered employee issues that affect personal performance and reduced engagement, and identified the need to train employees in life-time-balance skills, stress management, and planning tools. Based on the data obtained, we expect to carry out additional activities together with the training department.

We have launched a communication project "Tell it like it is" — video blogs with the M.Video-Eldorado staff members. This tool helps to involve all employees in the business agenda, reduce the information vacuum in the Company, and strengthen the employer brand by increasing the recognition of leaders and increasing loyalty through informal communication.

### **RETURN TO OFFLINE WORK**

The year 2022 required having all our efforts increased, the revision of key areas of work within each of the functions, which was facilitated by the resumption of office work. M.Video-Eldorado Group currently supports a hybrid mode, while a significant part of the working time during the week, employees are in the office, meetings are held in a combined format, depending on the tasks and composition of the participants.

The outreach of staff to the office, coupled with the transfer of a number of business events from online to face-to-face format, further contributed to strengthening ties between employees, as joint activities help to solve problems more quickly and strengthen crossfunctional interaction.

### **CORPORATE RADIO**

On the New Year's Eve, M.Video-Eldorado Group held a radio broadcast, which was made available to all employees on the online platform in audio or video broadcast mode.

As part of the broadcast, professional radio hosts worked, and employees had the opportunity to send their regards to each other, order their favorite New Year's music, share stories, participate in contests and prize draws. The on-air grid was built in cycles, making it possible to join the broadcast at any convenient moment and stay in context. The festive atmosphere was created by a specially designed studio, jingles.

The project was praised among the participants and made it possible to bring employees from different cities and regions closer together, to feel the commonality of the team, and continued to develop in 2023.

### **FINANCIAL ASSISTANCE**

When extending financial assistance to its employees, M.Video-Eldorado Group strives to focus on supporting them in difficult life situations. In 2022, the Group added additional forms of support related to the new economic and social circumstances in the country. [401-1]

Financial assistance is also provided for employees who have suffered serious illnesses. The ground obtaining the assistance it is the significant costs for the purchase of medicines. Unfortunately, the reporting period also marked cases of payment of financial assistance to the families of deceased employees. In 2022, the Group allocated over RUB 55 million for additional support for employees.

1. M.VIDEO-ELDORADO GROUP PROFILE 2. STRATEGIC REPORT 3. OPERATIONAL PERFORMANCE 4. CARE FOR EMPLOYEES AND SOCIETY 5. CORPORATE GOVERNANCE 6. ANNEXES Annual Report | M.Video-Eldorado | 2022

# 4.4 EDUCATION AND DEVELOPMENT

In 2022, our focus has been on employee retention and professional development in order to increase efficiency. The task of training lay in the plane of providing the necessary knowledge of staff at all levels to implement the necessary decisions in the conditions of turbulence and rapidly changing business realities

As part of these tasks, projects were implemented aimed at improving the efficiency of managers and strengthening the expertise of retail employees.

The Commercial Directorate conducted a large-scale diagnostic of business unit employees and identified major growth points for category managers and department heads (for more details, see the Adapting HR Processes in 2022: Maintaining People Well-being and Business Efficiency section, pp. 42-43).

The study of employee engagement was conducted for the first time in the pulse survey format, making it possible to quickly and accurately identify pain points and propose solutions to eliminate them.

External economic factors and their impact on the outflow of their own staff served to form a new focus of attention — building a system of succession within each directorate and maintaining a unique expertise in business.

### **ENGAGEMENT PULSE SURVEYS**

Pulse surveys were used for the first time to further diagnose the mood of employees and their attitude to the work process. We explored such indicators as satisfaction, engagement, loyalty and eNPS.

Two divisions of the back office took part in the pilot projects: the commercial directorate and the staff directorate, as well as all levels of retail managers. The share of employee participation in the survey was 80%. Based on the pilot project results, key areas of attention for improvements were identified, the success of which can be assessed in the current year.

37,552 unique completed training sessions

772,009 completed training sessions

1255 original courses studied by employees

were trained under multi-format training programs lasting

from 4 to 14 weeks

designed to support M.Video-Eldorado tricks

### **TECHNOEXPERT ACADEMY**

The product approach involves devoting significant attention to the uncertainty factor and implies constant changes in the business as a whole and in individual products, both released to the market and used within M.Video-Eldorado Group.

As part of maintaining retail expertise and enhancing efficiency when working with clients in the face of a change in the product range and the entry of new players into the market, the TechnoExpert Academy ecosystem was established.

The use of multiple channels for presenting up-to-date information and the ability to provide sellers with it directly on their smartphones allowed retailers to extend high-quality advice to customers on new products and brands, as well as to increase own efficiency.

The new approach required a change in work with vendors, which led to an increase in the speed of development and delivery of new content to users within the Company.

The ecosystem involves three channels: a chatbot, an educational portal, and a community on a social network. A variety of formats enable the participants to master new information in a short time.

Based on the results of analytics at the end of 2022:

salespeople and store employees were trained

of participants rated the training 4 and 5 out of 5

Employee Net Promoter Score - employee satisfaction and loyalty index.

### **CUBE COMMUNITY**

Creating and maintaining synergies in the merger of two brand stores operated by a single regional director required the formation of a retail manager program (for more details, see the the Adapting HR Processes in 2022: Maintaining People Well-being and Business Efficiency section, pp. 42–43). Under conditions of constant change and high workload, store directors and regional managers needed to find a new and modern approach to developing a training solution.

The project aims to build up a common environment for all store directors, managing directors of regions and divisions, where they can jointly master managerial, communication and self-regulation skills under high stress, exchange ideas and best practices.

In 2022, the CUBE community was launched in the Telegram messenger for store directors and regional directors. All participants received educational content in different formats: text, video, podcasts, management tasks, case studies and live broadcasts with speakers. Community members put the new tools into practice and shared their results.

A major component of this training decision was support and direct communication with the M.Video-Eldorado management. This made it possible to conduct an open dialogue and make decisions on process optimization jointly.

1,339 participants, 100% of the target audience

**21** internal experts

broadcast sessions with external module experts

714 people at the peak of the broadcas

Over

300 questions for expert

### TRAINING IN LOGISTICS FUNCTIONS

2022 set the task of enhancing the efficiency of logistics processes, which required strengthening the expertise of leaders in this area of business and improving management skills.

The Digital Logistics Experts mixed training program was created from scratch and implemented. The program covered questions on industry expertise, optimizing logistics processes, collecting and analyzing data, and working with reports. Particular importance was attached to the leader's thinking and working with the team in the face of change. [404-2]

managers of various levels took part in the program, and 98% rated the training at 8 and 9 points out of 10

# COMMERCIAL MANAGEMENT AND THE START OF THE SUCCESSION SYSTEM FORMATION

To address the problems of preserving and reproducing expertise in key divisions of M.Video-Eldorado, for example, in the commercial directorate responsible for working with the assortment and developing relations with suppliers (for more details, see the Adapting HR Processes in 2022: Maintaining People Well-being and Business Efficiency section, pp. 42–43), a new approach to talent management was elaborated, which will be extended to all other functions in 2023.

Identifying major positions for the business and in-depth assessment of employees in these positions helped the commercial function to quickly implement the planned changes, both structural and ideological.

Alignment of the employees of each department in the 9-boxes matrix and feedback sessions for managers made it possible to comprehensively look at each member of the team in terms of efficiency and potential.

Based on the diagnostics and scenarios for working with key positions in 2023, employees receive individual development plans and tasks, as well as new proposals within the career ladder and an updated approach to motivation.

To implement the project to build a succession program by the training and development team and the product team responsible for HR processes at M.Video-Eldorado, an automated 9-boxes tool was developed, which became central to a new approach to talent management in the Group, retention and development of expert staff.

40 employees of the commercial directorate were assessed using Hogan and Talent Q tools. 105 man-hours were spent on in-depth feedback sessions with only two HR staff and no outside expertise.

## 4.5 HEALTH & SAFETY

Preserving the life and health of employees in the course of their work and ensuring compliance with the requirements of labor protection legislation is one of the key priorities of M.Video-Eldorado Group

Management of activities in safety is regulated and organized in accordance with the Labor Protection Policy and the M.Video-Eldorado Regulation on the Labor Protection Management System. [403-1]

The Group applies a centralized hierarchical management of occupational health and safety. At each level of management, responsibilities in labor protection are established for each manager and employee.

The Regulation on the Labor Protection Management System determines the policy and objectives in labor protection, general requirements for the organization of work on labor protection, the main measures and processes aimed at ensuring safe conditions, preserving the life and health of workers through the course of work.

M.Video-Eldorado Group also developed and constantly maintains up-to-date local regulations (LNA) in the field of labor protection and sanitary legislation, which are posted and available to all employees on internal information resources.

The key efficiency indicators of the labor protection management system are the reduction of occupational injuries and the absence of occupational diseases, and the significant tools in the assessment of safety are periodic testing of employees' knowledge, special assessments of working conditions, identification of hazards and assessment of occupational risks.

# MEASURES TO IMPROVE WORKING CONDITIONS AND PREVENT INJURIES

The Group regularly takes a set of measures aimed at protecting the life and health of employees, including a special assessment of working conditions, occupational risk management, production control over compliance with sanitary legislation. If discrepancies are identified, corrective measures are immediately taken using innovative technologies and digitalization of processes.

On its own initiative, M.Video-Eldorado Group invests additional funds in labor protection measures. Based on the legislation requirements, if 0.2% of the costs for the production of services should be allocated for these needs, then the Group allocates more than 1%.

One of the important events is the organization of self-c-hecks of the state of labor protection in separate subdivisions according to the developed and implemented checklists on electronic platforms with confirmation by photo reports. Such audits are performed at least twice a year and allow a unified approach to identifying hazards and taking corrective actions in a timely manner. [403-2]

In 2022, we launched an electronic service for reporting employees to the labor protection department about identified violations, accidents and microtraumas. [2-26]

Given fundamental changes in the legislation in labor protection regarding employee training, accident investigation, etc. local documents were updated and changes were introduced to the Group's work processes, including digital transformation.

For various target audiences, line managers and responsible persons for labor protection of separate divisions, thematic webinars and meetings in the dialogue mode are regularly organized, cascade communications and individual consultations are held. All employees of separate subdivisions regularly undergo mandatory training in labor protection. To meet high-quality education needs, unique distance courses have been elaborated and applied.

All managers and responsible persons for labor protection are trained on the basis of specialized accredited training centers, interaction with which is fully automated. This provides to ensuring 100% training of responsible persons and optimize time for monitoring results and organizing the process.

To promote compliance with labor protection requirements, the formation of conscious safety among employees, unique posters and safety signs in an unusual visual format have been developed and placed in separate subdivisions, stands or labor protection corners have been installed, which display up-to-date information and current LNA.

Employees are provided with special clothing and footwear depending on the work performed in accordance with regulatory documents.

To ensure safety in storages, industrial vehicles are equipped with additional light beacons that warn workers about the approach of equipment. Special gates are installed on the mezzanines to prevent workers from falling from a height.

### **RESULTS IN LABOR PROTECTION**

In M.Video-Eldorado, a special assessment of working conditions (SAWC) was performed at all workplaces. As a result, measures were developed and are being carried out to improve working conditions.

The Special Assessment of Working Conditions is performed annually at newly arranged workplaces.

Based on working conditions and in accordance with the results of a special assessment of working conditions, employees are provided with compensation.

### Occupational health and safety management system coverage [403-8]

Indicator	2020	2021	2022
PERCENTAGE OF EMPLOYEES COVERED BY THE LABOR PROTECTION MANAGEMENT SYSTEM	100	100	100
Number of employees covered by the labor protection management system	28,353	28,378	24,683
Total jobs subject to a special assessment of working conditions (SAWC)	16,900	16,900	18,950
The number of jobs that have passed the SAWC	1,690	3,002	1,411
· of which are class 1	66	27	5
· of which are class 2	1,350	2,882	1,290
· of which are class 3	274	93	116
• of which are class 4	0	0	0

Training is an important tool for informing workers and managers about the hazards and risk management tools in the workplace. The training further aims to provide employees and managers with a deeper understanding of legal requirements and best practices in the field of health and safety at work, so that they can also contribute to the development of a high safety culture in M.Video-Eldorado Group.

All managers must receive appropriate training on labor protection and changes in legislation in accredited organizations.

### Number of employees trained in safety and labor protection [403-5]

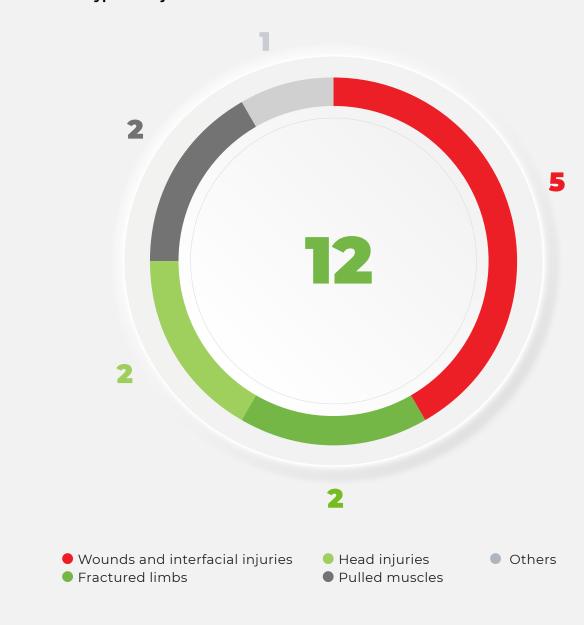
Indicator	2020	2021	2022
Training of managers and specialists in the field of labor protection	1,608	6,086	5,342
Occupational safety training when working at heights	3,222	2,124	3,185
Electrical safety training	1,450	2,776	2,625
Training on work with load-lifting mechanisms (elevators, hoists)	1,707	1,962	83
Internal training on employee labor protection	28,353	28,378	24,683

Compliance with labor safety standards coupled with the use of mechanization wherever possible make it possible to keep at a low level indicators associated with injuries in the workplace with loss of working time.

### Injury rates [403-9]

Indicator	2020	2021	2022
Number of employees injured	12	16	12
Fatal accident rate (FAR)	0.00	0.00	0.00
Lost Time Injury Rate (LTIR)	0.23	0.30	0.27
Total Recordable Injury Rate (TRIR)	0.23	0.30	0.53
Injury frequency rate per 1,000 workers	0.42	0.56	0.49

### Number and types of injuries received in 2022



1. M.VIDEO-ELDORADO GROUP PROFILE 2. STRATEGIC REPORT 3. OPERATIONAL PERFORMANCE 4. CARE FOR EMPLOYEES AND SOCIETY 5. CORPORATE GOVERNANCE 6. ANNEXES Annual Report | M.Video-Eldorado | 2022

# 4.6 CHARITY AND **SOCIAL PROJECTS**

Charity forms an integral part of M.Video-Eldorado Group corporate culture. Systematic professional assistance helps to tackle urgent problems, and also has a positive effect on the mental and psychological health of people involved

### **BEAUTIFUL CHILDREN IN A BEAUTIFUL WORLD**

M.Video-Eldorado Group has established the Beautiful Children in a Beautiful World charitable foundation. It aims to extend care for enduring common values and solve major social problems.

The first of the foundation's goals is to **improve health and quality of life**. The Foundation provides support to families who need help for the treatment of maxillofacial pathologies in children, their rehabilitation and social adaptation.

**Preserving heritage** is the second goal of the foundation, it helps reserves and national parks in the implementation of projects aimed at protecting nature and cultural values.

The third goal of the foundation is to **promote educational activities**, spread knowledge about the value of Russia's protected areas, form a sense of pride in the native nature and involvement in its protection.

allocated for charitable projects by the Beautiful Children in a Beautiful World Foundation in 2022, supported by M.Video-Eldorado

M.Video-Eldorado Group customers remain active benefactors of the foundation. They contribute both by direct donations, for which special boxes are installed in each of our stores, and through participation in special promotions such as Good New Year's Toys.

The Beautiful Children in a Beautiful World Foundation receives partial funding from the sale of Good Cards gift cards in M.Video and Eldorado stores.

Our employees make a significant contribution to the provision of the fund. The amount of donations they made to the fund increased significantly in 2022 and amounted to RUB 5.2 million.

As part of a charity run in support of the foundation involving about 3,450 employees, RUB 1.1 million were raised. Such races are held annually and have become traditional. and in 2022 the race took place for the eighth time.

In December 2022, M.Video-Eldorado volunteers held a charity "garage sale" at the office, which allowed them to get rid of outdated souvenirs and samples of goods and collect almost

RUB 400,000 for the foundation needs

### **BEAUTIFUL CHILDREN PROGRAM**

In accordance with the plans and the methodological work done, an online platform for speech therapy rehabilitation was launched in 2022. Qualified assistance to children suffering from rhinolalia (a common speech impediment in palate pathologies) is now made available regardless of the place of residence and family income.

A new program direction was the support of dental care under general anesthesia for children with autism, Down syndrome, epilepsy and other diagnoses, for which this is the only opportunity to receive treatment.

### **BEAUTIFUL WORLD PROGRAM**

In 2022, the development of a systematic approach to the implementation of environmental projects of the Fund continued. As part of the Beautiful World program, the foundation continues to help preserve reference islands of nature and ecosystems. In addition, given numerous natural fires, funding for projects aimed at fire prevention and emergency response in protected areas was continued. In past competitions, a special anti-crisis nomination was allocated for projects to combat emergency situations.

Project financing focused on educational activities, conservation of biodiversity and rare species of animals and plants was continued.

In 2022, as part of educational work, the foundation launched three new projects:

- a cycle of The Forest in Which podcasts of 10 programs on how to live and not to harm, or better yet, help nature. The timeliness, exciting topics and expert guests of the podcasts ensured the highest positions in numerous ratings;
- the Domnadereve.rf first interactive project has been developed, involving families with teenage children in studying the career guidance opportunities of the reserve system. Based on the portal materials, children were trained through game components, and reserves and national parks, in turn, received a platform for demonstrating their environmental education programs and were able to attract tourists from among the trainees;
- · owing to cooperation with M.Video-Eldorado, the foundation has implemented the Vanishing Beauty competition of protected photography. The best pieces were broadcast throughout October on all screens in stores of both brands, providing a unique scale of audience coverage.

# 4.7 DEVELOPING PROJECTS IN CYCLIC ECONOMY AND SUSTAINABLE DEVELOPMENT

Every day we strive to minimize our impact on the environment and enhance our environmental performance. The ESG priorities of M.Video-Eldorado Group also apply to our customers: we promote goods for conscious consumption, implement the principles of a circular economy, conduct educational activities and support green initiatives

M.Video-Eldorado Group continued a number of projects in 2022 as part of its ESG priorities. [2-22]

We still actively collect e-waste with their subsequent transfer for proper disposal. Since the launch of the in-house circular economy program in 2019, the Group has transferred over 8,000 tonnes of old equipment, batteries and product packaging to licensed enterprises for recycling. [2-24]

At the end of 2022, M.Video and Eldorado customers brought two times more small household appliances to chain stores than a year earlier, and ordered the removal of obsolete or unnecessary large household appliances 1.5 times more often, both along with the delivery of new goods, and without purchases, with the help of the launched ecotaxi service. Washing machines, refrigerators and smartphones accounted for the most rented devices in the reporting period.

>8,000

of old equipment, batteries and product packaging were transferred for recycling by M.Video-Eldorado Group in 2022

It is important that even in a turbulent market situation, significant environmental projects continue to operate and develop efficiently. We have kept the volume of equipment collection under M.Video's Smart Recycling and Eldorado's Dispose Correctly recycling programs at the previous year level.

Since 2019, together with the SKO Electronics-Utilization Association, M.Video-Eldorado Group has been implementing a program to collect obsolete or out-of-service equipment for recycling. The established sustainable collection system for used household appliances and electronics is actually the only one in Russia. In 2022, buyers handed over almost 1,500 tonnes of unwanted household appliances for environmentally friendly recycling, as well as 60 tonnes of used batteries, which exceeded the figure for 2021 by 18%. During the year, 12,000 plastic bottles and aluminum cans were collected with the help of vending machines in two pilot stores in Moscow.

