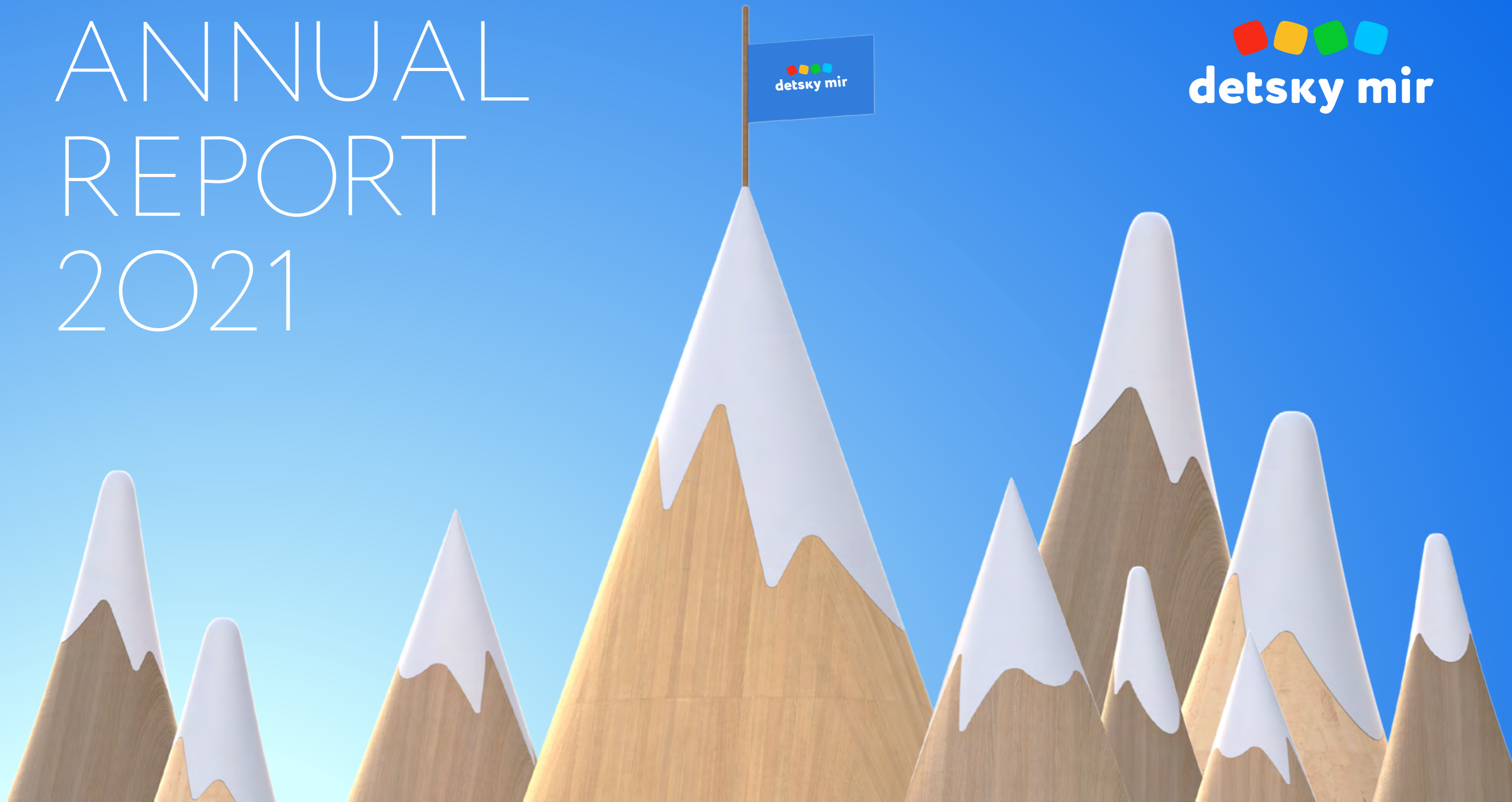


ANNUAL REPORT 2021



WELCOME

TO THE 2021 PJSC DETSKY MIR ANNUAL REPORT

ABOUT THIS REPORT

This is the Annual Report for the period from 1 January 2021 to 31 December 2021 detailing the activities of Public Joint Stock Company Detsky Mir ("Detsky Mir" or "the Company") and its subsidiaries, jointly referred to as Detsky Mir Group ("Detsky Mir Group" or the "Group"). The list of subsidiaries included in this Annual Report and Detsky Mir's shareholdings in these subsidiaries are disclosed in the notes to the IFRS consolidated financial statements for 2021.

The Annual Report provides consolidated information on the main results of the Company's activities, as well as its strategic priorities and goals for both the short and medium term. This Annual Report focuses in particular on the Group's activities in the areas of sustainability and corporate governance.

ANNUAL REPORT PREPARATION STANDARDS

The Annual Report has been prepared on the basis of Detsky Mir's management reporting, and also the Company's audited consolidated financial statements for 2021 under International Financial Reporting Standards (IFRS). The Annual Report also discloses the Company's environmental, social and governance (ESG) performance metrics.

Detsky Mir's IFRS consolidated financial statements for 2021 were audited by AO Deloitte and Touche CIS. Although the Company has been applying IFRS 16 Leases (International Financial Reporting Standard establishing the financial reporting procedure for leases) since 1 January 2018, key financial metrics in the statements are compared excluding the effect of IFRS 16.

This Annual Report may contain errors in ratios, percentages, and totals due to rounding. Figures in this Annual Report may differ slightly from previously reported numbers due to rounding differences.

APPROVAL OF THE ANNUAL REPORT

The Company's Annual Report was approved by the Board of Directors (Minutes No. 10 dated 30 May 2022).

PJSC Detsky Mir's Annual Report was approved by the Annual Meeting of Shareholders on 30.06.2022 (Minutes w/o dated 01 July 2022).



The Company's previous annual reports are available on its dedicated shareholder and investor relations website:

ir.detmir.ru/en/.

DISCLAIMER

This Annual Report has been prepared by Detsky Mir solely for informational purposes, using information available to the Company at the time of its preparation, including information obtained from duly appointed third parties. The Company reasonably believes that this information is complete and accurate as of the publication of this report but does not make any representation or warranty that this information will not be updated, revised, or otherwise amended in the future.

The Company's Annual Report may contain forward-looking statements or projections themselves. Such statements or forecasts relate to matters that are not historical facts or statements and that reflect the intentions of the Company, its beliefs, or current expectations regarding operational performance, financial condition, prospects, growth rates, and the strategy of the Company and the industry in which it operates. Many factors may cause the actual results of Detsky Mir's operations to differ materially from the projected results contained in the forward-looking statements.

These include, but are not limited to, factors such as general economic conditions; competitive environment; risks associated with operating in the Russian Federation, Kazakhstan and Belarus; rapid technological changes and changes in the market conditions in the industries in which Detsky Mir operates; the impact of the COVID-19 pandemic on the macroeconomic situation in the markets where the Company is present and on its financial performance; as well as other risks connected with Detsky Mir and its activities.

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DETSKY MIR TODAY

Detsky Mir Group is a multi-format omnichannel retailer and the undisputed leader in the children's goods market in Russia and Kazakhstan, as well as a major player in Belarus. The Company is one of the largest and fastest-growing online retailers in the children's goods segment in Russia.

Our mission is to create an omnichannel retail chain that fosters optimal conditions for society to make a safe, high-quality, long-term investment in the younger generation. Since its foundation, Detsky Mir has been guided by the principle that has become the Company's motto: "A happy childhood for all!"