Customers can return small-sized equipment, batteries and batteries free of charge in 30 cities and 770 M.Video and Eldorado stores. Non-used major domestic appliances can be removed from home along with delivery of a new product within the service called Removal of Equipment for ECO Recycling. Compared to 2021, such service was purchased 1.5 times more often. On average, nearly every twentieth delivery of major domestic appliances in 2022 was accompanied by removal of old and unwanted equipment.

770 M.Video and Eldorado stores accept equipment for recycling

Every

**20**th delivery

of large equipment in 2022 was accompanied by the removal of old and unnecessary appliances

The M.Video website offers an ecotaxi service for the removal of old large-sized equipment of a number of categories, making the purchase a new product unnecessary. The service includes urgent car departure, dismantling of old equipment and the work of movers.

Washing machines, refrigerators, mobile phones, stoves, printers, televisions, including large diagonals, as well as accessories such as headphones and cables, were the most handed-over appliances in the past year. In 2022, customers were four times more likely to recycle TVs, synthesizers, ironing systems, mobile phones, headphones, blenders, humidifiers and coffee makers, six times with respect to laptops and computer equipment. The owners of stylers and other hair styling devices showed the greatest interest in recycling, which turned in almost nine times more than in 2021.

Most of the equipment and obsolete batteries were donated by residents of Moscow, St. Petersburg, Novosibirsk, Yaroslavl and Samara. The most eco-active in relation to 2021 were the residents of Rostov-on-Don, Novosibirsk, Chelyabinsk, Ulyanovsk, and Tyumen.

We strive to minimize our own impact on the environment. In 2022, M.Video-Eldorado Group continued to implement initiatives to achieve carbon neutrality, collect and recycle trade-generated equipment and materials. We handed over more than 4,000 tonnes of product packaging (cardboard, film, adhesive tape and pallets) to specialized enterprises for processing, doubling this figure compared to last year.

### **ECOTAXI**

M.Video-Eldorado contributes to responsible consumption in Russia. In 2022, over 100,000 people were involved in our environmental programs.

We continue to introduce new easy-to-use services such as ecotaxi. The service is already available on the M.Video website in Moscow, St. Petersburg and a number of other cities. You can order the service both on the website and in retail stores.

Our customers have already praised the new ecotaxi service and most often used it to take refrigerators and washing machines to recycling plants, where old and unnecessary equipment becomes raw materials for new parts and goods.



## **5.1 CORPORATE GOVERNANCE SYSTEM**

# STATEMENT FROM THE COMPANY'S BOARD OF DIRECTORS ON COMPLIANCE WITH THE PRINCIPLES AND RECOMMENDATIONS OF THE CORPORATE GOVERNANCE CODE

In its activities, the Company's Board of Directors undertakes to fully and accurately follow these principles and recommendations in line with the Bank of Russia's Corporate Governance Code recommended for use by joint-stock companies whose securities are admitted to organized trading (Letter No. 06-52/2463 dated April 10, 2014), the "Code", as well as the Bank of Russia's recommendations regarding reports on compliance with the principles and recommendations of the Corporate Governance Code (Letter No. IN-06-28/102 On Disclosing the Report on Compliance with the Principles and Recommendations of the Corporate Governance Code in the Annual Report of a Public Joint-Stock Company), the "Bank of Russia's recommendations", which establish the principles of corporate governance in joint-stock companies. At that, the Board of Directors states that the Company currently does not comply with certain provisions (principles) of the Code (partially or fully) due to circumstances detailed in the Reason for non-compliance section of the Report on Compliance with the Principles and Recommendations of the Corporate Governance Code Annex to this Annual Report.

As a method of assessing compliance with the Code, the Company used the Bank of Russia's recommendations and form of the report on compliance with the principles and recommendations of the Corporate Governance Code.

The scope of the assessment included compliance of the Company's relevant practices and internal procedures with the Code. The findings are contained in the Report on Compliance with the Principles and Recommendations of the Corporate Governance Code, which is part of this Annual Report.

The Company defines corporate governance as a set of elements and processes for managing and controlling its operations, including a system of relationships between the Company's executive bodies, the Board of Directors, shareholders and other stakeholders.

We focus on and improve our corporate governance system since adherence to relevant principles and best practices lays the groundwork for our successful development.

The Company's corporate governance system stands upon the applicable Russian laws and the Listing Rules of PJSC Moscow Exchange.

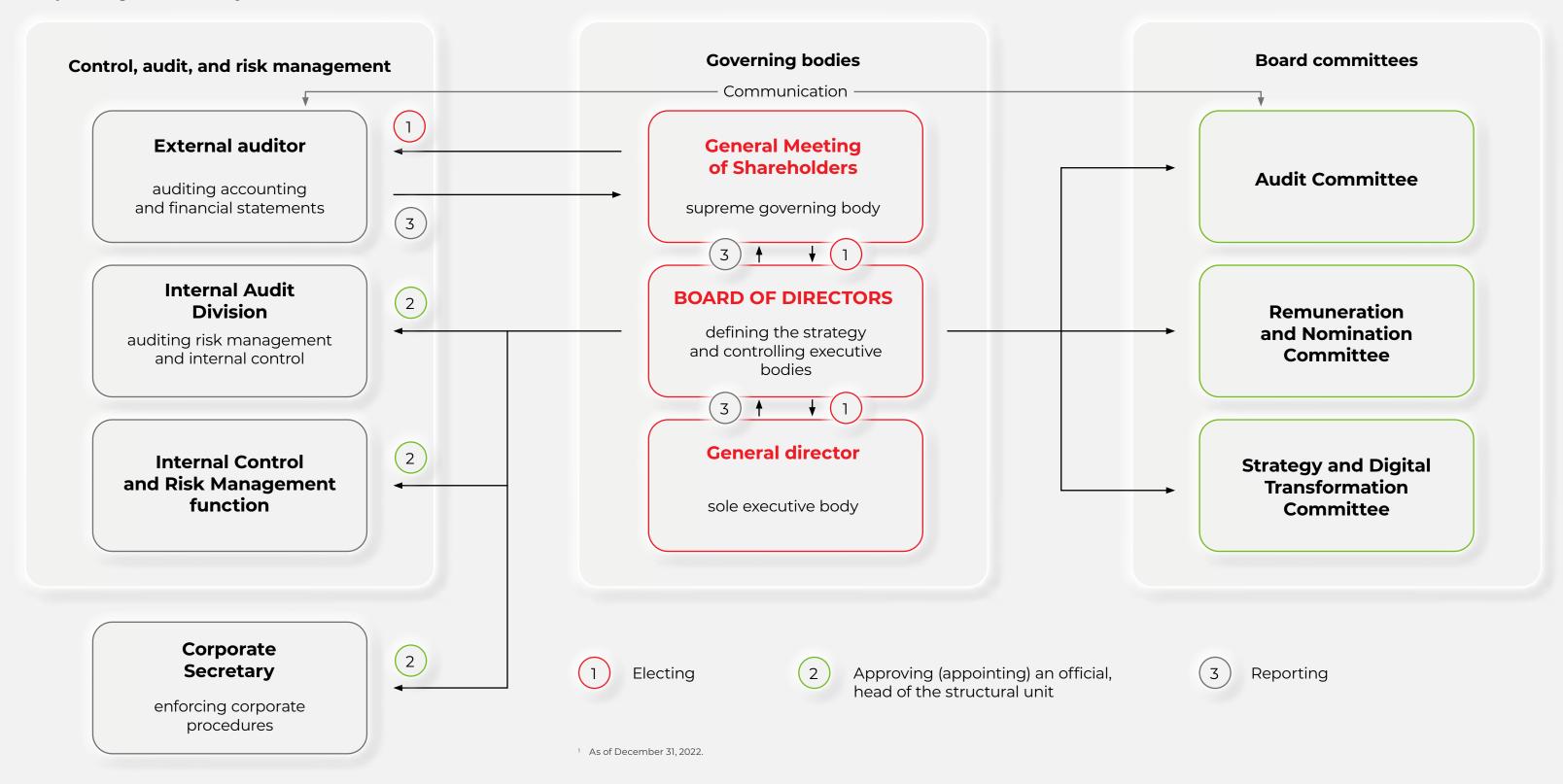
When developing and streamlining its corporate governance, the Company is also guided by the Code's principles and recommendations and other recommendations of the Bank of Russia.

### **Corporate governance pillars:**

- all shareholders receive fair and equitable treatment as they exercise their right to participate in the Company's management;
- the Board of Directors is in charge of the Company's strategic management, defines core
  principles and approaches regarding the internal control and risk management system,
  and oversees executive bodies;
- the Board of Directors is competent, effective and accountable to the Company's shareholders;
- executive bodies manage the Company's day-to-day operations to ensure its long-term sustainable development, create shareholder value and guarantee the accountability of executive bodies to the Board of Directors and the Company's shareholders;

- timely disclosure of complete and accurate information about the Company makes its activities transparent for shareholders, investors, and other stakeholders;
- effective oversight of the Company's financial and commercial operations serves to protect shareholders' rights and legitimate interests;
- the Company accepts its social responsibility and respects the rights and legitimate interests of other stakeholders;
- the Company considers ESG factors and defines a sustainable development strategy for the Company and the Group.

### Corporate governance system<sup>1</sup>



### **KEY CORPORATE GOVERNANCE CHANGES IN 2022**

### **Refusal from the Audit Commission**

The Company has a risk management and internal control system, internal audit and the Audit Committee of the Board of Directors. Furthermore, pursuant to Clause 1, Article 85 of the Federal Law On Joint-Stock Companies, an audit commission is established only as per the public company's charter. In 2022, the Board of Directors recommended the Annual General Meeting of Shareholders to approve the revised Charter that does not provide for an audit commission.

In the reporting year, the Annual General Meeting of Shareholders approved a new version of the Company's Charter that does not stipulate an audit commission.

### **Changes in the Group's structure**

In the year under review, the Group was enhancing its corporate structure to most effectively manage the Group's entities.

BOVESTO Limited, a foreign legal entity, changed its personal law, having redomiciled to Russia. As a result, BOVESTO Limited International Limited Liability Company was established and subsequently renamed to BOVESTO International Limited Liability Company.

The Group's DK Finance LLC was reorganized by merging with Direct Credit Center LLC, which is also part of the Group.

In the reporting year, the liquidation of MVEL Investition GmbH was completed.

## Corporate structure of M.Video-Eldorado Group<sup>1</sup> [2-9] 100% **PJSC M.video BOVESTO INTERNATIONAL LLC MV FINANCE LLC** 68.94% 100% 25.25% **MVM LLC** 100% 5.81% 100% 99.99% 0.01% **Direct Credit Center LLC** BT HOLDING LLC **Trade Complex Permsky LLC** 100% 100% 0.01% 99.99% M Tech LLC **ALLIANCE CREDIT LLC** Rentol LLC 99.99% **Invest-Nedvizhimost LLC**

As of December 31, 2022.

# **5.2 MANAGEMENT AUTHORITY**

### **GENERAL MEETING OF SHAREHOLDERS**

The General Meeting of Shareholders is the top-tier management authority of the Company, which is also a decision-maker on the main issues of the Company's activities.

The list of issues pertaining to the competence of the General Meeting of Shareholders is determined by Federal Law No. 208-FZ On Joint-Stock Companies dated 12.26.1995 and the Company's Charter.

In 2022, the Company held two General Meetings of Shareholders, at which the following main issues were discussed:

- the distribution of profits (including payment (declaration) of dividends) and losses of PJSC M.video according to the year records of 2021;
- the election of members of the Board of Directors of the Company;
- the approval of the auditor of the Company;
- the approval of revised editions of the Company's Charter of Association and Regulation on the Board of Directors of the Company.

### **BOARD OF DIRECTORS**

The Board of Directors is a central element of the Company's corporate governance system, responsible for management of the Company's operations.

The Board of Directors is accountable to the authority of the General Meeting of Shareholders: its members are elected by the General Meeting of Shareholders where their authority also can be revoked at any time by the General Meeting of Shareholders. [2-10]

The competence of the Board of Directors is stipulated by the Company's Charter and is clearly divided from the competence of the executive body managing current operations of the Company. The Board of Directors is responsible for the Company's strategic management as well as for defining the core principles and approaches related to the organization of the risk management and internal control system in the Company. [2-17]

The Board of Directors is assigned the following competences in order to implement the stated responsibilities:

- to identify the Company's main-priority workstreams; [2-12]
- to approve (change) the long-term strategic development plan (strategy) of the Company and the Group's companies, including the strategy for marketing, development, and maintenance of the brand; to approve reports on the implementation of the strategy of the Company and the Group's companies, and to define the procedure and frequency of submission of such reports; [2-14]
- to approve the Company's risk management and internal control system; to approve the Company's risk management and internal control policy; and to approve the Company's risk framework.

The Board of Directors is also responsible for implementing its other functions within the competence defined by Federal Law No. 208-FZ On Joint-Stock Companies dated 12.26.1995 and the the Company's Charter.

One of the most important functions of the Board of Directors is to establish effective executive bodies and monitor their operation. To implement this function, the Company's Charter states the competences of the Board of Directors, such as the following:

to elect the single executive body and prematurely terminate their authority; to approve
the terms of the contract to be signed by the Company with the single executive
body of the Company, including the terms of early termination of their authority;
to approve the amount of their salary, amount and payment of bonuses, compensations
and benefits provided to them; to determine the person authorized to sign the contract

(additional agreement to the contract, agreement on the termination of the contract) with the single executive body of the Company; to give consent to the General Director for holding joint positions in the management governing bodies of other organizations, as well as other paid positions in other organizations;

- to propose to the General Meeting of Shareholders that the authorities of the single executive body be transferred to a management company or a manager; to approve such a management company (manager), and to determine the terms and conditions of the contract to be concluded by the Company with them;
- to monitor the implementation of decisions of the Board of Directors and the General Meeting of Shareholders.

The procedure and terms for convening and holding sessions of the Board of Directors, the procedure for its approval, the rights and obligations of the Board members and other issues attributable to the operations of the Board of Directors are regulated by Russian law, the Company's Charter, and the Regulation on the Board of Directors of the Company.

The responsibility of the directors and management of M.Video-Eldorado Group is insured.

# INFORMING THE NEW BOARD OF DIRECTORS' MEMBERS WHO HAVE BEEN REELECTED

The Company has established a formalized onboarding program for newly elected members of the Board of Directors.

The purpose of the program is to quickly and efficiently familiarize newly elected members of the Board of Directors with substantial aspects of business operations of the Company and Group companies, as well as with existing corporate governance practices, in order to ensure smooth onboarding and newly elected directors' understanding of their roles.

In 2022, the newly elected members of the Board of Directors underwent an onboarding program.

### MEETINGS OF THE BOARD OF DIRECTORS

Meetings of the Board of Directors were held on a regular basis according to a set schedule. Additional meetings were held as necessary to resolve issues pertaining to its competence. In total, 26 meetings of the Board of Directors were held in the reporting year, of which 16 meetings took place in person and 10 meetings were conducted in the form of absentee voting. [2-16]

# Meetings in 2021 5 18

absentee • in person



### ASSESSMENT OF THE BOARD OF DIRECTORS' PERFORMANCE

In the reporting year, the Board of Directors reviewed the outcomes of the self-assessment of the efficacy of the Board of Directors and its committees conducted in 2021. The Company, the Board of Directors and its committees took into account in their activities the recommendations given as an outcome of the self-assessment. [2-18]

### **REMUNERATION AND COMPENSATION**

Members of the Board of Directors are remunerated and compensated for expenses according to the Regulation on Remuneration and Compensation Payable to the Board of Directors. [2-19]

### **WORK OF COMMITTEES**

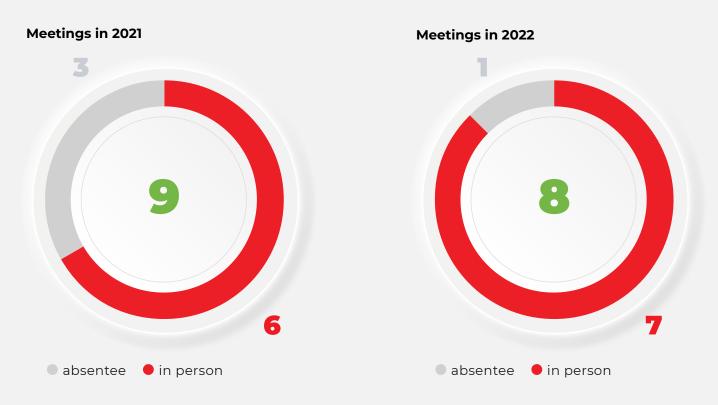
Committees of the Board of Directors were created to facilitate the work of the Board of Directors and address issues that fall within their remit. There are three committees of the Company's Board of Directors: [2-13]

- Audit Committee;
- · Remuneration and Nomination Committee;
- · Strategy and Digital Transformation Committee.

### **Audit Committee**

The main focus of the Audit Committee is to ensure that the Board of Directors effectively resolve issues related of control over financial and business operations of the Company and Group companies.

The Committee solely includes independent members of the Board of Directors.



### **Remuneration and Nomination Committee**

The main focus of the Remuneration and Nomination Committee is to ensure that the Board of Directors effectively resolve issues related to the activities of the Company, as well as Group companies, executive bodies, and other key executives of the Company and Group companies.

The Committee solely includes independent members of the Board of Directors.



### **Strategy and Digital Transformation Committee**

The main focus of the Strategy and Digital Transformation Committee is to ensure that the Board of Directors effectively resolve issues related to the strategy of the Company and Group companies, as well as to the development of IT systems necessary for the Company and Group companies.



For reports on the work of the Board committees, see the Annex to this Annual Report.

### **CORPORATE SECRETARY**

The Corporate Secretary is a Company official appointed by the Board of Directors and taking all necessary measures to ensure the preparation and holding of the General Meeting of Shareholders and meetings of the Board of Directors and its committees in accordance with the requirements of the Russian Federation, the Charter and other internal documents of the Company. The Corporate Secretary ensures the proper implementation of procedures aimed at exercising the rights and protecting the legitimate interests of shareholders, and oversight of such implementation. The Corporate Secretary is the person responsible for disclosing insider information.

The Corporate Secretary ensures the communication of the Company with government bodies, trade organizers, the registrar, and other professional participants in the securities market and performs their instructions within the Corporate Secretary's powers.

The Corporate Secretary is also responsible for organizing and monitoring of compliance with, and/or implementing the legal requirements for timely, complete and reliable disclosure of information by the Company, and maintaining a list of the Company's insiders.

### Information about the Corporate Secretary

### Inna Evstigneeva

Born in 1992.

Education: 2014 — Kutafin Moscow State Law University. International Law Institute, Specialist.

2014 — Kutafin Moscow State Law University. International Law Institute, interpreter of English in the sphere of professional communication.

Current position: Corporate Secretary at PJSC M.video.

Before the appointment as Corporate Secretary at PJSC M.video, Inna was the Senior Corporate Lawyer of MVM LLC. Previously, she was the head of corporate business support of the Russian companies of TWINO Group operating under the Ezaem and Moneza brands; leading legal advisor of TAVINCO Group.

According to information available to the Company, she has not held any positions in the governing bodies of other legal entities over the last five years.

Shareholding in the Company's charter capital: 0%.

Common shares held: 0%.

The Company is unaware of any transactions made by Ms. Evstigneeva to acquire or dispose of the Company's shares in the reporting period.

The Company is unaware of any conflict of interest involving Ms. Evstigneeva (including that related to her membership in governing bodies of the Company's peers).

### **SOLE EXECUTIVE BODY - GENERAL DIRECTOR**

The Company's General director acts as its sole executive body, managing current activities of the Company and overseeing the implementation of resolutions made by the General Meeting of Shareholders and the Board of Directors. [2-11]

The General director has the right to make decisions on any issues outside the remit of the General Meeting of Shareholders and the Board of Directors.