MARKET POSITION

Undisputed leader
in the children's goods
market in Russia
and Kazakhstan

24%

share of the total children's
goods market in Russia
(+2 p.p. year-on-year)*

IN 2022,
DETSKY MIR TURNS

75

*Source: Ipsos Comcon

OUR BRANDS

Detsky Mir, the most recognizable Russian brand in the children's segment with a 74-year history

- 916 Detsky Mir and 110 Detmir Mini stores

- 84 new Detsky Mir and 94 new Detmir Mini stores were opened in 2021

- 445 cities in Russia, Belarus, and Kazakhstan

- 971,000 m² total selling space

- 246 m store visits a year

One of the largest and fastest-growing online stores for children's goods

- 37% online sales share in total sales (Q4 2021)

- 40% growth of online sales in 2021

- 664 m visits a year

- 79% of online orders made through the mobile app

Zoozavr, a modern pet supplies chain

- 93 stores, and an online store at zoozavr.detsky-mir.ru

- 73 new stores opened in 2021

- 9,000 m² of selling space

- 66% online sales share in the segment

OUR PRODUCTS

A wide assortment of unique products for children and pets

- 920,000 SKUs

- 46% share of private label and direct imports in total sales

OUR INFRASTRUCTURE

- 175,000 m² of warehouse space

- 5 distribution centers

- 38 026 pickup points for online orders

- 310 Russian cities offering super express delivery (within 2 hours)

- 80% of Russia's urban population can pick up orders within 60 minutes

BUSINESS SCALE

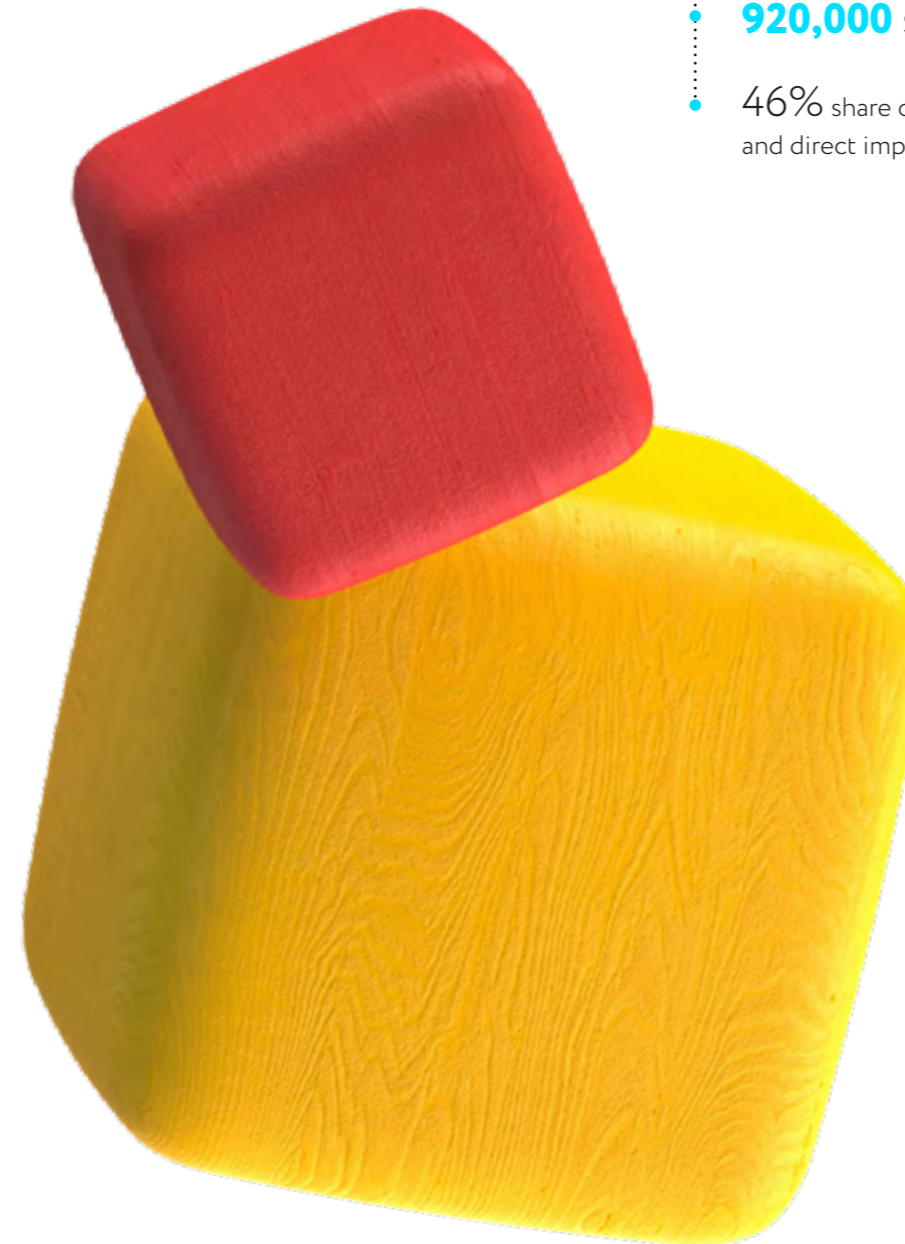
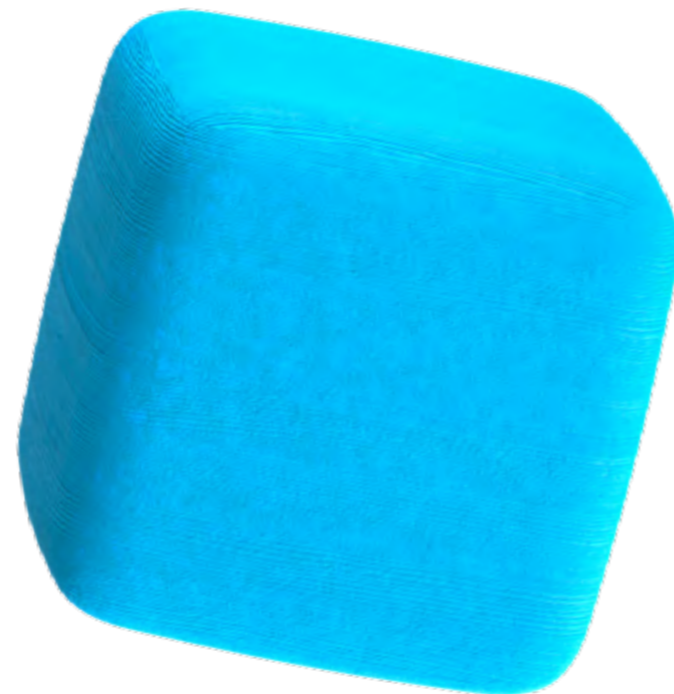
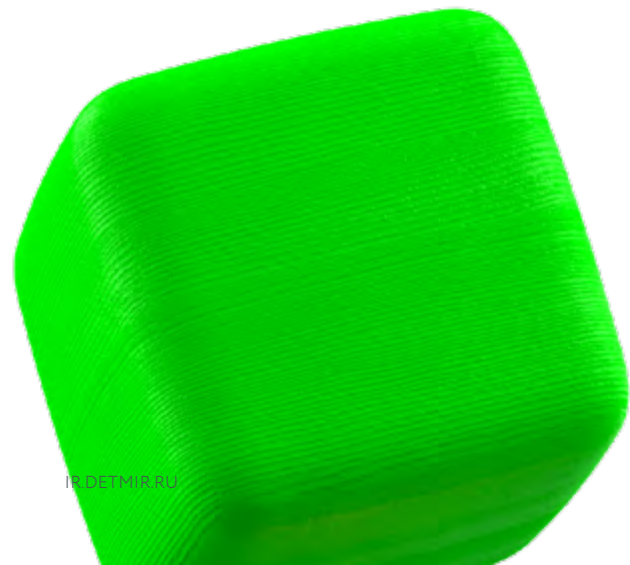
- RUB 164.3 bn total revenue