The General director reports to the General Meeting of Shareholders and the Board of Directors.

### Information about the General director

### **Alexander Izosimov**

Until January 17, 2022 (inclusively)

### **Enrique Fernandez**

From January 18, 2022 to April 25, 2022 (inclusively)

### **Alexey Sukhov**

From April 26, 2022 to August 29, 2022 (inclusively)

### **Bilan Uzhakhov**

Since August 30, 2022 to the present

# 5.3 RISKS, AUDIT AND CONTROL

The Board of Directors is responsible for developing, introducing and applying an effective internal control and risk management system.

The system aims to track the Company's strategic and operating goals, ensure the reliability of the information disclosed and monitor compliance with regulatory and legal requirements. It is also meant to timely identify, regularly monitor and review key risks, assess their probability and consequences, and prepare and enforce measures to reduce the probability and/or impact of those risks on the Company's operations.

When creating value for shareholders, the Company needs to make managerial decisions given diverse factors that may have both positive and negative effects on the Company's goals. To reduce the related uncertainty, the Company raises awareness of its shareholders, management and employees about factors that may affect the Company's goals, and also assesses their potential impact.

To make internal control and risk management processes efficient, the Company applies a three-tier model:

Tier 1 – business units responsible for continuous risk management and efficient controls;

**Tier 2** – units responsible for coordinating internal control and risk management and compliance systems, and other units that build and maintain an effective internal control and risk management system;

**Tier 3** – internal audit responsible for audits and independent assessment of the internal control and risk management system.

Throughout 2022, the Company proceeded with this system in the following key areas:

- · improving quantitative risk assessment methods using statistical and simulation models;
- rethinking and analyzing risks and controls in key business processes / focus areas, identifying internal control deficiencies and drafting recommendations to remedy them;
- · updating and automating internal control and risk management processes.

### **RISK MANAGEMENT**

Risk management in M.Video-Eldorado Group is centralized within the holding company, PJSC M.video, and constitutes a set of comprehensive measures and interrelated processes poised for:

- · developing risk management as a continuous cyclical management process;
- · integrating risk management principles and tools into the Company's operating processes;
- developing risk management as one of the key management skills of the Company's employees;
- making risk management part and parcel of the Company's corporate culture and all business processes.

### **COMPANY KEY RISKS**

Demand for the Company's products is sensitive to changes in the economic environment and factors affecting consumer expenditures. Economic and other factors, including customer trust, employment, income growth rates, interest rates, debt load, and lending, affect consumer spending and preferences. Global slowdown in Russian and world economies and uncertain economic prospects may adversely impact consumer electronics (CE) supplies to Russia, consumer demand and, consequently, the Company's operating results.

Amid substantial geopolitical and economic tensions related to restrictions imposed on Russia, the Company is mostly exposed to the following risks:

- reduced demand for the Company's goods due to rising interest rates and less available consumer lending, lower real incomes of households driven by inflation, mounting unemployment, higher prices for imported and domestic goods with imported components;
- shortage of goods for sale due to suspended or ended supplies from foreign manufacturers, reduced or discontinued production of goods from imported components in Russia, disruptions in the global supply chains;

- lower sales volume and profitability of operations caused by changes in the playing field and stronger competition in the CE market;
- business interruption, data leakage and loss due to unstable and faulty information systems that may be related to restrictions on use and end of support of foreign software in Russia, with no domestic equivalents, or deliberate actions of third parties;
- more severe international sanctions or sanctions targeting the Company and/or its beneficiaries, which can significantly limit the Company as a going concern.

In addition, the Company's operations may be exposed to the following risks:

- working capital volatility and reduced liquidity, in particular, caused by transitioning to prepaid purchases of goods;
- · credit risk when prepaying foreign suppliers;
- currency risk;
- theft and fraud;
- non-compliance with applicable requirements, including taxation and customs clearance of imports:
- · conflicts of interest, business ethics violations, corruption;
- · accidents at the Company's facilities;
- COVID-19 spread;
- · staff shortage and loss of key employees.

M.Video-Eldorado Group takes necessary efforts and measures to reduce its risk exposure.

### RISK MANAGEMENT AS PART OF THE CORPORATE CULTURE

We acknowledge that risk management is integral to our corporate culture and are committed to raising employee awareness and encouraging them to embrace risk management as part of their daily activities. Involvement of our employees in risk management, including their identification and assessment, is a valuable and obligatory contribution to successful business.

### **AUDIT AND CONTROL**

The Company's financial and business operations are overseen by:

- · Board of Directors (Audit Committee);
- · Audit Commission until June 23, 2022;
- · Internal Audit function;
- · Internal Control and Risk Management function;
- · external auditor.

### **BOARD OF DIRECTORS (AUDIT COMMITTEE)**

Audit and control matters reserved to the Board of Directors are preliminarily reviewed by its Audit Committee. On the Board's behalf, the Committee communicates with key participants of the Company's financial and business operations and ensures preliminary review and preparation of internal audit recommendations for the Board, including approval of the annual action plan for the internal audit service.

### **AUDIT COMMISSION**

The Audit Commission operated until June 23, 2022.

On the same day, the Annual General Meeting of Shareholders approved a new version of the Company's Charter that does not provide for an audit commission.

Members of the Audit Commission in 2022:

- 1. Evgeny Bezlik;
- 2. Andrey Gorokhov;
- 3. Alexey Rozhkovsky.

### **INTERNAL AUDIT**

The Company has the Internal Audit function in place whose head reports to the Board of Directors, is appointed and dismissed by the General director according to the Board's decision.

The Head of Internal Audit functionally reports to the Board of Directors and administratively — to the General director.

The Regulation on the Internal Audit approved by the Board of Directors governs the Internal Audit function<sup>1</sup>.

Key competences of the Internal Audit are as follows:

- helping the Company's executive bodies and employees to implement and monitor procedures and measures for enhancing the internal control and risk management system and for corporate governance;
- coordinating with the Company's external auditor and risk management, internal control
  and corporate governance consultants;
- · conducting the Group's internal audits in due manner;
- preparing and submitting reports on the Internal Audit performance to the Board of Directors and executive bodies (including information on material risks, deficiencies, results and effectiveness of remedial actions, progress against the Internal Audit action plan, assessment results of the actual status, reliability and efficiency of the internal control and risk management system and corporate governance);
- ensuring compliance of the Company's executive bodies and employees with laws and the Company's internal policies regarding insider information and anti-corruption, and the Code of Business Ethics.

The Audit Committee and the Board of Directors regularly review reports from the head of the internal audit function and assess their performance.

### **Head of Internal Audit in 2022**

### **Artem Yanko**

Born in 1985.

Education: Lobachevsky State University of Nizhny Novgorod (UNN), Economics (Accounting and Audit).

August 2015 — January 2019: Head of Internal Audit Department at Media-Markt-Saturn LLC; since September 2020: Head of the Company's Internal Audit and Head of Internal Audit Department at MVM LLC.

Shareholding in the Company's charter capital: 0%.

Common shares held: 0%.

Minutes No. 94/2014 dated December 15, 2014.

### INTERNAL CONTROL AND RISK MANAGEMENT

Competences of the Internal Control and Risk Management function are as follows:

- enabling an internal control and risk management system, developing and updating internal regulations and methodology documents;
- preparing and updating the Company's risk matrix, assessing risks, monitoring management measures, and preparing regular reports;
- providing methodological and expert support to risk owners and coordinators regarding risk identification, analysis and assessment;
- analyzing key business processes for controls sufficiency and completeness, identifying deficiencies and developing remedial measures.

Key internal control and risk management document:

• Internal Control and Risk Management System Policy approved by PJSC M.video's Board of Directors<sup>1</sup>.

No Head of Internal Control and Risk Management was appointed as of the end of the reporting year.

### Results of assessing reliability and efficiency of the Company's internal control and risk management system

The Company's internal control and risk management systems are consistent with approaches and principles set by the Board and the management. In all material respects, they fairly present the Company's current state and prospects, ensure reliable, timely and transparent financial and non-financial reporting and risk acceptability as well as comply with legal requirements and the Company's internal regulations.

### **EXTERNAL AUDITOR**

The Company engages an external auditor who is responsible for reviewing the financial and business records and is approved by the General Meeting of Shareholders.

A major step taken by the Company and the auditor to reduce their interdependence is careful consideration of the auditor nominee to ensure its independence. The audit provider (persons holding positions in governing bodies and bodies supervising financial and business activities of the audit provider) is completely independent from the Company (persons holding positions in governing bodies and bodies supervising financial and business activities of the Company) as required by Article 8 of Federal Law No. 307-FZ On Audit Activities dated December 30, 2008. The remuneration paid to the audit provider did not depend on the audit results.

To guarantee a credible choice, an auditor (audit provider) has to win the tender conducted by M.Video-Eldorado Group. The selected audit provider is considered by the Audit Committee for subsequent recommendations to the Board of Directors.

We invite only those applicants who meet the independence requirements set out in Article 8 of Federal Law No. 307-FZ On Audit Activities dated December 30, 2008. Tender bids are assessed against the price criterion.

As part of the tender process, commercial offers (bids) of applicants were collected and evaluated. Based on the results, it was decided to recommend that the Audit Committee advise the Board of Directors to adopt the following resolutions:

- recommend that the General Meeting of Shareholders approve Business Solutions and Technologies Joint-Stock Company<sup>2</sup> as the auditor of PJSC M.video's financial and business activities;
- approve Business Solutions and Technologies Joint-Stock Company as the auditor responsible for reviewing the financial and business records of separate companies within M.Video-Eldorado Group.

According to Clause 14.2. of the Company's Charter, an auditor is approved by the General Meeting of Shareholders, while the Board of Directors determines its remuneration. Pursuant to the Regulation on the Audit Committee, the Committee is responsible, inter alia, for drafting recommendations to the Board of Directors concerning an auditor nominee reviewing the Company's accounting (financial) statements prepared under the Russian Accounting Standards (RAS) and/or International Financial Reporting Standards (IFRS). Such nominee is subsequently approved by the General Meeting of Shareholders, and its remuneration and contract terms and conditions are also defined.

The Audit Committee gave proper recommendations on the auditor for the Company's 2022 financial and business activities to be selected at the Annual General Meeting of Shareholders.

Based on the Audit Committee's recommendation, the Board of Directors recommended that the General Meeting of Shareholders resolve as follows: approve Business Solutions and Technologies Joint-Stock Company as the auditor responsible for reviewing the Company's financial and business activities for 2022.

On June 23, 2022, the Annual General Meeting of Shareholders decided to approve Business Solutions and Technologies Joint-Stock Company for auditing the Company's 2022 financial and business activities.

Following the Audit Committee's recommendation, the Board of Directors also approved remuneration for the auditor's services.

Minutes No. 210/2021 dated December 17, 2021.

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## **5.4 BUSINESS ETHICS AND COMPLIANCE**

M.Video-Eldorado Group strictly adheres to the applicable legislation and meets high business ethics standards. The Group's management defines its compliance values by approving relevant internal policies and procedures, fully abiding by the law and business ethics principles, as well as drawing employees' attention to the dangers of compliance risks and the importance of the compliance system

The Group's employees and business partners comply with the law and business ethics standards as defined in the Code of Business Ethics, PJSC M.video's Anti-Corruption Policy and several relevant policies and procedures.

The Group's management seeks to provide an effective compliance system. All employees, structural units and counterparties exercise continuous compliance control across the Group.

PJSC M.video has approved and implemented the Internal Control and Risk Management System Policy, as well as the Compliance Control Policy. The Internal Control and Risk Management System Policy defines the Group's workstreams in relation to establishing and operating the internal control and risk management system. In turn, the Compliance Control Policy sets forth objectives, goals and principles as well as compliance control procedures, guided by the world's best practice. [2-23]

The Group's major operating company, MVM LLC, has the committee on business ethics and compliance that aims to minimize and eliminate compliance risks, as well as decide on motivational measures to combat compliance violations. [2-24]

### **FOCUS AREAS**

Based on the situation the Group currently operates in, we can identify the following focus areas for 2022.

### **Sanctions risks**

In 2022, the Russian Federation, its citizens and companies were sanctioned, while some major international manufacturers also withdrew from the country. It all has seriously affected the Group's sensitive areas, such as consumer electronics (CE) supplies, ability to use banking services and make remittances in foreign currencies, logistics and transportation of goods, use of IT-services, etc.

Guided by risk monitoring and assessment results, the Group devised and took timely measures to minimize sanctions risks and their impact on our companies' performance. To avoid shortages of high-demand CE, the Group's operating company (MVM LLC) has resumed its international business and switched to independent import of goods into Russia, so domestic customers obtained access to necessary products.

### Counterparty due diligence

The Group's companies aspire to do business only with those who abide by the Russian legislation. Before cooperating with a counterparty, the Group conducts due diligence, seeking a transparent and win-win partnership. The due diligence process is regulated by MVM LLC's Counterparty Due Diligence Policy. [2-23]

Due diligence includes collecting, analyzing and verifying the information about the counterparty's activities, calculating the potential consolidated risk of cooperating with this counterparty, as well as storing information on the due diligence results. [2-24]

2022 marked 1,671 due diligences in total. The due diligence process aims to mitigate the Group's risks of cooperating with unreliable counterparties by analyzing the information and documents.

Starting international business and direct import of goods, MVM LLC has developed and implemented a new verification procedure for foreign suppliers, as well as a risk assessment procedure depending on the counterparty's country of registration.

### **Business ethics**

M.Video-Eldorado Group aligns its business with high business ethics standards, as per the Code of Business Ethics of PJSC M.video and the Group.

The Code of Business Ethics (hereinafter — the Code) sets forth the overarching principles of conduct that correspond to the core values of M.Video-Eldorado Group. Every employee is obliged to follow the Code, while its regulations also apply to business partners.

All Group employees are required to read the Code and reference it when performing their duties. [205-2]

In 2022, the Group conducted a mandatory compliance training for employees devoted to the Code of Business Ethics and compliance, anti-corruption, counterparty due diligence, etc

The Group's employees and contractors can report the Code of Business Ethics violations, corruption and suspicious operations using communication channels available on M.Video-Eldorado Group's website<sup>1</sup>. [2-26]

### Preventing conflicts of interest [2-15]

M.Video-Eldorado Group aims to mitigate the risks of an actual conflict of interest, as well as of any related business ethics violations and their consequences. The Regulation on the Conflict of Interest, which has been in place at MVM LLC for many years, provides for mandatory declaration and resolution of conflicts of interest.

The process of declaring a conflict of interest is automated in the Group to reduced human influence and achieve transparency and efficiency. Employees are annually informed about the obligation to declare conflicts of interest.

All declarations about conflicts of interest and compliance violations are subject to internal investigations and also addressed by the Committee on Business Ethics and Compliance.

According to the above-mentioned review, we develop an action plan for eliminating and mitigating risks.

The link is available on the Group's official website: https://www.mvideoeldorado.ru/ru/corporate-governance/compliance-and-internal-policies

1. M.VIDEO-ELDORADO GROUP PROFILE 2. STRATEGIC REPORT 3. OPERATIONAL PERFORMANCE 4. CARE FOR EMPLOYEES AND SOCIETY 5. CORPORATE GOVERNANCE 6. ANNEXES Annual Report | M.Video-Eldorado | 2022

### **Anti-Corruption**

The Group adheres to zero tolerance for corruption in any form, including corrupt payment, bribery or any other abuse of power. Any potential corruption case is regarded by the management as a direct threat to business reputation of the Group's companies, their performance and compliance control.

M.Video-Eldorado Group does not tolerate corruption in any form. Employees and counterparties must strictly follow anti-corruption laws and PJSC M.video's Anti-Corruption Policy and refrain from bribing or making corrupt payments.

MVM LLC's notification procedure for giving and receiving gifts, organizing and participating in entertainment events serves to deter illegal influence on counterparties, employees, and individuals. [205-3]

Any contract includes a statement specifying the contractor's obligations to comply with anti-corruption laws and the Anti-Corruption Policy as well as to report any related violations.

### **Antitrust compliance**

M.Video-Eldorado Group strictly complies with Russian antitrust laws and makes ongoing efforts to mitigate the risks of violating the legislation in accordance with the Antimonopoly Compliance Policy (Antimonopoly Policy). The Policy applies to all Group companies, employees and counterparties<sup>1</sup>. [2-27]

In 2022, the Federal Antimonopoly Service of the Russian Federation agreed on a new draft of the Group's Antimonopoly Policy, considering the latest changes in the competition law.

MVM LLC also has the Pricing Policy defining general principles for the Company to determine retail prices for goods at offline and online stores.

### Tax compliance

M.Video-Eldorado Group companies fully comply with applicable tax laws and mitigate the risks of respective violations on an ongoing basis (including counterparty due diligence). [2-27]

### **Labor compliance**

M.Video-Eldorado Group rigorously complies with the Labor Code of the Russian Federation and always works to mitigate the risk of relevant infringements. [2-27]

The Group also respects human rights and occupational safety, striving to ensure impeccable compliance and the right to work as part of its day-to-day operations. We are challenging ourselves to prevent any work-related accidents, injuries and diseases. In 2022, M.Video-Eldorado Group promptly responded to all current changes in the Labor Code and took action to protect employee rights.

### **Environmental compliance**

The Group continues to faithfully observe Russian environmental laws and mitigate the risks of relevant infringements. PJSC M.video's Code of Business Ethics enshrines corresponding provisions. [2-27]

Companies in the Group apply business practices that help maintain an environmental balance. They use energy-saving technologies and leverage natural resources by means of responsible e-waste and battery disposal for recycling and minimization. The Group's employees make environmental expeditions to clean up Russia's most protected areas.

### **Protecting consumer rights**

The Company is rigorous about the legislation on protecting consumer rights and makes ongoing efforts to reduce and eliminate the risks of violations in this area. The Group's companies are always reliable and responsible when communicating with consumers and provide complete and truthful information about their products, works, and services, including warranty service. [2-25]

### Protecting trade secrets, personal data and confidential information

The Group and its employees take the most responsible approach to collecting, storing, processing, and destroying personal data, trade secret, and other confidential information.

The Personal Data Processing Policy<sup>2</sup> and the Regulation on Confidential Information and Trade Secrets contain requirements and procedures to reduce the risks of relevant violations. All the Group's employees are obliged to read these documents. [2-23]

M.Video-Eldorado Group enforces insider information laws among employees, aspiring to prevent any abuse of such information and protect the Group. The Regulation on Insider Information encompasses the relevant issues<sup>2</sup>. [2-24]

### **PLANS FOR 2023**

In 2023, the Company plans to update and conduct trainings and develop internal communications, regularly monitor the impact of foreign sanctions and assess associated risks, approve and implement a new version of the Antimonopoly Policy and the internal framework for antitrust compliance. We also plan to improve the Counterparty Due Diligence Policy, taking into account new workstreams in line with current risks and challenges.

The document is available on M.Video-Eldorado Group's website: rate\_documents/en/2016/antimonopoly\_compliance\_policy\_mvideo\_eng.pdf.

The text is available on the website of M.Video-Eldorado Group:

# 5.5 CAPITAL, SHARES AND DIVIDENDS

Number of the Company's shares:

179,768,227 pcs

Class of stock: common.

These shares of the Company are voting shares.

Information on the number of the Company's shares held by the Company, as well as the number of the Company's shares held by legal entities controlled by the Company

In the reporting year, the Company did not hold any of the Company's shares.

Number of the Company's shares held by legal entities controlled by the Company: 1,387,750 shares (0.772% of the charter capital) are held by MVM LLC. Class and type of stock: common, registered, uncertified.

# INFORMATION ON THE NUMBER OF SHAREHOLDERS

Total number of persons with non-zero balances on personal accounts recorded in the register of the Company's shareholders, as of the end of the reporting year: **19**.

Total number of the Company's nominee shareholders: 1.

Total number of persons included in the latest list of persons where the Company's nominee shareholders provided information on the persons for the benefit of whom they held (hold) the Company's shares: **226,414**.

Class of the Company's shares whose holders were to be included in the Company's latest list: **common shares.** 

Date as at which the persons entitled to exercise the rights attaching to the Company's shares were on that list: **December 31, 2022.** 

The Company is not aware of any shareholdings that exceed five percent, except for those already disclosed by the Company.

### **CHARTER CAPITAL**

The charter capital of PJSC M.video amounts to RUB **1,797,682,270** (one billion seven hundred ninety-seven million six hundred eighty-two thousand two hundred seventy rubles). The charter capital is formed by placing 179,768,227 (one hundred seventy nine million seven hundred sixty eight thousand two hundred twenty seven) common registered uncertified shares with a par value of RUB 10 (ten rubles) each among shareholders. The Company's charter capital has been paid in full.

#### PJSC M.video's securities

Securities type	Shares (registered)		
Class of stock	Common		
Form of securities	Uncertified		
Securities issue state registration number and date	1-02-11700-A August 23, 2007		
Par value of each share	RUB 10		
Outstanding shares total	179,768,227 pcs		
Additional shares in the process of issuance	0 pcs		
Additional shares authorized for issuance	30,000,000 common registered uncertified shares, with a par value of RUB 10 each		

### PJSC M.video's ticker and details

Ticker	Trading platform	Class of stock	Listing	
MVID	Moscow Exchange	Common shares	Level 1 quotation list	

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### **DIVIDENDS PAID**

Class of stock: **common shares.** 

State registration number of the securities issue: 1-02-11700-A.

Assigned on: August 23, 2007.

### PJSC M.video's dividend history

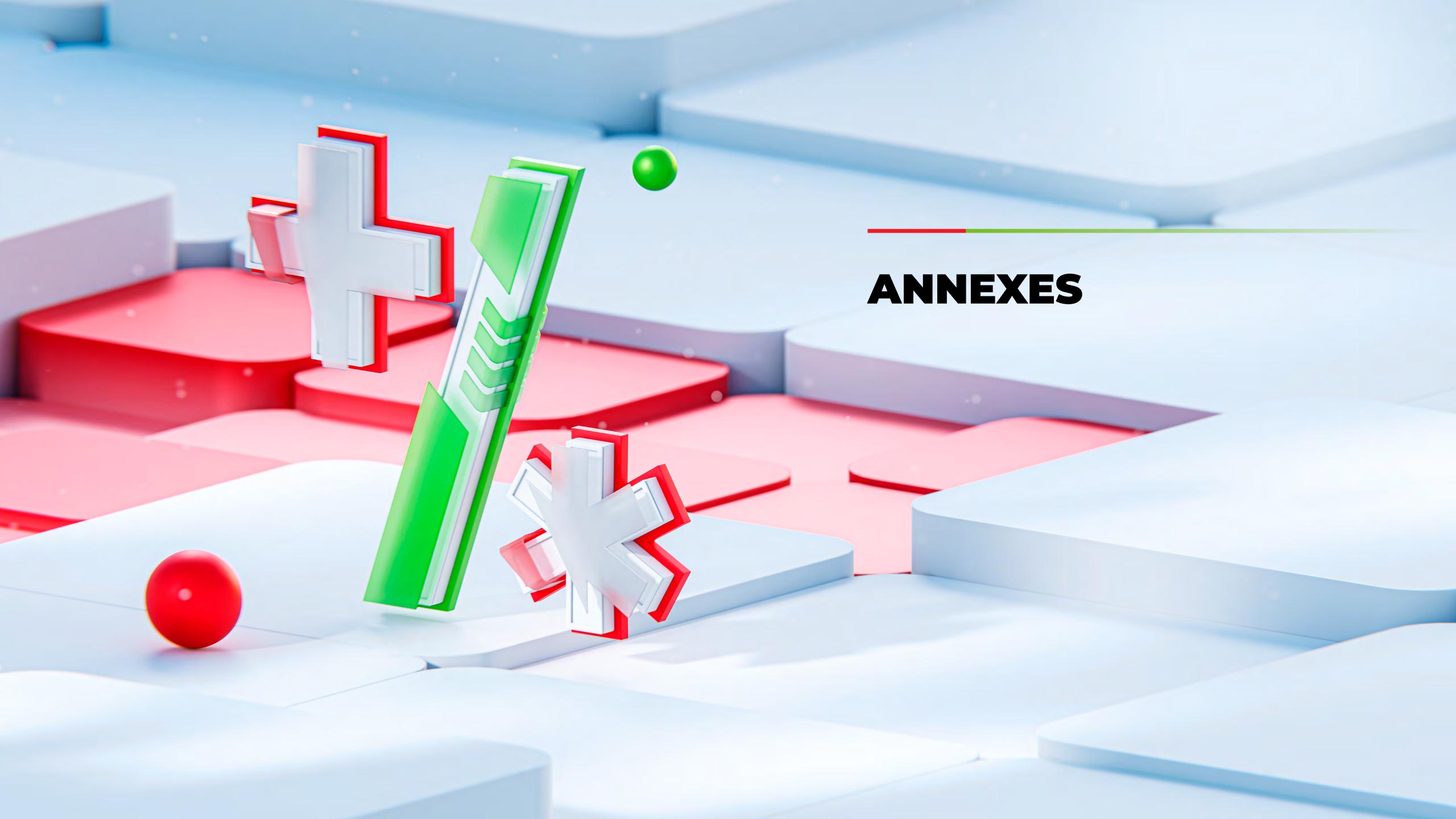
Reporting period	Total dividend declared, RUB	Dividend per share, RUB	Dividend declared, % of net profit	Total dividend paid, RUB Dividend approved by, resolution date, minutes date and No.
2017	The Annual General Meeting of Shareholders held on June 29, 2018 decided not t	o pay dividends for 2017 <sup>1</sup>		
2018	The Annual General Meeting of Shareholders held on June 26, 2019 decided not t	o pay dividends for 2018 <sup>2</sup>		
9M 2019	5,998,865,734.99	33.37	97.83	5,998,865,734.99 General Meeting of Shareholders
				Resolution date: December 3, 2019.
				Minutes date: December 3, 2019.
				Minutes No.: 29
2019	5,393,046,810	30.00	39.07	5,393,046,810 General Meeting of Shareholders
				Resolution date: November 9, 2020.
				Minutes date: November 10, 2020.
				Minutes No.: 31
2020	6,831,192,626	38.00	138.4 <sup>3</sup>	6,831,192,626 General Meeting of Shareholders
				Resolution date: May 7, 2021.
				Minutes date: May 12, 2021.
				Minutes No.: 33
9M 2021	6,291,887,945	35.00	99.94	6,291,887,945 General Meeting of Shareholders
				Resolution date: December 3, 2021.
				Minutes date: December 7, 2021.
				Minutes No.: 34
021	The Annual General Meeting of Shareholders held on June 23, 2022 <sup>4</sup> , decided to a	approve the following distribution of PJSC M.video's net pr	ofit for the reporting year 2021:	
	<ul> <li>part of net profit totaling RUB 6,291,887,945 was used to pay dividends for 9M 2</li> <li>the remaining net profit for 2021 is not distributed, and dividends are not paid</li> </ul>		s resolved by the Extraordinary General Meeting of Shareholders of F	PJSC M.Video on December 3, 2021 (Minutes No. 34 dated December 7, 2021);

Minutes of the Annual General Meeting of Shareholders No. 26 dated July 2, 2018.

Minutes of the Annual General Meeting of Shareholders No. 28 dated June 28, 2019.

This is the dividend declared as % of net profit for the reporting period (2020), with the dividend to be paid out from all the net profit of 2020 and part of retained profit of past years.

Minutes of the Annual General Meeting of Shareholders No. 35 dated June 23, 2022.



# **ANNEX 1**

# REPORT ON COMPLIANCE WITH THE PRINCIPLES AND RECOMMENDATIONS OF THE CORPORATE GOVERNANCE CODE

This report on compliance with the principles and recommendations of the Corporate Governance Code was reviewed by the Board of Directors of PJSC M.video at the meeting of [Minutes of Board of Directors N°245/2023 of 26.05.2023].

The Board of Directors confirms that this report contains complete and reliable information on the Company's compliance with the principles and recommendations of the Corporate Governance Code for 2022.

No	Corporate governance principles	Criteria for assessing compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanations for deviations from the criteria for assessing compliance with the corporate governance principle
1	2	3	4	5
1.1	THE COMPANY MUST ENSURE EQUAL AND FAIR TREATMENT OF ALL SHAI	REHOLDERS AS THEY EXERCISE THEIR RIGHT TO PARTICIPATE IN THE MANAGEMENT OF THE COMPANY		
1.1.1	The company creates the most favorable conditions for shareholders to participate in the general meeting, conditions for development of a sound position on the items on the agenda of the general meeting, coordination of their actions, as well as the opportunity to express their opinion on the matters under consideration	<ol> <li>The company provides an accessible method of communication with the company, such as a hotline, e-mail or Internet forum, allowing shareholders to express their opinion and submit questions regarding the agenda in the course of preparation for the general meeting.</li> <li>The mentioned methods of communication were established by the company and provided to shareholders in the course of preparation for each general meeting held in the reporting period</li> </ol>	observed	
1.1.2	The procedure for announcing the general meeting and providing materials for the general meeting allows shareholders to properly prepare for their participation in the meeting	<ol> <li>In the reporting period, a notice of the general meeting of shareholders was posted (published) on the company's website no later than 30 days prior to the date of the general meeting, unless a longer period is stipulated by the law.</li> <li>The notice of the meeting lists the documents required for admission to the premises.</li> <li>Shareholders were provided with the information about who proposed the agenda items and nominated the candidates for the board of directors and the audit commission of the company (if its establishment is stipulated by the company charter)</li> </ol>	observed	

No	Corporate governance principles	Criteria for assessing compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanations for deviations from the criteria for assessing compliance with the corporate governance principle
1.1.3	In the course of preparation and holding of the general meeting, shareholders were able to freely and timely receive information about the meeting and any materials for it, ask questions of the executive bodies	ders were able to freely and timely receive information about bodies and the members of the board of directors of the company in the course of preparation and holding	partially observed	The comments below relate to item 1 of the assessment criteria in terms of providing shareholders with the opportunity to pose questions to the members of the executive bodies and the members of the board of directors during the meeting.
	and members of the board of directors of the company, communicate with each other	<ol><li>The position of the board of directors (including special opinions (if any) on each agenda item of the general meetings held in the reporting period) was included in the materials for the general meeting.</li></ol>		In the reporting year, general meetings of shareholders were held in absentia.
		3. The company provided its eligible shareholders with access to the list of persons entitled to participate in the general meeting starting from the date of receipt of such list by the company whenever the general meetings were held in the reporting period		The following factors were taken into account when deciding on the absentee format for the Annual General Meeting of Shareholders:
				<ol> <li>uncertainty of the epidemiological situation and unpredictability of potential introduction of restrictions (including previously lifted) aimed at preventing the spread of the COVID-19 virus, which makes the absentee format of meetings more preferable in terms of the need to protect the lives and health of shareholders;</li> <li>easing of some legal requirements in 2022 with regard to the absence of a ban on holding general meetings of shareholders in the form of absentee voting;</li> <li>against the background of a difficult post-COVID period associated with the need for step-by-step recovery as well as the tumultuous geopolitical situation, which led to the need for rapid adaptation and optimization of the business model, the choice of the absentee form for general meetings of shareholders allows to reduce the Company's costs without prejudice to the rights and interests of shareholders;</li> <li>the Company has a positive practice of holding general meetings of shareholders in absentia: based on the results of general meetings of shareholders previously held in absentia, the Company has neither received any negative feedback from its shareholders, nor registered any negative impact of the absentee format of the meetings on the activity of shareholders.</li> </ol>
				At the same time, shareholders were given the opportunity to ask questions of the members of the executive bodies and the members of the Board of Directors of the Company at any time, including before the General Meeting of Shareholders of the Company, by contacting the Corporate Secretary and the Head of Investor Relations, whose contact information (phone number, e-mail address) is available on the Company's website. With an eye on provision of shareholders with the most complete information on the agenda items of the General Meetings of Shareholders, the notices of the General Meetings of Shareholders also specified the contact information of the Corporate Secretary (phone number, e-mail address).
				In the years ahead, the Company will strive to choose the format of general meetings that is safest for the life and health of shareholders, most comfortable for them and, at the same time, effective in terms of decision-making based on the greatest possible extent of information within the framework of the procedures and practices stipulated by the law.
				In particular, after the adoption of legal provisions regulating the procedure for holding general meetings of shareholders in the remote form, the Company intends to use such meeting form
1.1.4	Exercising of the shareholder's right to demand convention of the general meeting, nominate candidates for the management bodies and make proposals for inclusion in the agenda of the general meeting was not unreasonably challenging	<ol> <li>The company's charter established a deadline for shareholders to submit proposals for inclusion in the agenda of the annual general meeting, which is no less than 60 days after the end of the respective calendar year.</li> <li>In the reporting period, the company did not deny acceptance of any proposals to the agenda or candidates to the company's bodies due to misprints or other insignificant flaws in a shareholder's proposal</li> </ol>	observed	
1.1.5	Each shareholder was able to freely exercise the voting right in the easiest and most convenient way	<ol> <li>The company's charter provides for the opportunity to fill in the electronic ballot form online, the website address is specified in the notice of the general meeting of shareholders</li> </ol>	observed	

No	Corporate governance principles	Criteria for assessing compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanations for deviations from the criteria for assessing compliance with the corporate governance principle
1.1.6	The rules of procedure of the general meeting established by the company provide all attendees with an equal opportunity to express their opinions and ask questions of interest to them		partially observed	The comments below refer to items 1, 2, and 3 of the assessment criterion.
		presence of shareholders), sufficient time was provided to present reports on the agenda items and discuss such items, shareholders were given the opportunity to express their opinions and ask questions of interest to them with regards to the agenda.		In the reporting period, the general meetings of shareholders of the Company were held in absentia due to the circumstances described in the comments to item 1 of the criteria for assessing principle 1.1.3 hereof <sup>1</sup> .
		<ol> <li>The company invited candidates for its management and control bodies and took all necessary efforts to ensure their participation in the general meeting of shareholders, where such candidates are put to the vote. Candidates for the management and control bodies of the company present at the general meeting of shareholders were available to answer questions from shareholders.</li> <li>The sole executive body, the person responsible for accounting, the chair or other members of the audit committee of the board of directors were available to answer questions from shareholders at the general meetings of shareholders held in the reporting period.</li> </ol>		Shareholders had an opportunity to express their opinion and ask questions of interest to them, including posing questions to the candidates for the Board of Directors of the Company, the person exercising the powers of the sole executive body, the person responsible for accounting, the members of the Audit Committee of the Board of Directors before the General Meeting of Shareholders of the Company, by contacting the Corporate Secretary and the Head of Investor Relations, whose contact information (phone number, e-mail address) was available to shareholders on the Company's website. The above persons were available to answer questions from shareholders.
		4. In the reporting period, the company used telecommunication means for remote access of shareholders to participation in the general meetings, or the board of directors made a justified decision on the absence		The comments below refer to item 4 of the assessment criteria.
		of the need (opportunity) to use such means in the reporting period		In the reporting period, the Company did not use any telecommunication means for remote access of shareholders to participation in the general meetings as there was no opportunity to use such means.
				In the years ahead, the Company will strive to choose the format of general meetings that is most comfortable and, at the same time, effective in terms of decision-making based on the greatest possible extent of information within the framework of the procedures and practices stipulated by the law.
				In particular, after the adoption of legal provisions regulating the procedure for holding general meetings of shareholders in the remote form, the Company intends to use such meeting form
1.2	SHAREHOLDERS ARE GIVEN AN EQUAL AND FAIR OPPORTUNITY TO PART	TICIPATE IN THE PROFITS OF THE COMPANY BY RECEIVING DIVIDENDS		
1.2.1	The Company developed and implemented a transparent and clear	1. The company's regulation on the dividend policy was approved by the board of directors and published	partially observed	The comments below refer to item 3 of the assessment criterion.
	mechanism for determination of the amount of dividends and the payment procedure	<ul> <li>on the company's website.</li> <li>2. Where the dividend policy of the company that prepares consolidated financial statements, is based on the company's statements for calculation of the dividend amount, the relevant provisions of the dividend policy take into account the consolidated financial statements.</li> <li>3. Justification of the proposed net profit distribution, including for dividend payment and the company's own needs, and an assessment of its compliance with the dividend policy adopted by the company, with explanations and economic justification of the need to allocate a certain portion of the net profit to the company's own needs were included in the reporting period in the materials for the general meeting of shareholders, the agenda</li> </ul>		Due to the uncertainty of the political and economic situation in the country, within the framework of preparation for the general meeting of shareholders following the results of 2021, the Board of Directors recommended the General Meeting of Shareholders of the Company not to distribute any net profit for 2011 remaining after distribution of the net profit for nine months of 2021 and not to pay dividends until the situation stabilizes.  Thus, the resolution to allocate a certain portion of the net profit to the Company's own needs was not brought
				before the general meeting of shareholders of the Company.
		of which included the profit distribution item (including payment (declaration) of dividends)		The Company intends to return to the practice of net profit distribution (dividend payment) when the political and economic situation in the country stabilizes
1.2.2	The company makes a resolution on no dividend payment if such resolution, although formally not violating any legal restrictions, is economically unreasonable and may lead to misrepresentation of the company's activities	economic circumstances, where the company should make a resolution on no dividend payment	observed	
1.2.3	The Company prevents any downward trends with regards to the dividend rights of existing shareholders	<ol> <li>In the reporting period, the company made no moves resulting in any downward trends with regards to the dividend rights of existing shareholders</li> </ol>	observed	
1.2.4	The company strives to exclude any other ways of obtainment of profit (income) by shareholders at the expense of the company, apart from the dividends and the liquidation value	<ol> <li>In the reporting period, the persons controlling the company did not seek any other ways of obtainment of profit (income) at the expense of the company apart from the dividends (for example, through transfer pricing, unjustified provision of services to the company by the controlling person at inflated prices, by means of internal loans to the controlling person and (or) its controlled persons in replacement of dividends)</li> </ol>	observed	
1.3	THE SYSTEM AND PRACTICE OF CORPORATE GOVERNANCE ENSURE EQUA	AL CONDITIONS FOR ALL SHAREHOLDERS HOLDING SHARES OF THE SAME CATEGORY (TYPE), INCLUDING MINORITY	(SMALL) SHAREHOLDERS A	AND FOREIGN SHAREHOLDERS, AND THEIR EQUAL TREATMENT BY THE COMPANY
1.3.1	The company created conditions for fair treatment of each shareholder by the company's management bodies and controlling persons, including conditions that ensure no abuse of minority shareholders by major shareholders	<ol> <li>In the reporting period, the company's controlling persons did not abuse their rights with respect to the company's shareholders, there were no conflicts between the company's controlling persons and the company's shareholders, and the board of directors paid due attention to such conflicts if there were any</li> </ol>		
1.3.2	The Company takes no actions that lead or might lead to artificial redistribution of corporate control	1. Quasi-treasury shares are absent or did not participate in voting in the reporting period	observed	
1.4	SHAREHOLDERS ARE PROVIDED WITH RELIABLE AND EFFICIENT MEANS	OF RECORDING OF RIGHTS TO SHARES, AS WELL AS THE POSSIBILITY OF FREE AND UNENCUMBERED ALIENATION	OF THEIR SHARES	
1.4.1	Shareholders are provided with reliable and efficient means of recording of rights to shares, as well as the possibility of free and unencumbered alienation of their shares	<ol> <li>The technologies and terms of services used by the company registrar meet the needs of the company and its shareholders, ensure recording of rights to shares and exercising of the rights of shareholders by most efficient means</li> </ol>	observed	

1 Hereinafter, in order to make the comments provided more informative, if they contain any repetitive arguments, reasons and explanations, this Report shall contain a reference provision to the relevant paragraph of the assessment criteria hereof with the full text of the comments.