- 11,0% adjusted EBITDA margin

- RUB 8.3 bn in dividends

- 16.000 employees

- 8,3% marketplace share in total online sales



OUR MEDIUM-TERM STRATEGY

Further consolidation of the children's goods market

45% online channel share in Detsky Mir's total sales

>10% marketplace share in total online sales

2.4 m SKUs

80% of online next-day delivery orders

New verticals that meet a wide range of customer needs and carry high growth potential

Launch of digital services for children and parents

Scale-up of the Zoozavr pet supplies chain

OUR SHAREHOLDERS AND STAKEHOLDERS

70% free float

50% of the Board of Directors are independent directors, including the Chairwoman of the Board

Detsky Mir is among the top employers according to Forbes and KPMG



ESG PRINCIPLES

In 2021, the Group integrated ESG principles into its business model and strategy. The Company developed and approved long-term goals based on the UN SDGs



>RUB 1 bn total volume of the Company's own and other investments aimed at providing charitable assistance to children and homeless animals

>5.5 t waste from textile and footwear production sent for recycling

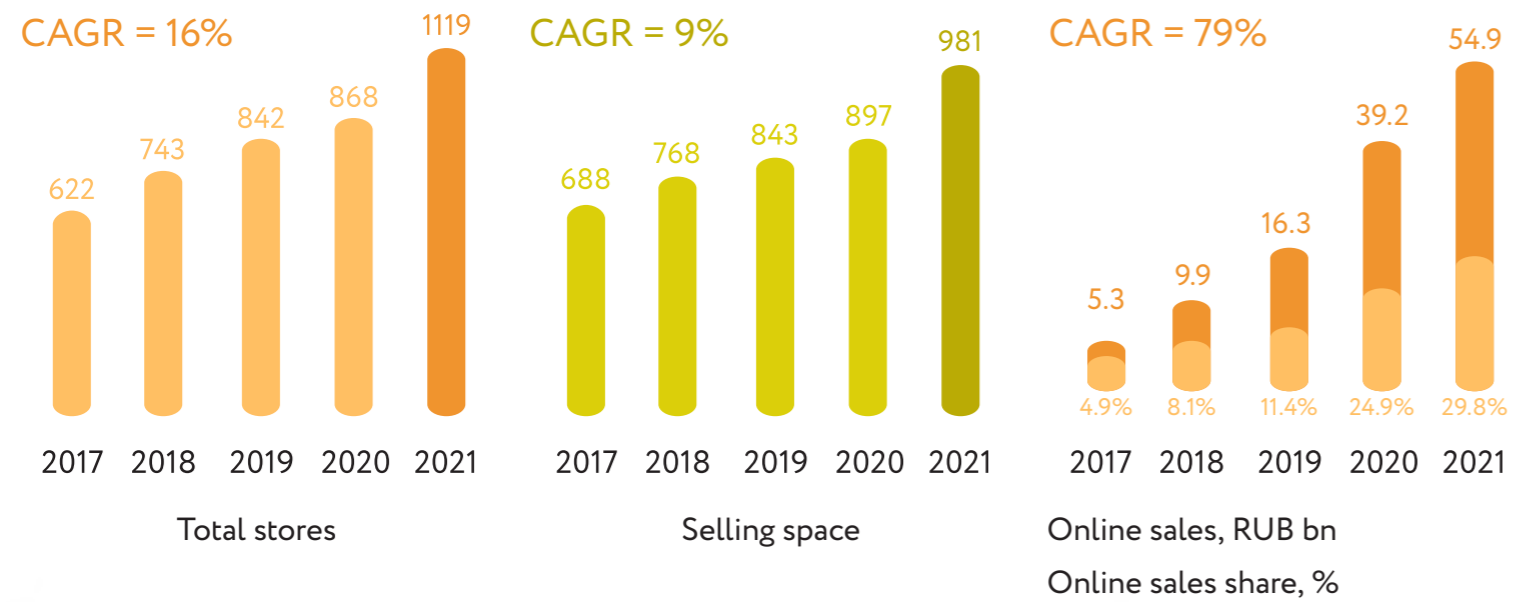
GHG emission intensity per RUB 1 of revenue was reduced by 26%*