No	Corporate governance principles	Criteria for assessing compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanations for deviations from the criteria for assessing compliance with the corporate governance principle
2.1	THE BOARD OF DIRECTORS IS IN CHARGE OF STRATEGIC MANAGEMENT OF THE COMPANY AND PERFORMS OTHER KEY FUNCTIONS	OF THE COMPANY, DETERMINES THE FUNDAMENTAL PRINCIPLES OF AND APPROACHES TO THE ORGANIZATION OF	THE RISK MANAGEMENT A	ND INTERNAL CONTROL SYSTEM IN THE COMPANY, CONTROLS THE ACTIVITIES OF THE EXECUTIVE BODIES
2.1.1	The board of directors is responsible for making decisions related to the appointment and dismissal of the members of the executive bodies, including in view of improper performance of their duties. The board of directors also oversees that the executive bodies of the company act in accordance with the approved development strategy and the main areas of the company's activities	<ol> <li>According to the charter, the board of directors is authorized to appoint, dismiss the members of the executive bodies and determine the terms and conditions of agreements with them.</li> <li>In the reporting period, the nomination (appointment, HR) committee reviewed the compliance of the professional qualifications, skills and experience of the members of the executive bodies with the current and expected needs of the company, dictated by the approved strategy of the company.</li> <li>In the reporting period, the board of directors reviewed the report(s) of the sole executive body and the collective executive body (if any) on the implementation of the company strategy</li> </ol>	observed	
2.1.2	The board of directors sets forth the main long-term benchmarks of the company, evaluates and approves the key performance indicators and core business goals of the company, evaluates and approves the strategy and business plans for the main areas of the company's operations	<ol> <li>In the reporting period, the meetings of the board of directors reviewed the issues related to the implementation and updating of the strategy, approval of the financial and business plan (budget) of the company, review of the criteria and indicators (including interim) of implementation of the strategy and business plans of the company</li> </ol>	observed	
2.1.3	The board of directors defines the principles of and approaches to the organization of the risk management and internal control system in the company	<ol> <li>The principles of and approaches to the organization of the risk management and internal control system in the company are defined by the board of directors and set forth in the internal documents of the company that govern the risk management and internal control policy.</li> <li>In the reporting period, the board of directors approved (revised) the acceptable amount of risks (risk appetite) of the company, or the audit committee and (or) the risk committee (if any) reviewed the expediency of submitting the issue of revising the risk appetite of the company for consideration of the board of directors</li> </ol>	observed	
2.1.4	The board of directors determines the company's policy for remuneration and (or) reimbursement of expenses (compensation) to the members of the board of directors, executive bodies of the company and other key executives of the company	<ol> <li>The company developed, obtained an approval of the board of directors and implemented a policy (policies) for remuneration and reimbursement of expenses (compensation) to the members of the board of directors, executive bodies of the company and other key executives of the company.</li> <li>In the reporting period, the board of directors reviewed the issues related to the above policy (policies)</li> </ol>	observed	
2.1.5	The board of directors plays the key role in preventing, identifying and solving any internal conflicts between the company's bodies, shareholders and employees	<ol> <li>The board of directors plays the key role in preventing, identifying and solving any internal conflicts.</li> <li>The company developed a system for identifying transactions involving a conflict of interest and a set of measures aimed at solving such conflicts</li> </ol>	observed	
2.1.6	The board of directors plays the key role in ensuring transparency of the company, timeliness and completeness of information disclosure by the company and unhindered access of shareholders to the company documents	1. Internal documents of the company name the persons responsible for implementing the information policy	observed	
2.1.7	The board of directors oversees the company's corporate governance practices and plays the key role in any significant corporate events of the company	<ol> <li>In the reporting period, the board of directors reviewed the results of a self-assessment and (or) an external assessment of the company's corporate governance practices</li> </ol>	observed	

No	Corporate governance principles	Criteria for assessing compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanations for deviations from the criteria for assessing compliance with the corporate governance principle
2.2	THE BOARD OF DIRECTORS IS ACCOUNTABLE TO THE SHAREHOLDERS OF	THE COMPANY		
2.2.1	The information on the activities of the board of directors is disclosed	1. The company's annual report for the reporting period encompasses information on the attendance of meetings	not observed	The comments below refer to item 1 of the assessment criterion.
	and made available to shareholders	of the board of directors and committees by each member of the board of directors.  2. The annual report contains information on the main results of the assessment (self-assessment) of the performance of the board of directors in the reporting period		Against the background of the current geopolitical situation and the increasing sanctions pressure from unfriendly countries to the Russian Federation, the Company makes all reasonable efforts to minimize the risk of restrictive measures being imposed on persons related to the Company. In view of that, in order to protect the rights and legal interests of the members of the Board of Directors of the Company, the Company's annual report for 2022 contains no information on attendance of the meetings of the Board of Directors and committees by each member of the Board of Directors, since this information involves disclosure of personal data of the members of the Board of Directors.
				However, it should be noted that in the reporting period, the members of the Board of Directors attended more than 90% of meetings of the Board of Directors; in the event that the members of the Board of Directors were unable to attend the meeting in person or participate in the meeting via video conference, the members of the Board of Directors submitted written opinions on the agenda items.
				The comments below refer to item 2 of the assessment criteria.
				The Company's annual report for 2022 contains no information on the main results of the assessment (self-assessment) of the performance of the Board of Directors of the Company, since no assessment (self-assessment) of the performance of the Board of Directors of the Company was carried out in the reporting year.
				Under the influence of changes in the global geopolitical situation, the composition of the Board of Directors of the Company changed several times in the reporting year.
				In the reporting year, the Board of Directors was primarily focused on developing top-priority measures to help the Company and the Group overcome the negative economic situation and coordinate the actions of the management. The ever-changing external environment required the Board of Directors to respond quickly and adapt to new realities.
				In such circumstances, there was no rationale for the Board of Directors to carry out an assessment (self-assessment), because the changed external environment, the short period of work of this or that composition of the Board of Directors gave no chance to get objective information about the current processes, including the performance of the Board of Directors.
				The Company sets out to carry out an assessment (self-assessment) of the performance of the Board of Directors of the Company based on the 2023 results
2.2.2	The chairman of the board of directors is available for communication with shareholders of the company	<ol> <li>The company has a transparent procedure in place to ensure that shareholders can appeal to the chairman of the board of directors (and the senior independent director, where applicable) and receive a response</li> </ol>	observed	
2.3	THE BOARD OF DIRECTORS IS AN EFFECTIVE AND PROFESSIONAL MANAG	EMENT BODY OF THE COMPANY, CAPABLE OF MAKING OBJECTIVE, INDEPENDENT JUDGMENTS AND DECISIONS	THAT MEET THE INTERESTS	OF THE COMPANY AND ITS SHAREHOLDERS
2.3.1	Only persons of impeccable business and personal reputation and possessing the knowledge, skills and experience necessary to make decisions falling within the competence of the board of directors and required for the effective performance of its functions are elected the members of the board of directors	1. In the reporting period, the board of directors (or its nomination committee) evaluated candidates for the board of directors in terms of their experience, knowledge, business reputation, absence of a conflict of interest, etc.	observed	
2.3.2	The members of the board of directors of the company are elected through a transparent procedure, allowing shareholders to obtain information about the candidates, sufficient to form an idea of their personal and professional qualities	1. On all occasions of holding of the general meeting of shareholders in the reporting period, where the agenda included the election of the board of directors, the company provided shareholders with the biographical data of all candidates to the board of directors, results of assessment of compliance of the professional qualification, experience and skills of candidates with the current and expected needs of the company conducted by the board of directors (or its nomination committee), as well as information on compliance of the candidate with independence criteria according to recommendations 102–107 of the Code and information on the availability of a written consent of candidates for election to the board of directors	observed	
2.3.3	The composition of the board of directors is balanced, including in terms of the qualification, experience, knowledge and business qualities of its members, and enjoys the trust of shareholders	<ol> <li>In the reporting period, the board of directors analyzed its own needs in terms of the professional qualification, experience and skills and determined the competencies required by the board of directors over the short-and long term horizon</li> </ol>	observed  -	
2.3.4	The quantitative composition of the board of directors of the company makes it possible to arrange the activities of the board of directors in the most efficient way, including the possibility to form committees of the board of directors, and also provides the opportunity for election to the board of directors of the candidate supported by substantial minority shareholders	1. In the reporting period, the board of directors reviewed the issue of whether the quantitative composition of the board of directors meets the company's needs and the interests of shareholders	observed	

No	Corporate governance principles	Criteria for assessing compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanations for deviations from the criteria for assessing compliance with the corporate governance principle		
2.4	THE BOARD OF DIRECTORS INCLUDES A SUFFICIENT NUMBER OF INDEPENDENT DIRECTORS					
2.4.1	An independent director is a person who has sufficient expertise, experience and independence to form his own position and is able to make objective and good faith judgments independent of the influence of the company's executive bodies, individual groups of shareholders or other interested parties.	<ol> <li>In the reporting period, all independent members of the board of directors met all of the independence criteria listed in recommendations 102–107 of the Code, or were acknowledged independent by resolution of the board of directors</li> </ol>	observed			
	It should be taken into account that a candidate (elected board member) related to the company, its substantial shareholder, substantial contractor or competitor of the company or related to the state cannot be considered independent under normal circumstances					
2.4.2	Candidates for the members of the board of directors are assessed for compliance with the independence criteria, and compliance of the independent members of the board of directors with the independence criteria is reviewed on a regular basis. In such an assessment, content prevails over form	<ol> <li>In the reporting period, the board of directors (or the nomination committee of the board of directors) formed an opinion on the independence of each candidate to the board of directors and submitted the respective report to shareholders.</li> <li>In the reporting period, the board of directors (or the nomination committee of the board of directors) reviewed the independence of the current members of the board of directors at least once (following their election).</li> <li>The company has procedures in place to determine the actions to be done by the member of the board of directors should he or she cease to be independent, including the obligation to notify the board of directors thereof in due time</li> </ol>	observed			
2.4.3	Independent directors constitute at least one third of the elected members	1. Independent directors constitute at least one third of the members of the board of directors	not observed	The comments below refer to item 1 of the assessment criterion.		
	of the board of directors			As a result of events that took place in the geopolitical arena during 2022 and the increased sanctions pressure on the Russian Federation from unfriendly countries, there was a significant outflow of foreign specialists from Russia that inter alia, affected the Company. One of the three independent members of the Board of Directors of the Company elected by shareholders to the Board of Directors at the Annual General Meeting of Shareholders and subsequently re-elected at the Extraordinary General Meeting of Shareholders in August 2022 – a citizen of a foreign state – has voluntarily resigned from the Board of Directors and committees of the Board of Directors, therefore, based on the provisions of the Company's Charter and internal documents, he is considered resigned from the Board of Directors of the Company from September 29, 2022.		
				As a result of the above events, independent directors constitute less than one third of the Board of Directors of the Company.		
				The Company expects to correct the existing non-conformance at the Annual General Meeting of Shareholders to be held in 2023		
2.4.4	Independent directors play the key role in the prevention of internal conflicts in the company and the performance of significant corporate actions by the company	<ol> <li>In the reporting period, independent directors (with no conflict of interest) made a preliminary assessment of significant corporate actions related to a potential conflict of interest, and the results of such evaluation were submitted to the board of directors</li> </ol>	observed			
2.5	THE CHAIRMAN OF THE BOARD OF DIRECTORS CONTRIBUTES TO THE MOS	ST EFFECTIVE PERFORMANCE OF THE FUNCTIONS ASSIGNED TO THE BOARD OF DIRECTORS				
2.5.1	An independent director is elected chairman of the board of directors, or a senior independent director is appointed from among the elected independent directors to coordinate the activities of independent directors and interact with the chairman of the board of directors	<ol> <li>The chairman of the board of directors is an independent director or a senior independent director is appointed from among independent directors.</li> <li>The role, rights and duties of the chairman of the board of directors (and the senior independent director, where applicable) are duly defined in the internal documents of the company</li> </ol>	observed			
2.5.2	The chairman of the board of directors creates a constructive atmosphere	The performance of the chairman of the board of directors was assessed in the reporting period as part	not observed	The comments below refer to item 1 of the assessment criterion.		
	at meetings, ensures free discussion of the meeting agenda items and oversees the implementation of decisions made by the board of directors	res free discussion of the meeting agenda items of the procedure for assessment (self-assessment) of the performance of the board of directors implementation of decisions made by the board		In the reporting year, no assessment (self-assessment) of the performance of the Board of Directors of the Company was carried out due to the circumstances described in the comments to item 2 of the assessment criteria of principle 2.2.1 hereof.		
				In view of the above, the performance of the Chairman of the Board of Directors was not assessed in the reporting period as part of the procedure for assessment (self-assessment) of the performance of the Board of Directors.		
				The Company sets out to carry out an assessment (self-assessment) of the performance of the Board of Directors of the Company based on the 2023 results		
2.5.3	The chairman of the board of directors takes the necessary actions to provide the members of the board of directors with the information necessary to make decisions on the agenda items in a timely manner	<ol> <li>The obligation of the chairman of the board of directors to take actions to ensure timely provision of complete and reliable information to the members of the board of directors on the items on the agenda of the meeting of the board of directors is set forth in the internal documents of the company</li> </ol>	observed			

No	Corporate governance principles	Criteria for assessing compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanations for deviations from the criteria for assessing compliance with the corporate governance principle
2.6	THE MEMBERS OF THE BOARD OF DIRECTORS ACT IN GOOD FAITH AND RE	EASONABLY IN THE INTERESTS OF THE COMPANY AND ITS SHAREHOLDERS ON THE BASIS OF SUFFICIENT INFORM	IATION, WITH DUE CARE ANI	D DILIGENCE
2.6.1	The members of the board of directors make decisions taking into account all available information, in the absence of a conflict of interest, based on the principles of equal treatment of the company's shareholders, within the framework of normal entrepreneurial risk	<ol> <li>The internal documents of the company set forth that a member of the board of directors must notify the board of directors if he/she has a conflict of interest in relation to any item on the agenda of a meeting of the board of directors or a committee of the board of directors before the beginning of the discussion of the relevant agenda item.</li> <li>The internal documents of the company set forth that a member of the board of directors must abstain from voting on any issue where such member has a conflict of interest.</li> <li>The company has a procedure in place that allows the board of directors to obtain professional advice on the matters within its jurisdiction at the expense of the company</li> </ol>	observed	
2.6.2	The rights and duties of the members of the board of directors are clearly defined and set forth in the internal documents of the company	<ol> <li>The company adopted and published an internal document that clearly defines the rights and duties of the members of the board of directors</li> </ol>	observed	
2.6.3	The members of the board of directors have sufficient time to perform their duties	<ol> <li>Individual attendance at the board and committee meetings and sufficiency of time to work on the board of directors, including committees, was analyzed as part of the procedure for assessment (self-assessment) of the performance of the board of directors in the reporting period.</li> <li>In accordance with the internal documents of the company, the members of the board of directors must notify the board of directors of their intention to become members of management bodies of other organizations (other than organizations controlled by the company), as well as of the fact of such appointment</li> </ol>	partially observed	The comments below refer to item 1 of the assessment criterion.  In the reporting year, no assessment (self-assessment) of the performance of the Board of Directors of the Company was carried out due to the circumstances described in the comments to item 2 of the assessment criteria of principle 2.2.1 hereof.  In view of the above, the performance of the Chairman of the Board of Directors was not assessed in the reporting period as part of the procedure for assessment (self-assessment) of the performance of the Board of Directors.  The Company sets out to carry out an assessment (self-assessment) of the performance of the Board of Directors of the Company based on the 2023 results.  However, it should be noted that in the reporting period, the members of the Board of Directors attended more than 90% of meetings of the Board of Directors; in the event that the members of the Board of Directors were unable to attend the meeting in person or participate in the meeting via video conference, the members of the Board of Directors submitted written opinions on the agenda items
2.6.4	All members of the board of directors have equal access to the documents and information of the company. Newly elected members of the board of directors are provided with sufficient information about the company and the operations of the board of directors within the shortest possible term	<ol> <li>In accordance with the internal documents of the company, the members of the board of directors have the right to obtain information and documents necessary for the members of the board of directors of the company to perform their duties, concerning the company and organizations controlled by it, and the executive bodies of the company are obligated to provide the relevant information and documents.</li> <li>The company established a formalized onboarding program for newly elected members of the board of directors</li> </ol>	observed	
2.7	MEETINGS OF THE BOARD OF DIRECTORS, PREPARATION FOR THEM AND	THE PARTICIPATION OF THE BOARD MEMBERS PROVIDE FOR THE EFFECTIVE OPERATION OF THE BOARD OF DIRE	ECTORS	
2.7.1	Meetings of the Board of Directors are held as necessary, taking into account the scope of activities and the tasks set before the Company in a certain period of time	1. The Board of Directors held at least six meetings during the reporting year	observed	
2.7.2	The Company's internal documents stipulate the procedure for preparing and holding meetings of the Board of Directors, providing the Board members with the opportunity to properly prepare for the meeting	<ol> <li>The Company has approved an internal document that defines the procedure for preparing and holding meetings of the Board of Directors, which stipulates, in particular, that a notice of the meeting shall be given, as a rule, at least five days before the meeting date.</li> <li>In the reporting period, the Board members who were absent from the venue of the meeting were given the opportunity to participate in the discussion of the agenda items and to vote remotely through conference and video conference communication</li> </ol>	observed	
2.7.3	The form of the meeting of the Board of Directors shall be determined with consideration of the importance of the agenda items. The top-of-mind issues shall be resolved at the meetings held in person	1. The Charter or the internal document of the Company stipulates that the top-of-mind issues (including those listed in the recommendation 168 of the Code) shall be considered at meetings of the Board of Directors held in person	observed	
2.7.4	Resolutions on the top-of-mind issues related to the Company's activities shall be made at the meeting of the Board of Directors by a qualified majority or by a majority vote of all elected members of the Board of Directors	<ol> <li>According to the Company's Charter, resolutions on top-of-mind issues, including those set forth in the recommendation 170 of the Code, shall be made at the meeting of the Board of Directors by a qualified majority of at least 3/4 of votes or by a majority vote of all elected members of the Board of Directors</li> </ol>	partially observed	The comments below refer to item 1 of the assessment criterion.  Pursuant to the Company's Charter, resolutions of the Board of Directors shall be passed by a majority vote of the Board members attending the meeting, unless otherwise provided for by the Federal Law "On Joint-Stock Companies".  In the Company's practice, any decision made by the Board of Directors is preceded by an in-depth study of the agenda items and their pre-tier discussion. Resolutions on the vast majority of issues considered by the Company's Board of Directors in the reporting year were made by a majority of votes exceeding three quarters of the votes of all elected members of the Board of Directors