*Compared to the 2018 indicator

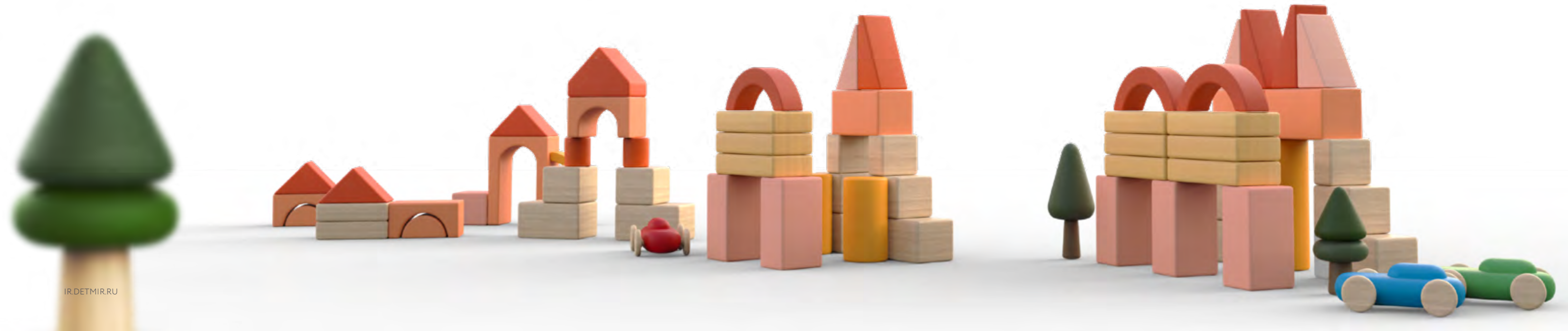
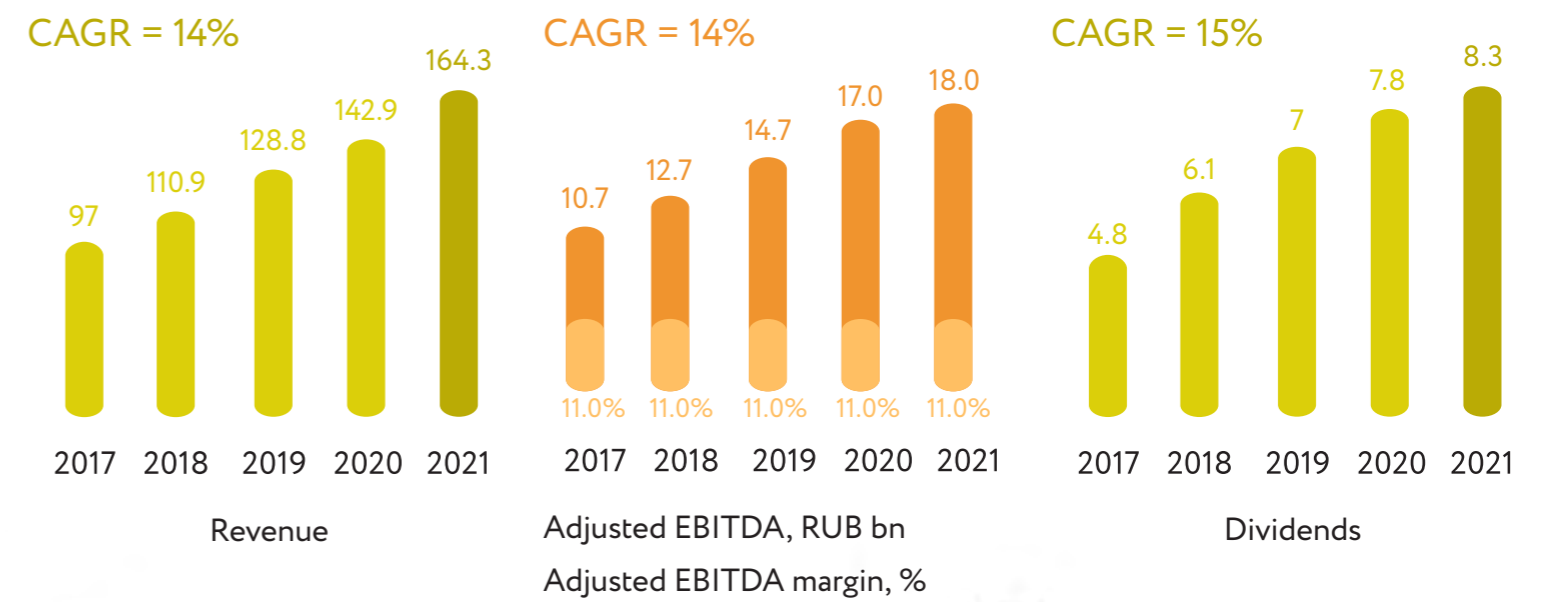