No	Corporate governance principles	Criteria for assessing compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanations for deviations from the criteria for assessing compliance with the corporate governance principle		
2.8	THE BOARD OF DIRECTORS CREATES COMMITTEES FOR PRE-TIER CONSIDERATION OF TOP-OF-MIND ISSUES RELATED TO THE COMPANY'S ACTIVITIES					
2.8.1	An Audit Committee, comprised of independent directors, has been created for pre-tier consideration of issues related to control over the Company's financial and economic activities	<ol> <li>The Board of Directors has established the Audit Committee comprised solely of independent directors.</li> <li>The Company's internal documents define the tasks of the Audit Committee, including those provided in the recommendation 172 of the Code.</li> <li>At least one member of the Audit Committee, who is an independent director, has experience and knowledge in the preparation, analysis, assessment and audit of accounting (financial) statements.</li> <li>Meetings of the Audit Committee were held at least once a quarter during the reporting period</li> </ol>	observed			
2.8.2	A Remuneration Committee comprised of independent directors and chaired by an independent director who is not the Chairman of the Board of Directors has been established to consider, in advance, issues related to the development of effective and transparent remuneration practices	<ol> <li>The Board of Directors has established the Remuneration Committee comprised solely of independent directors.</li> <li>The Remuneration Committee is chaired by an independent director who is not the Chairman of the Board of Directors.</li> <li>The Company's internal documents define the tasks of the Remuneration Committee, including but not limited to the tasks contained in the recommendation 180 of the Code, as well as the conditions (events) for the Remuneration Committee to consider rethinking the Company's remuneration policy for the members of the Board of Directors, executive bodies and other key executives</li> </ol>	observed			
2.8.3	For pre-tier consideration of issues related to the implementation of talent planning (succession planning), professional composition and effectiveness of the Board of Directors, a Nomination Committee (appointments, talents) has been established with most of its members being independent directors	<ol> <li>The Board of Directors has established a Nomination Committee (or its tasks as stated in the recommendation 186 of the Code are implemented through a different committee) with the majority of its members being independent directors.</li> <li>The Company's internal documents define the tasks of the Nomination Committee (or the relevant committee with a combined function), including but not limited to the tasks provided in the recommendation 186 of the Code.</li> <li>In order to establish the Board of Directors that best meets the Company's goals and objectives, during the reporting period the Nomination Committee independently or together with other committees of the Board of Directors or the Company's authorized shareholder relations unit organized interaction with shareholders, not limited to the major shareholders, in the face of selecting candidates for the Company's Board of Directors</li> </ol>	observed			
2.8.4	Considering the scale of operation and the level of risk, the Company's Board of Directors made sure that the composition of its committees fully complies with the Company's business goals. Additional committees were either established or recognized unnecessary (Strategy Committee, Corporate Governance Committee, Ethics Committee, Risk Management Committee, Budget Committee, Health, Safety and Environment Committee, etc.)		observed			
2.8.5	The composition of the committees is designed to allow for the in-depth discussion of the issues under preliminary consideration, taking into account different opinions	<ol> <li>The Audit Committee, the Remuneration Committee, and the Nomination Committee (or the relevant committee with a combined function) were chaired by independent directors during the reporting period.</li> <li>The Company's internal documents (policies) contain provisions stipulating that persons who are not members of the Audit Committee, Nomination Committee (or the relevant committee with a combined function) and Remuneration Committee may attend committee meetings only if invited by the chairman of the relevant committee</li> </ol>	observed			
2.8.6	Committee chairmen regularly inform the Board of Directors and its Chairman about the operation of their committees	<ol> <li>During the reporting period, committee chairmen reported regularly to the Board of Directors on the operation of the committees</li> </ol>	observed			
2.9	THE BOARD OF DIRECTORS SHALL ALLOW FOR EVALUATING THE PERFOR	RMANCE OF THE BOARD OF DIRECTORS, ITS COMMITTEES AND BOARD MEMBERS				
2.9.1	Performance evaluation of the Board of Directors is aimed at determining the effectiveness of the Board of Directors, its committees and members, compliance of their work with the Company's development needs, intensifying the work of the Board of Directors and identifying areas for potential improvement	<ol> <li>The Company's internal documents define the procedures for evaluating (self-evaluating) the performance of the Board of Directors.</li> <li>The performance evaluation (self-evaluation) of the Board of Directors in the reporting period included the evaluation of the performance of the committees, individual evaluation of each Board member and of the Board of Directors as a whole.</li> <li>The results of the performance evaluation (self-evaluation) of the Board of Directors in the reporting period were reviewed at the meeting of the Board of Directors held in person</li> </ol>	partially observed	The comments below refer to items 2, 3 of the assessment criteria.  In the reporting year, no assessment (self-assessment) of the performance of the Board of Directors of the Company was carried out due to the circumstances described in the comments to item 2 of the assessment criteria of principle 2.2.1 hereof.  In view of the above, the performance of the Chairman of the Board of Directors was not assessed in the reporting period as part of the procedure for assessment (self-assessment) of the performance of the Board of Directors.  The Company sets out to carry out an assessment (self-assessment) of the performance of the Board of Directors of the Company based on the 2023 results		
2.9.2	The performance evaluation of the Board of Directors, its committees and members is carried out on a regular basis at least once a year.  An external organization (consultant) is sourced at least once every three years to carry out an independent performance evaluation of the Board of Directors	<ol> <li>The Company has sourced an external organization (consultant) at least once during the last three reporting periods to conduct an independent performance evaluation of the Board of Directors</li> </ol>	observed			

No	Corporate governance principles	Criteria for assessing compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanations for deviations from the criteria for assessing compliance with the corporate governance principle
3.1	THE COMPANY'S CORPORATE SECRETARY PROVIDES FOR THE EFFECTIVE	DAY-TO-DAY INTERACTION WITH SHAREHOLDERS, COORDINATES THE COMPANY'S ACTIONS TO PROTECT THE SH	AREHOLDER RIGHTS AND II	NTERESTS, AND SUPPORTS THE EFFECTIVE WORK OF THE BOARD OF DIRECTORS
3.1.1	The Corporate Secretary has the knowledge, experience and qualifications sufficient for the performance of his/her duties, has an impeccable reputation, and enjoys the confidence of shareholders	<ol> <li>The biography of the Corporate Secretary (including information about his/her age, education, qualifications, experience), as well as information about positions in the management bodies of other legal entities held by the Corporate Secretary for at least the last five years is published on the Company's website and in the Annual Report</li> </ol>	observed	
3.1.2	The Corporate Secretary has sufficient independence from the executive bodies of the Company and has the necessary powers and resources to fulfill his tasks	<ol> <li>The Company has adopted and disclosed an internal Regulation on the Corporate Secretary.</li> <li>The Board of Directors approves the candidate for the position of the Corporate Secretary and terminates his/her powers, as well as considers the possibility of paying additional remuneration to him/her.</li> <li>The Company's internal documents stipulate the right of the Corporate Secretary to request and receive documents and information from the Company's management bodies, structural units and officials</li> </ol>	observed	
4.1	THE REMUNERATION PAID BY THE COMPANY IS SUFFICIENT TO ATTRACT, NOT THE COMPANY IN ACCORDANCE WITH THE COMPANY'S REMUNERATION	MOTIVATE AND RETAIN PERSONS WITH THE COMPETENCE AND QUALIFICATIONS REQUIRED TO THE COMPANY. THE POLICY	IE REMUNERATION IS PAID	TO THE MEMBERS OF THE BOARD OF DIRECTORS, EXECUTIVE BODIES AND OTHER KEY EXECUTIVES
4.1.1	The remuneration paid by the Company to the members of the Board of Directors, executive bodies and other key executives creates sufficient motivation for their high performance and enables the Company to attract and retain competent and qualified specialists. In doing so, the Company avoids remuneration that is higher than necessary, as well as an unreasonably large gap between the remuneration of the said persons and the Company's employees	<ol> <li>Remuneration of the members of the Board of Directors, executive bodies and other key executives of the Company is determined based on the results of a comparative analysis of the remuneration level in comparable companies</li> </ol>	observed	
4.1.2	The Company's Remuneration Policy has been developed by the Remuneration Committee and approved by the Board of Directors. The Board of Directors, supported by the Remuneration Committee, oversees the implementation and enforcement of the Company's Remuneration Policy, and, if necessary, revises and amends it	<ol> <li>In the reporting period, the Remuneration Committee reviewed the Remuneration Policy (Policies) and/or practices of its (their) implementation, assessed their efficiency and transparency, and, if necessary, submitted relevant recommendations to the Board of Directors to revise the said Policy (Policies)</li> </ol>	observed	
4.1.3	The Company's Remuneration Policy contains transparent mechanisms for determining the remuneration of members of the Board of Directors, executive bodies and other key executives of the Company, as well as regulates all types of payments, benefits and privileges provided to the said persons	<ol> <li>The Company's Remuneration Policy (Policies) contains (contain) transparent mechanisms for determining the amount of remuneration to be paid to members of the Board of Directors, executive bodies and other key executives of the Company, and also regulates (regulate) all types of payments, benefits and privileges provided to the said persons</li> </ol>	observed	
4.1.4	The Company defines the Reimbursement (Compensation) Policy that specifies the list of reimbursable expenses and the level of service for which members of the Board of Directors, executive bodies and other key executives of the Company may qualify. Such a policy may be part of a Company's Remuneration Policy	<ol> <li>The Remuneration Policy (Policies) or other internal documents of the Company set forth the rules for reimbursement of expenses of members of the Board of Directors, executive bodies and other key executives of the Company</li> </ol>	observed	
4.2	THE REMUNERATION SYSTEM OF THE BOARD MEMBERS BRINGS CLOSE TH	IE FINANCIAL INTERESTS OF DIRECTORS WITH THE LONG-TERM FINANCIAL INTERESTS OF SHAREHOLDERS		
4.2.1	The Company pays a fixed annual remuneration to the members of the Board of Directors. The Company does not pay remuneration for participation in individual meetings of the Board of Directors or its committees.  The Company does not apply short-term motivation forms or additional	<ol> <li>In the reporting period, the Company paid remuneration to the Board members in accordance with the Remuneration Policy adopted by the Company.</li> <li>In the reporting period, the Company did not apply for the Board members any forms of short-term motivation or additional material incentives, which payment depends on the Company's performance (indicators). No remuneration was paid for participation in individual meetings of the Board of Directors or its committees</li> </ol>	observed	
	material incentives to the Board members			
4.2.2	Long-term holding of the Company's shares contributes the most to aligning the financial interests of the Board members with the long-term interests of shareholders. At that, the Company does not condition the right to sell shares on the achievement of certain performance indicators, and members of the Board of Directors do not participate in stock option plans	<ol> <li>If the Company's shares are to be provided to the Board members based on the internal document(s), the Company's Remuneration Policy (Policies), clear rules of share holding by the Board members shall be provided for and disclosed in order to encourage long-term holding of such shares</li> </ol>	observed	
4.2.3	The Company does not provide for any additional payments or compensation in the event of early termination of powers of the Board members due to a change of control over the Company or for other reasons	<ol> <li>The Company does not provide for any additional payments or compensations in the event of early termination of powers of the Board members due to a change of control over the Company or for other reasons</li> </ol>	observed	

No	Corporate governance principles	Criteria for assessing compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanations for deviations from the criteria for assessing compliance with the corporate governance principle			
4.3	THE REMUNERATION SYSTEM OF MEMBERS OF EXECUTIVE BODIES AND O	THE REMUNERATION SYSTEM OF MEMBERS OF EXECUTIVE BODIES AND OTHER KEY MANAGERS OF THE COMPANY PROVIDES FOR THE DEPENDENCE OF REMUNERATION ON THE COMPANY'S PERFORMANCE AND THEIR PERSONAL CONTRIBUTION TO THE ACHIEVEMENT OF THIS OUTCOME					
4.3.1	Remuneration of members of executive bodies and other key managers of the Company is determined so as to ensure a reasonable and justified ratio of the fixed part and the variable part of remuneration, which depends on the Company's performance and the personal (individual) contribution of the employee to the final result	<ol> <li>During the reporting period, the annual performance indicators approved by the Board of Directors were used to determine the amount of variable remuneration for members of executive bodies and other key executives of the Company.</li> <li>In the course of the last evaluation of the remuneration system for members of executive bodies and other key executives of the Company, the Board of Directors (the Remuneration Committee) made sure that the Company applied an effective ratio of the fixed part to the variable part of remuneration.</li> <li>When determining the amount of remuneration to be paid to members of executive bodies and other key managers of the Company, account is taken of the risks borne by the Company in order to avoid creating incentives for taking excessively risky management decisions</li> </ol>	observed				
4.3.2	The Company has implemented a long-term motivation program for members of executive bodies and other key executives of the Company using the Company's shares (options or other derivative financial instruments with the Company's shares as the underlying asset)	1. If the Company implemented a long-term motivation program for members of executive bodies and other key executives of the Company using the Company's shares/ financial instruments based on the Company's shares, the right to sell such shares and other financial instruments under the program can be exercised only three years after the date when they were granted, at the earliest. In this case, the right to sell them is conditional on the achievement of certain performance indicators of the Company	partially observed	The comments below refer to item 1 of the assessment criteria.  M.Video-Eldorado Group implemented a long-term motivation program for members of executive bodies and other key managers of M.Video-Eldorado Group using the Company's shares in 2020. The program was approved for 4 years and provided for motivational payments to the participating employees in 3 tranches during the term of the program upon achievement of certain performance indicators of the Company. By decision of the Company's Board of Directors in April 2022, this program was terminated due to the identified need to develop a conceptually new long-term motivation system for members of executive bodies and other key executives of M.Video-Eldorado Group, relevant in the changed market and economic circumstances, which, among other things, had a significant impact on the HR.  A new long-term motivation program for members of executive bodies and other key executives of M.Video-Eldorado Group is being currently developed. The first drafts were submitted by the management team for review by the Remuneration and Nomination Committee of the Company's Board of Directors in fall 2022. The new long-term motivation program is scheduled to be approved and implemented by the end of 2023			
4.3.3	The amount of compensation ("golden parachute") payable by the Company in the event of early termination of powers of members of executive bodies or key executives at the initiative of the Company and in the absence of dishonest actions on their part does not exceed twice the amount of the fixed part of the annual remuneration	<ol> <li>The amount of compensation ("golden parachute") payable by the Company in the event of early termination of powers of members of executive bodies or key executives at the initiative of the Company and in the absence of dishonest actions on their part did not exceed twice the amount of the fixed part of the annual remuneration in the reporting period</li> </ol>	observed				
5.1	THE COMPANY HAS AN EFFECTIVELY FUNCTIONING RISK MANAGEMENT A	ND INTERNAL CONTROL SYSTEM, AIMED AT ENSURING REASONABLE CONFIDENCE IN ACHIEVING THE GOALS SET	FOR THE COMPANY				
5.1.1	The Company's board of directors defined the principles of and approaches to the organization of the risk management and internal control system in the Company	1. Functions of various management bodies and business units of the Company in the risk management and internal control system are clearly defined in the internal documents / relevant Company policy approved by the Board of Directors	observed				
5.1.2	The Company's executive bodies ensure the creation and maintenance of an effective risk management and internal control system in the Company	1. The Company's executive bodies ensured distribution of duties, powers, and responsibilities in the field of risk management and internal control between the heads (heads) of departments and divisions reporting to them	observed				
5.1.3	The Company's risk management and internal control system provides an objective, fair, and clear view of the current state and prospects of the Company, the integrity and transparency of the Company's reporting, the reasonableness and acceptability of the risks taken by the Company	<ol> <li>The Company has an approved anti-corruption policy.</li> <li>The Company has organized a safe, confidential and accessible way (hotline) to inform the Board of Directors or the Audit Committee of the Board of Directors about violations of laws, internal procedures, and the Company's code of ethics</li> </ol>	observed				
5.1.4	The Board of Directors takes the necessary measures to ensure that the risk management and internal control system in place at the Company complies with the principles and approaches to its organization, as defined by the Board of Directors, and that it is functioning effectively	<ol> <li>During the reporting period, the Board of Directors (Audit Committee and/or Risk Committee, if any) organized an assessment of the reliability and efficiency of the risk management and internal control system.</li> <li>In the reporting period, the Board of Directors reviewed the results of the assessment of the reliability and efficiency of the risk management and internal control system of the Company, and the information on the results of the review was included in the Company's Annual Report</li> </ol>	observed				
5.2	FOR SYSTEMATIC INDEPENDENT EVALUATION OF THE RELIABILITY AND EFFICIENCY OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM AND CORPORATE GOVERNANCE PRACTICES, THE COMPANY ORGANIZES INTERNAL AUDITS						
5.2.1	The company created a separate structural business unit or engaged an independent external organization to conduct internal audits. Functional and administrative accountability of the internal audit function are delineated. Functionally, the internal audit function reports to the Board of Directors	<ol> <li>To conduct internal audits, the company established a separate internal audit function, operationally reporting to the Board of Directors, or engaged an independent external organization with the same principle of accountability</li> </ol>	observed				
5.2.2	The internal audit function assesses the reliability and effectiveness of the risk management and internal control system, as well as corporate governance, and applies generally accepted standards of internal audit activities	<ol> <li>In the reporting period, internal audit assessed the reliability and efficiency of the risk management and internal control system.</li> <li>In the reporting period, internal audit assessed corporate governance practices (individual practices), including information interaction procedures (including those related to internal control and risk management) at all management levels of the company, as well as interaction with stakeholders</li> </ol>	observed				

No	Corporate governance principles	Criteria for assessing compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanations for deviations from the criteria for assessing compliance with the corporate governance principle
6.1	THE COMPANY AND ITS ACTIVITIES ARE TRANSPARENT TO SHAREHOLDE	RS, INVESTORS AND OTHER STAKEHOLDERS		
6.1.1	The Company has developed and implemented an information policy		partially observed	The comments below refer to item 2 of the assessment criteria.
	that ensures effective information exchange between the company, shareholders, investors, and other stakeholders			In the reporting period, the Board of Directors (its committees) did not consider the issue of the efficiency of information interaction between the Company, shareholders, investors, and other stakeholders and the expediency (need) to revise the Company's information policy. These issues were scheduled for consideration by the Board of Directors in 2022, since the end of 2021 the Company has been actively working to develop changes to the Company's information policy, taking into account current trends and approaches to information disclosure.
				However, the geopolitical and economic events of 2022 required the Company and its management bodies to promptly review the priorities of their tasks, shifting their focus to issues related to adapting the business model to the new reality and focusing on operational activities. In the current circumstances, the concept of disclosure also requires taking into account the current geopolitical circumstances.
				Nevertheless, the Company continues to update its information policy and strives to strictly observe the interests of the Company, its shareholders, third parties, and the requirements of applicable law.
				The Company plans to bring up for consideration by the Board of Directors the issue of the efficiency of information interaction between the Company, shareholders, investors, and other interested parties, as well as the issue of revising the Company's information policy in 2023
6.1.2	The Company discloses information on its corporate governance system	<ol> <li>The Company discloses information on the Company's corporate governance system and general principles of corporate governance applied in the Company, including on the Company's website on the Internet.</li> <li>The Company discloses information on the composition of its executive bodies and Board of Directors, the independence of Board members and their membership in the Committees of the Board of Directors (as defined in the Code).</li> <li>If there is a person controlling the Company, the Company shall publish a memorandum of the controlling person regarding such person's plans for corporate governance in the Company</li> </ol>	partially observed	The comments below refer to item 2 of the assessment criteria.
	and practices, including detailed information on compliance with the principles and recommendations of the Code			In order to protect the rights and lawful interests of the members of the executive bodies and the Board of Directors of the Company in the current geopolitical situation and the increasing sanctions pressure from countries unfriendly to the Russian Federation, the Company temporarily does not disclose information about the composition of the executive bodies and the Board of Directors, the independence of the Board members and their membership in the Committees of the Board of Directors. The Company intends to eliminate these inconsistencies with the recommendations of the Code, subject to changes in external and internal factors that serve as the basis for the application of legislative relaxations in terms of information disclosure, or changes in current legislation.
				The comments below refer to item 3 of the assessment criteria.
				The Company did not publish a memorandum of the controlling person regarding his plans for the Company due to the fact that such a memorandum was not received by the Company. The Company's controlling shareholder provides timely public access to information about all of its plans for the Company through various disclosure channels, guided by the principles of protecting confidential information and the rights of the Company's shareholders.
				If the Company's controlling shareholder adopts a memorandum regarding such person's plans regarding corporate governance in the Company, the said memorandum will be publicly disclosed
6.2	THE COMPANY TIMELY DISCLOSES COMPLETE, UP-TO-DATE AND RELIAB	LE INFORMATION ABOUT THE COMPANY TO ENABLE SHAREHOLDERS AND INVESTORS TO MAKE INFORMED DECIS	IONS	
6.2.1	The Company discloses information in accordance with the principles	1. The Company has established a procedure that ensures coordination of the work of all structural subdivisions	partially observed	The comments below refer to item 3 of the assessment criterion.
	of regularity, consistency and timeliness, as well as accessibility, reliability, completeness and comparability of disclosed data			During the reporting year, the information was disclosed in Russian.
				Particularly important information about the Company's activities was also provided in English. The Company continuously maintains and updates the English-language version of the Group's website to ensure that foreign shareholders of the Company are properly informed and aware of the current situation and development of the Group.
				Taking into account that translation of information and documentation requires additional material resources, the Company will consider the possibility to fully disclose information in English if the Company receives a corresponding request from foreign shareholders. During the reporting year, no such requests from shareholders were received by the Company

No	Corporate governance principles	Criteria for assessing compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanations for deviations from the criteria for assessing compliance with the corporate governance principle
6.2.2	The Company avoids a formalistic approach to information disclosure and discloses material information about its activities, even if disclosure of such information is not required by law	<ol> <li>The Company's information policy defines approaches to the disclosure of information about other events (actions) that have a significant impact on the value or quotation of its securities, the disclosure of which is not required by law.</li> <li>The Company discloses information about the structure of the company's capital in accordance with Recommendation 290 of the Code in the annual report and on the company's website.</li> <li>The Company discloses information on controlled entities that are material to the company, including the key areas of their activities, mechanisms for ensuring accountability of controlled entities, the powers of the Company's Board of Directors to determine the strategy and assess the performance of controlled entities.</li> <li>The Company discloses a non-financial report - a sustainability report, an environmental report, a corporate social responsibility report, or another report containing non-financial information, including factors related to the environment (including environmental factors and factors related to climate change), society (social factors) and corporate governance, except for the report of the issuer of equity securities and the annual report of a joint stock company</li> </ol>		The comments below refer to item 2 of the assessment criterion.  The information specified in item 2 of the assessment criteria is temporarily not disclosed in order to protect the rights and legitimate interests of the members of the Company's management bodies, as well as in the interests of the Company itself.  The Company intends to eliminate these inconsistencies with the recommendations of the Code, subject to changes in external and internal factors that serve as the basis for the application of legislative relaxations in terms of information disclosure, or changes in current legislation.  The comments below refer to item 4 of the assessment criterion.  In the reporting period, the Company discloses a non-financial report, a corporate social responsibility report containing non-financial information, including factors related to the company (social factors) and corporate governance, as part of the Company's annual report
6.2.3	The annual report, being one of the most important tools of information exchange with shareholders and other stakeholders, contains information allowing to assess the Company's performance results for the year	<ol> <li>The annual report of the Company contains information on the results of the evaluation by the Audit Committee of the effectiveness of the external and internal audit process.</li> <li>The Company's annual report contains information on the Company's environmental protection policy, social policy</li> </ol>	observed	
6.3	THE COMPANY PROVIDES INFORMATION AND DOCUMENTS REQUESTED	BY SHAREHOLDERS IN ACCORDANCE WITH THE PRINCIPLES OF EQUAL AND UNHINDERED ACCESSIBILITY		
6.3.1	Exercise by shareholders of their right of access to the Company's documents and information is not unreasonably difficult	<ol> <li>The Company's information policy (internal documents defining the information policy) defines a non-onerous procedure for providing access to the Company's information and documents upon shareholders' requests.</li> <li>The information policy (internal documents defining the information policy) contains provisions stipulating that in the event of a shareholder's request for information on organizations controlled by the Company shall take necessary efforts to obtain such information from the relevant organizations controlled by the Company</li> </ol>	partially observed	The comments below refer to item 2 of the assessment criterion.  There are currently no provisions stipulating that in the event of a shareholder's request for information on the Company's controlled entities, the Company shall make the necessary efforts to obtain such information from the relevant entities controlled by the Company. In the current geopolitical and economic circumstances of 2022, which require a review of the concept of information disclosure as a whole, work to update the Company's information policy seemed inexpedient and was not carried out.  The Company plans to bring up for consideration of the Board of Directors the issue of revision of the information policy of the Company in 2023
6.3.2	When the Company provides information to shareholders, it ensures a reasonable balance between the interests of individual shareholders and the interests of the Company itself, which is interested in maintaining the confidentiality of important commercial information that could have a significant impact on its competitiveness	<ol> <li>During the reporting period, the Company did not refuse to satisfy shareholders' requests for information or such refusals were justified.</li> <li>In cases determined by the Company's information policy, shareholders are warned of the confidential nature of the information and assume the obligation to keep it confidential</li> </ol>	observed	
7.1	ACTIONS THAT SIGNIFICANTLY AFFECT, OR MAY AFFECT, THE COMPANY'S INTERESTED PARTIES	SHARE CAPITAL STRUCTURE AND FINANCIAL POSITION AND, ACCORDINGLY, THE POSITION OF SHAREHOLDERS (S	IGNIFICANT CORPORATE	ACTIONS) ARE TAKEN ON FAIR TERMS THAT RESPECT THE RIGHTS AND INTERESTS OF SHAREHOLDERS AND OTHER
7.1.1	Significant corporate actions include the reorganization of the Company, the acquisition of 30 percent or more of the voting shares of the Company (takeover), the execution by the company of significant transactions, an increase or decrease in the charter capital of the Company, the listing and delisting of the company shares, as well as other actions that may lead to significant changes in the rights of shareholders or violate their interests. The Company's Charter defines a list (criteria) of transactions or other actions that are significant corporate actions, and such actions fall within the competence of the Company's Board of Directors	<ol> <li>The Company's Charter defines a list (criteria) of transactions or other actions that are material corporate actions.         The Company's Charter refers decisions regarding material corporate actions to the competence of the Board of Directors. In those cases where the implementation of these corporate actions is expressly attributed by law to the competence of the general meeting of shareholders, the Board of Directors provides shareholders with the relevant recommendations     </li> </ol>	observed	
7.1.2	The Board of Directors plays a key role in making decisions or making recommendations on material corporate actions, the Board of Directors relies on the position of the Company's independent directors	<ol> <li>The Company has a procedure for independent directors to state their position on material corporate actions prior to their approval</li> </ol>	observed	
7.1.3	When significant corporate actions affecting the rights and legitimate interests of shareholders are taken, equal conditions for all shareholders of the Company are ensured, and if the legal mechanisms aimed at protecting the rights of shareholders are insufficient, additional measures protecting the rights and legitimate interests of shareholders of the Company are taken.	<ol> <li>The Company's Charter, taking into account the peculiarities of its activities, stipulate that the competence of the Board of Directors shall include approval, in addition to those provided for by law, of other transactions that are material to the Company.</li> <li>During the reporting period, all material corporate actions underwent the approval procedure prior to their implementation</li> </ol>	observed	
	The Company is guided not only by compliance with formal legal requirements, but also by the principles of corporate governance set forth in the Code			

No	Corporate governance principles	Criteria for assessing compliance with the corporate governance principle	Status of compliance with the corporate governance principle	Explanations for deviations from the criteria for assessing compliance with the corporate governance principle
7.2	THE COMPANY PROVIDES A PROCEDURE FOR TAKING MATERIAL CORPOR OF THEIR RIGHTS WHEN TAKING SUCH ACTIONS	RATE ACTIONS THAT ENABLES SHAREHOLDERS TO RECEIVE FULL INFORMATION ABOUT SUCH ACTIONS IN A TIME	LY MANNER, ENABLES THEM	TO INFLUENCE SUCH ACTIONS AND GUARANTEES THE OBSERVANCE AND ADEQUATE LEVEL OF PROTECTION
7.2.1	Information on material corporate actions shall be disclosed with an explanation of the reasons, conditions and consequences of such actions	<ol> <li>If the Company performed material corporate actions during the reporting period, the company disclosed timely and detailed information on such actions, including the reasons, conditions of such actions and consequences of such actions for shareholders</li> </ol>	observed	
7.2.2	The rules and procedures related to the Company's material corporate actions are set forth in the Company's internal documents	<ol> <li>The Company's internal documents define the cases and procedure for engaging a valuer to determine the value of property to be alienated or acquired under a major transaction or a related party transaction.</li> <li>The internal documents of the company provide for the procedure of engaging an appraiser to assess the cost of acquisition and redemption of shares of the Company.</li> <li>In the absence of formal interest of a member of the Board of Directors, one-man executive body, member of collegial executive body of a Company or a person who is a controlling person of a Company or a person having the right to give instructions binding for a Company, in transactions of a Company, but in the presence of conflict of interests or their other actual interest, the Company's internal documents stipulate that such persons shall not participate in voting on approval of such transaction</li> </ol>	partially observed	The Company's internal documents do not provide for a procedure for engaging an independent appraiser to determine the value of property acquired or disposed of under a major transaction or a related party transaction. The Company does not plan to define in the internal list of cases of involving an appraiser, as the Company has created and effectively operates a system of internal protection of the property interests of the Company, including full and reliable accounting of property, control over its use and disposal. Any transactions related to the acquisition, alienation, encumbrance of property in excess of the limits defined by internal documents are subject to scrutiny, including its compliance with market conditions.
				The comments below refer to item 2 of the assessment criteria.
				The Company shall engage an independent appraiser in all cases provided for by the Law.
				If an independent evaluation is required to make an informed decision by members of the Board of Directors, the Company's internal documents provide for the possibility to engage consultants and experts, including financial ones, at the initiative of the Board of Directors

1. M.VIDEO-ELDORADO GROUP PROFILE 2. STRATEGIC REPORT 3. OPERATIONAL PERFORMANCE 4. CARE FOR EMPLOYEES AND SOCIETY 5. CORPORATE GOVERNANCE 6. ANNEXES Annual Report | M.Video-Eldorado | 2022

# **ANNEX 2**

### **REPORT ON MAJOR AND RELATED-**PARTY TRANSACTIONS<sup>1</sup>

Report on major and related-party transactions made by PJSC M.video (hereinafter — the Company) in 2022.

Transaction date Subject matter and material terms of the transaction, details of the related party (parties)<sup>2</sup> Company's governing body that resolved to authorize or further approve the transaction

#### 1. MAJOR TRANSACTIONS

In the reporting year, the Company did not enter into any transactions recognized as major transactions according to the Federal Law On Joint-Stock Companies, as well as other transactions subject to the major transaction approval procedure under the Company's Charter.

#### 2. RELATED-PARTY TRANSACTIONS

1 January 31, 2022 Performance guarantee for MVM LLC, a subsidiary.

> Subject matter and material terms: guarantee of performance by the Principal of its obligations under the non-residential property lease agreement No. 06-DDA/SB dated December 20, 2018, entered into by and between MVM LLC and Slavyanka LLC (hereinafter in this paragraph — the Agreement).

Guarantee amount: not exceeding RUB 20,823,384.96.

The guarantee amount was less than two percent of the Company's book value according to the Company's consolidated financial statements as of the last reporting date (the end date of the last completed reporting period preceding the date

Guarantee period: from January 31, 2022 to January 30, 2023

#### Parties to and beneficiaries of the transaction:

Guarantor (party to the transaction): PJSC M.video (OGRN 5067746789248, INN 7707602010).

Beneficiary (beneficiary of the transaction): Slavyanka LLC (OGRN 1127746288636, INN 7730663821).

Principal (beneficiary of the transaction): MVM LLC (OGRN 1057746840095, INN 7707548740).

#### Individuals and legal entities recognized as related parties to the transaction:

The information is not disclosed pursuant to Clause 6, Article 30.1. of Federal Law No. 39-FZ On the Securities Market dated April 22, 1996, Article 92.2. of Federal Law No. 208-FZ On Joint-Stock Companies dated December 26, 1995, Clause 1.2., Article 8 of Federal Law No. 224-FZ On Combating Insider Information Misuse and Market Manipulation and on Amendments to Certain Legislative Acts of the Russian Federation dated July 27, 2010.

This information is provided as at the transaction date.

Board of Directors

Report on major transactions and related-party transactions made by PJSC M.video in 2022.

¶º Transaction date	Subject matter and material terms of the transaction, details of the related party (parties)	Company's governing body that resolved to authorize or further approve the transaction
March 23, 2022	Performance guarantee for MVM LLC, a subsidiary.	Board of Directors
	<b>Subject matter and material terms:</b> guarantee of performance by the Principal of its obligations under the non-residential property lease agreement No. 1022017120221dated December 7, 2017, entered into by and between MVM LLC and ENKA TC LLC (hereinafter in this paragraph — the Agreement).	
	Guarantee amount: not exceeding RUB 14,643,298,92.	
	The guarantee amount was less than two percent of the Company's book value according to the Company's consolidated financial statements as of the last reporting date (the end date of the last completed reporting period preceding the date of the transaction).	
	Guarantee period: from March 23, 2022 to March 22, 2023	
	Parties to and beneficiaries of the transaction:	
	Guarantor (party to the transaction): PJSC M.video (OGRN 5067746789248, INN 7707602010).	
	Beneficiary (beneficiary of the transaction): ENKA TC LLC (OGRN 1027739529399, INN 7702190316).	
	Principal (beneficiary of the transaction): MVM LLC (OGRN 1057746840095, INN 7707548740).	
	Individuals and legal entities recognized as related parties to the transaction:	
	The information is not disclosed pursuant to Clause 6, Article 30.1. of Federal Law No. 39-FZ On the Securities Market dated April 22, 1996, Article 92.2. of Federal Law No. 208-FZ On Joint-Stock Companies dated December 26, 1995, Clause 1.2., Article 8 of Federal Law No. 224-FZ On Combating Insider Information Misuse and Market Manipulation and on Amendments to Certain Legislative Acts of the Russian Federation dated July 27, 2010.	
April 6, 2022	License Agreement.	Board of Directors
	Subject matter and material terms of the transaction: a non-exclusive license granted by the Company (the "Licensor") to MVM Limited Liability Company (the "Licensee" or "MVM LLC"), against consideration, to use the M.video trademark (Trademark (Service Mark) Certificate No. 228734, date of registration: November 25, 2002, priority: March 30, 2001, the "trademark") in the Licensee's business activities carried out in the Russian Federation with regard to all the goods and services listed in above-mentioned Trademark (Service Mark) Certificate No. 228734, in particular by way of trademark placement:	
	<ul> <li>when performing works and rendering services;</li> <li>on documents related to introducing goods into civil circulation;</li> <li>in proposals on selling goods, performing works, rendering services, as well as in announcements, on signboards and in advertising;</li> <li>on the Internet, including the domain name and other addressing modes.</li> </ul>	
	Transaction value: RUB 267,213,902.40, including VAT at the applicable rate.	
	The transaction value was less than two percent of the Company's book value according to the Company's consolidated financial statements as of the last reporting date (the end date of the last completed reporting period preceding the date of the transaction).	
	<b>Transaction term:</b> the License Agreement shall become effective on April 6, 2022 and will be valid until March 31, 2023. The right to use the trademark will be granted immediately after its registration in the Federal Service for Intellectual Property (Rospatent). Given that the trademark had been actually used by the Licensee upon consent of the Licensor since April 1, 2022, the License Agreement applies to the parties' relations starting from April 1, 2022.	
	Parties to and beneficiaries of the transaction:	
	Parties to the transaction:	
	Licensor: Public Joint-Stock Company M.video (INN 7707602010, OGRN 5067746789248);	
	Licensee: MBM Limited Liability Company (INN 7707548740, OGRN 1057746840095).	
	Beneficiaries of the transaction: there are no beneficiaries that are not parties to the transaction.	
	Individuals and legal entities recognized as related parties to the transaction:	
	The information is not disclosed pursuant to Clause 6, Article 30.1. of Federal Law No. 39-FZ On the Securities Market dated April 22, 1996, Article 92.2. of Federal Law No. 208-FZ On Joint-Stock Companies dated December 26, 1995, Clause 1.2., Article 8 of Federal Law No. 224-FZ On Combating Insider Information Misuse and Market Manipulation and on Amendments to Certain Legislative Acts of the Russian Federation dated July 27, 2010.	

# **ANNEX 3**

# REPORTS OF THE COMMITTEES UNDER THE BOARD OF DIRECTORS

# REPORT ON THE WORK OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

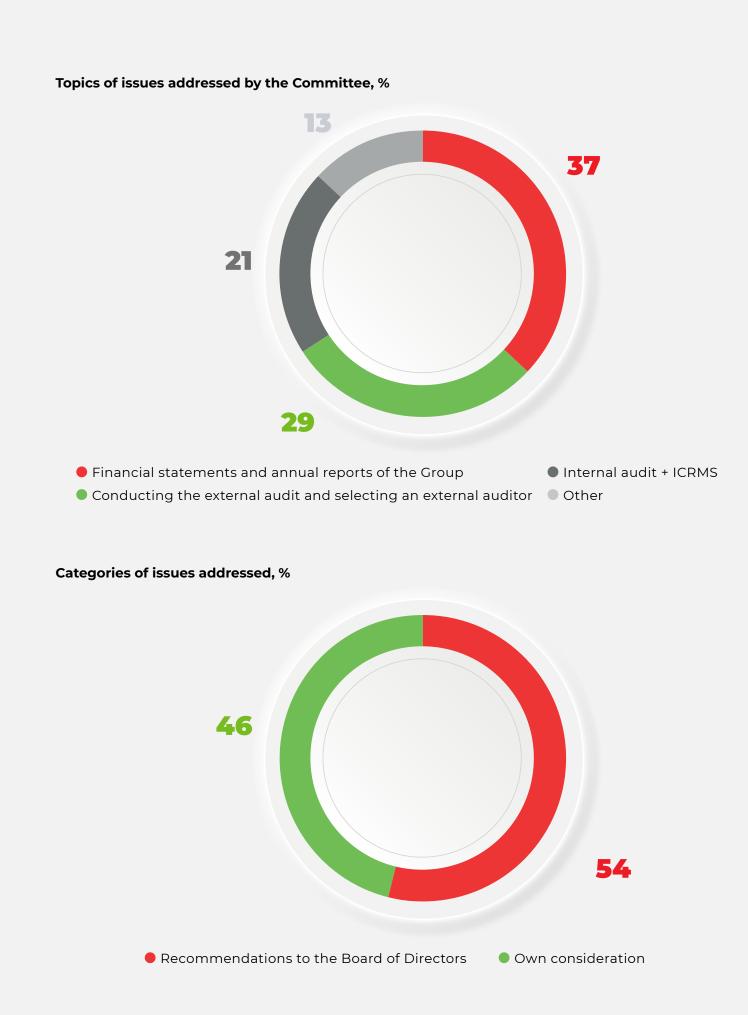
The Audit Committee is a consultative and advisory body of the Board of Directors and is established to facilitate the efficient performance of the Board functions in terms of control over the financial and economic activities (in accounting (financial) reporting, risk management, internal control and corporate governance) of the Company and companies under its control.

The list of responsibilities of the Audit Committee involves the following issues related to the work of the Company, its subsidiaries and/or controlled companies and the Group as a whole:

- · control over the preparation of accounting (financial) statements;
- internal control, risk management and corporate governance;
- · counteraction to unscrupulous actions, compliance;
- · internal audit:
- · external audit.

In the reporting year as part of meeting sessions, the Audit Committee considered and submitted relevant recommendations to the Board of Directors on issues pertaining to the approval of the financial statements and annual reports of the Company and Group companies for 2021, with the election of the external auditors of the Company and the Group companies, with the determination of the amount of payment for the services of external auditors and the conditions for their involvement, involving the analysis of the list and structure of the Group's significant risks and their indicators, which resulted in the approval of the updated risk matrix of the Group by the Board, as well as the introduction in the Group of complexes of highly effective measures for managing risks and their mitigation. The committee further analyzed and addressed issues of the work of the Company and the Group companies with representatives of management and the external auditor current: reports of the internal audit unit, reports on the development of the internal control and risk management system, external audit plan for 2023, information security issues of the Group, and other issues. The Committee constantly monitored the security of the Group's IT infrastructure, worked to enhance the stability of the IT system and ensure business continuity within the Group.

In 2022, 24 issues were addressed during eight meetings of the Audit Committee.



# The Committee activities in terms of control over the preparation of accounting (financial) statements

In 2022, the Audit Committee continued to place emphasis to the integrity of the Group's financial statements and compliance. A comprehensive analysis of these issues was performed on an ongoing basis, while the Committee received regular updates from the Group's financial and operational management, the internal audit unit, as well as from external auditors.

The Committee continued to monitor the full disclosure in the 2022 financial statements. The Audit Committee is tasked primarily with assisting the Board in ensuring the full disclosure of the financial statements of the Group and the annual reports of the Company and the Group companies, including review of the following:

- · compliance with financial reporting standards and corporate governance requirements;
- · material areas of financial activity that significant assumptions have been made for;
- critical elements and essence of the accounting policy, consistency and impartiality of management assessments;
- transparency of disclosed information;
- whether the annual reports of the Company and the Group companies as a whole provide an impartial, balanced and understandable description and provide the information required for shareholders to assess the performance of the Company and the Group companies, the Group's business model, major risks and uncertainties.

The Audit Committee considered the interim condensed consolidated financial statements (unaudited) of PJSC M.video for the half year ended June 30, 2022, prepared in accordance with IFRS, as well as the opinion of the external auditor on the review of the interim condensed consolidated financial statements, financial statements (audited) of PJSC M.video for 2021, prepared in accordance with IFRS, accounting (financial) statements of the Company and Group companies for 2021, prepared in accordance with RAS. Issues addressed as part of these documents involved such aspects as the relevance of the adopted accounting policy, the amount of information disclosed, as well as management's assumptions and estimates. The Committee reviewed the documents prepared by management on key financial statement assumptions and reviewed the External Auditor's full-year and half-year reports that indicate any major risks or areas requiring high audit priority.

The Audit Committee recommended that the Board approve the Company's consolidated financial statements for 2021 prepared in accordance with IFRS, as well as approve the annual accounting (financial) statements of the Company and Group companies for 2021 prepared in accordance with RAS. The recommendations were accepted by the Board of Directors.

Hereinafter, "Group companies" shall refer to business entities under the direct and/or indirect control of the Company

## The Committee activities in terms of issues related to the conduct of an external audit and evaluation of its efficiency

Based on the Audit Committee's recommendation, the Board recommended to the General Meeting of Shareholders of the Company to establish Joint Stock Company "Business Solutions and Technologies" as an auditor to audit the financial and economic activities of PJSC "M.video" for 2022, and the corresponding decision was made at the annual General Meeting of Shareholders of PJSC M.video June 23, 2022.

The Audit Committee is charged with overseeing the ongoing efficiency and independence of the external auditor, and makes recommendations to the Board relating to the reappointment of the auditor.

The Committee has an established process by which it monitors the efficiency, independence, objectivity and ethical, professional and regulatory compliance of external auditors, involving the following:

- analysis of the external audit plan for conducting an interim audit and an audit at the end
  of the year, considering the scope of the audit, key audit risks and the materiality
  of the audit, as well as compliance with the best practices;
- · analysis and approval of contractual obligations of the external auditor;
- considering the opinion of the external auditor in relation to the interim and annual reports, letters of representation;
- reviewing the letter of the external auditor with audit recommendations for 2021 in cooperation with the management, as well as discussing the response and proposed actions of management, coordinating the activities of the internal audit unit to conduct a re-audit in major areas.

The Audit Committee meets with the external auditor to assess the relevance of the Group's accounting policies and audit process as necessary. In 2022, the External Auditor confirmed that these policies and the audit process are relevant and fit for purpose.

An external auditor is involved in extending non-audit services in accordance with the internal policy of the Company in order to ensure the independence of the external auditor.

The processes and results of the external audit based on the results of 2021 and 2022 are recognized by the Committee as relevant and efficient.

## The Committee activities in terms of issues related to the conduct of internal audit and evaluation of its efficiency

During the reporting year, the Audit Committee reviewed the internal audit plans for 2022 and further recommended that the Board make certain changes to them, taking into account the general economic situation, the commercial risk profile and existing funds.

The plan has been revised to include a refined risk analysis, as well as prioritization of key business processes and controls from a risk perspective.

Overall, the Committee deems the available internal audit resources sufficient to meet the requirements for internal control and risk management. The efficiency, independence and quality of the work of the internal audit unit are evaluated by the Committee on a regular basis throughout the year by considering the reports of the head of the internal audit unit. As a result, a satisfactory opinion was formed relating to the efficiency of the work of the internal audit unit in the reporting year.

## The Committee activities in terms of issues related to RMICS and evaluation of its efficiency

The Company applies a comprehensive approach to risk management, designed to ensure that up-to-date information is communicated through risk review and analysis to managers at all levels, as well as to extend its assistance the development of an internal control system and an internal audit process.

In 2022, the Committee put major emphasis on to the internal control and risk management system.

In 2022, the Audit Committee initiated and successfully arranged activities in one of the priority areas in the current realities, i.e. the analysis of the list and structure of the Group's major risks and their indicators, which resulted in the approval of the updated risk matrix of the Group by the Board based on the Committee recommendation, as well as the introduction in the Group of complexes of highly effective measures for risk management and their mitigation.

The efficiency of the risk management and internal control system of the Group was evaluated by the Committee on a regular basis through the reporting year by reviewing the reports of the head of the internal audit unit. Based on the results of the reports reviewed, the Committee has reasonable grounds to conclude that the Group's internal control and risk management systems comply with the approaches and principles established by the Board and the Company's management, in all material respects provide an objective view of the current state and prospects of the Group, acceptability of the risks assumed by the Group, compliance with the requirements of the Russian legislation and the Group's internal documents.

# REPORT ON THE ACTIVITIES OF THE REMUNERATION AND NOMINATION COMMITTEE OF THE BOARD OF DIRECTORS

The Remuneration and Nomination Committee is a consultative and advisory body of the Board, established to promote and enhance the efficiency of the Board through performing management functions in the Company, determining criteria for attracting and evaluating qualified personnel, ensuring that the Company and its subsidiaries comply with the remuneration policy and follow the practice of successful recruitment, expansion and maintenance of the continuity of human resources.

The list of responsibilities of the Remuneration and Nomination Committee involves the following issues related to the activities of the Company, its subsidiaries and/or controlled companies:

- elaborating on a human resources policy and forming of a strategy for the development of the Group's corporate culture;
- personnel matters in appointment to various positions in the Company and its subsidiaries;
- issues of remuneration for various positions in the Company and its subsidiaries.

The main issues addressed by the Remuneration and Nomination Committee in 2022 which urged relevant recommendations to the Board of Directors were related to the following aspects:

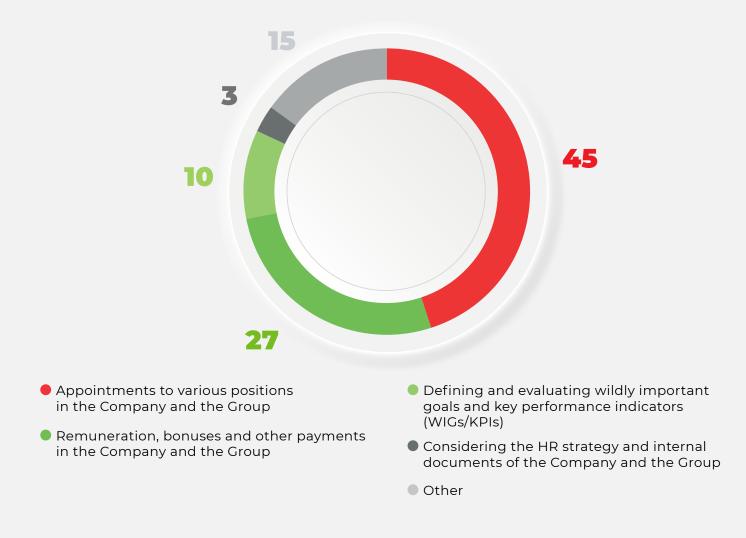
- nominating candidates to the Board and assessing compliance with the independence criteria of candidates to the Board of Directors:
- elaborating on a strategy for the formation of the Group's talent pool;
- changes in the regulation on remuneration of the key operating company of the Group

   MVM LLC, related to financial assistance disbursed to employees in an unfavorable epidemiological situation;
- · changes in the organizational structure of the Group's main operating company;
- analysing the preliminary draft program of long-term financial incentives for key management personnel of the Group's companies;
- determining corporate goals and key performance indicators (WIGs/KPIs) of senior management of the Group companies for 2022 and assessing the achievement of corporate goals and key performance indicators (WIGs/KPIs) of senior management of the Group companies for 2021;
- payments under the long-term motivation program for the management personnel of MVM LLC;
- appointing of the Corporate Secretary of the Company, as well as appointments to key management positions of the Company and Group companies;
- reviewing the Group's HR strategy and the developed approach to talent management, as well as a report on the results of the conducted pulse survey.

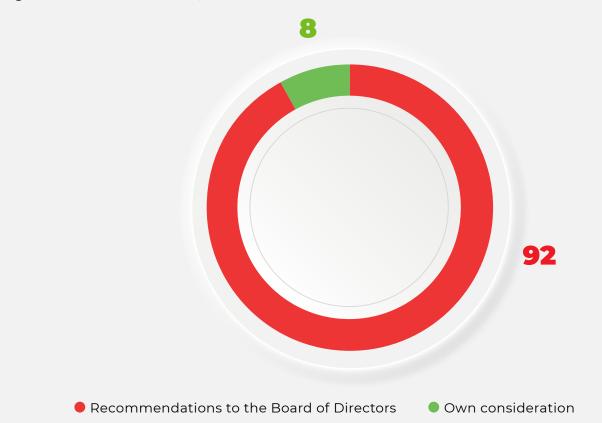
In the reporting year, the Committee addressed all issues related to its expertise, necessary for the efficient support of the Group's activities and its development.

In 2022, 62 issues were considered as part of 14 meetings of the Remuneration and Nomination Committee.

#### Topics of issues addressed by the Committee, %



#### Categories of issues addressed, %



#### **Key activities of the Remuneration and Nomination Committee in 2022**

- 1. Issues related to appointment to key management positions in the Company and Group companies:
- recommendations made to the Board of Directors regarding candidates for the positions of the sole executive body and other key senior executives of the Company and Group companies;
- elaborating on proposals on the essential terms of employment contracts concluded with the sole executive bodies and key senior executives of the Company and Group companies;
- assessing the adequacy of experience; for internal candidates, the results achieved were also analyzed.
- 2. Matters related to organizational structure, system of motivation and remuneration of employees of the Company and Group companies:
- reviewing key transformations in the organizational structure of the Company and MVM LLC, their compliance with the top-level business goals and the Group's strategy;
- drafting recommendations to the Board of Directors on approval of the organizational structure of the Company and MVM LLC;
- determining key performance indicators for the activities of top-level managers of the Company and Group companies and reviewing the final results of previous activities;
- preliminary consideration of provisions on short-term and long-term motivation of MVM LLC employees.

#### 3. Issues of personnel policy and remuneration strategy of the Group:

- reviewing a set of measures aimed at implementing the personnel policy in the Group;
- addressing ecosystem issues affecting the Group's personnel development strategy.

#### 4. Assessment of the Board of Directors and Committees of the Board of Directors:

- preliminary consideration of the Report on the annual self-assessment of the Board of Directors and committees of the Board of Directors;
- assessing the independence of candidates for shortlisting in the Board elections.
- 5. Continuity planning for members of the Board of Directors and key employees of the Group:
- reviewing the organization of the succession planning process for members of the Board of Directors and key employees of the Company, updating the continuity plan, involvement in the selection of candidates for the Board membership;
- elaborating on a strategy for the formation of the Group's talent pool;
- assessing the Group's management jointly with the HR Directorate.

On all issues addressed by the Committee, recommendations were made for making quality decisions in accordance with the best world practices, the current business situation and the Group expansion strategy.

# REPORT ON THE ACTIVITIES OF THE STRATEGY AND DIGITAL TRANSFORMATION COMMITTEE OF THE BOARD OF DIRECTORS

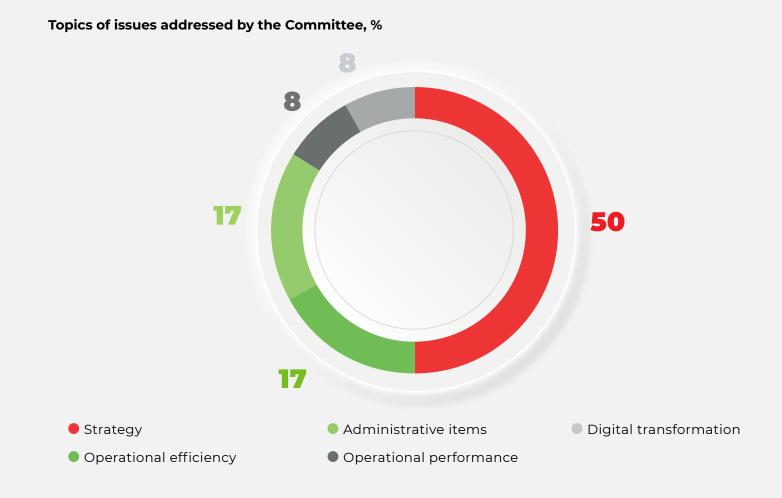
The Committee for Strategy and Digital Transformation is a consultative and advisory body of the Board of Directors, established to facilitate and enhance the efficiency of the work of the Board through performing the functions of forming the strategy of the Company and the Group companies, elaborating plans for the development of the information technology architecture of the Company and the Group companies, ensuring the security of the activities of the Company and the Group companies in information technology, as well as reviewing the policy and standards for ensuring information security of the Company and the Group companies.

The list of responsibilities of the Strategy and Digital Transformation Committee involves the following issues related to the activities of the Company, its subsidiaries and/or controlled companies:

- issues of the strategy, measures for its implementation, implementation criteria and intermediate results and monitoring of implementation;
- · analysis of strategic risks and recommendations on how to minimize them;
- use and development of key digital technologies, products, information technology systems, priority areas and projects in digital technologies, monitoring the implementation of development priorities and projects, key principles for the formation, changes and development plans of information technology architecture;
- · information security issues, including information security policies and standards.

In the reporting year, the Strategy and Digital Transformation Committee considered and presented relevant recommendations to the Board on issues related to the long-term expansion strategy, updating the ONE RETAIL concept, the status of digital transformation and updating the associated investment portfolio, analyzed and addressed current issues related to the work of the Company and Group companies with management representatives: results for 2021, operational efficiency improvement plan, contingency plan and development scenarios for the Group, updated business model.

In 2022, 12 issues were addressed during five meetings of the Strategy and Digital Transformation Committee.



# **GRI CONTENT INDEX**

Disclosure	Content	Information / Report section
GRI 2: GENE	RAL DISCLOSURES 2021	
The organiz	cation and its reporting practices	
2-1	Organizational details	p. 87
2-2	Entities included in the organization's sustainability reporting	p. 2
2-3	Reporting period, frequency and contact point	p. 87
2-4	Restatements of information	p. 19
2-5	External assurance	The report is not externally assured.
Activities a	nd workers	
2-6	Activities, value chain and other business relationships	p. 4
2-7	Employees	p. 43
2-8	Workers who are not employees	Not relevant.
Governance		
2-9	Governance structure and composition	p. 55
2-10	Nomination and selection of the highest governance body	p. 56
2-11	Chair of the highest governance body	p. 58
2-12	Role of the highest governance body in overseeing the management of impacts	p. 56
2-13	Delegation of responsibility for managing impacts	p. 57
2-14	Role of the highest governance body in sustainability reporting	p. 56
2-15	Conflicts of interest	p. 62
2-16	Communication of critical concerns	p. 57
2-17	Collective knowledge of the highest governance body	p. 56
2-18	Evaluation of the performance of the highest governance body	p. 57
2-19	Remuneration policies	The indicator is not disclosed due to M.Video-Eldorado's approach to information disclosure taken in the reporting period
2-20	Process to determine remuneration	The indicator is not disclosed due to M.Video-Eldorado's approach to information disclosure taken in the reporting period
2-21	Annual total compensation ratio	The indicator is not disclosed due to M.Video-Eldorado's approach to information disclosure taken in the reporting period

Disclosure	Content	Information / Report section			
Strategy, policies and practices					
2-22	Statement on sustainable development strategy	p. 52			
2-23	Policy commitments	p. 62			
2-24	Embedding policy commitments	p. 52, 62			
2-25	Processes to remediate negative impacts	p. 63			
2-26	Mechanisms for seeking advice and raising concerns	p. 49, 62			
2-27	Compliance with laws and regulations	p. 63			
2-28	Membership associations	EPR E-Waste recycling, ACORT, AKIT, RATEK, AEB, CCI, RUIE, OPORA RUSSIA, Business Russia			
Stakeholde	r engagement				
2-29	Approach to stakeholder engagement	Each stakeholder group plays a role in our business, so taking their interests into account in different planning horizons and conducting operations will always be a cornerstone of M.Video-Eldorado Group's sustainable development. The Group centers its stakeholder engagement activities around fundamental principles of the AA1000 Series of Standards, which are inclusivity, materiality, responsiveness, and impact			
2-30	Collective bargaining agreements	M.Video-Eldorado Group does not have any collective bargaining agreements			
GRI 3: MATE	ERIAL TOPICS				
3-1	Process to determine material topics	p. 2			
3-2	List of material topics	p. 2			
3-3	Management of material topics	p. 2			
GRI 203: INI	DIRECT ECONOMIC IMPACTS				
203-1	Infrastructure investments and services supported	p. 51			
GRI 205: AN	TI-CORRUPTION				
205-2	Communication and training about anti- corruption policies and procedures	p. 62			
205-3	Confirmed incidents of corruption and actions taken	p. 63			
GRI 401: EM	PLOYMENT				
401-1	New employee hires and employee turnover	p. 43			
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	p. 46			

Disclosure	Content	Information / Report section
GRI 403: OC	CUPATIONAL HEALTH AND SAFETY	
403-1	Occupational health and safety management system	p. 49
403-2	Hazard identification, risk assessment, and incident investigation	p. 49
403-5	Worker training on occupational health and safety	p. 50
403-6	Promotion of worker health	p. 46
403-8	Workers covered by an occupational health and safety management system	p. 50
403-9	Work-related injuries	p. 50
GRI 404: TR	AINING AND EDUCATION	
404-2	Programs for upgrading employee skills and transition assistance programs	p. 48
GRI 405: DI	VERSITY AND EQUAL OPPORTUNITY	
405-1	Diversity of governance bodies and employees	p. 43
GRI 412: HU	MAN RIGHTS ASSESSMENT	
412-1	Operations that have been subject to human rights reviews or impact assessments	No specialized reviews of human rights violations were conducted in 2022
SPECIFIC M	ATERIAL TOPICS RELEVANT FOR M.VIDEO-ELDO	RADO GROUP
Operationa	l efficiency and economic performance	
_	Gross merchandise value (GMV)	
_	Consolidated revenue	
Product saf	fety and availability, service quality, consumer o	onfidence
_	Infrastructure and logistics development	
_	Customer loyalty indicators	
Responsible	e marketing	
_	Improvement of promotion formats and ways	
_	Raising brand awareness and credibility	
Technology	, innovation and digital transformation of the b	usiness
_	Enhancing the ONE RETAIL technological platform	
_	Developing in-house IT competencies	
Cyber secu	rity and personal data protection	
_	Information security strategy	
-	Information security measures implemented in the reporting period	

# CONTACTS

# PUBLIC JOINT-STOCK COMPANY M.VIDEO [2-1]

Short name PJSC M.video

Certificate of incorporation No. and date of issue 5067746789248 September 25, 2006

### Registered office

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#### Postal address

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#### Telephone

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#### Website

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# CONTACT POINT FOR QUESTIONS REGARDING THE REPORT [2-3]

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## **INVESTOR RELATIONS**

## **EKATERINA TUZIKOVA**

Head of Strategic Planning and Investor Relations +7 (495) 644-2848 ekaterina.tuzikova@mvideo.ru

## **REGISTRAR**

## JOINT-STOCK COMPANY SERVIS-REESTR

Short name JSC Servis-Reestr

12 Sretenka St., 107045, Moscow, Russian Federation +7 (495) 608-10-43

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