2021 HIGHLIGHTS

Operating performance



Financial performance

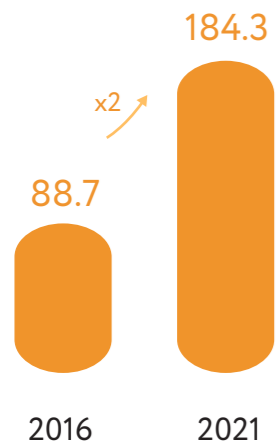


FIVE YEARS SINCE IPO

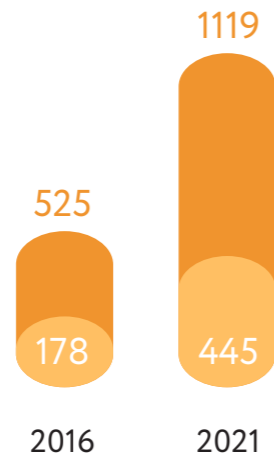
In February 2017, Detsky Mir successfully completed an initial public offering (IPO) on the Moscow Exchange, a move that played a pivotal role in the Company's corporate development and was Russia's first major market transaction targeting international investors since 2014.

Since the IPO, the Company has achieved a lot:

The Group's gross merchandise volume (GMV) more than doubled, increasing from RUB 88.7 bn to RUB 184.3 bn

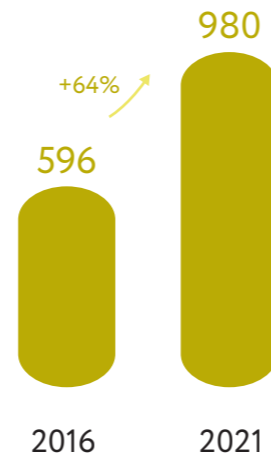


The number of stores grew from 525 in 178 Russian and Kazakh cities to 1,119 in 445 cities and towns of Russia, Kazakhstan and Belarus.

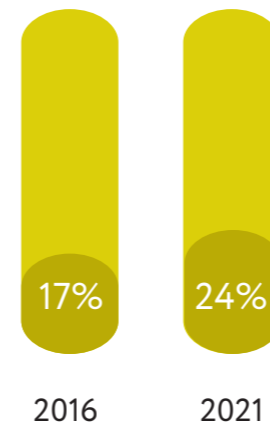


● Number stores
● Number of cities and towns

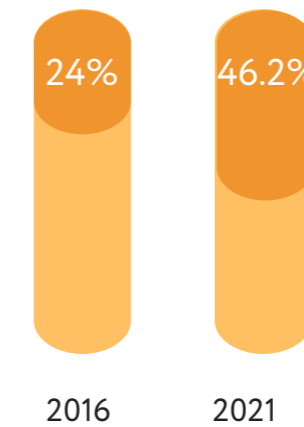
The Group's selling space had increased from 596,000 to 980,000 m² as at the end of 2021 (+64%).



Detsky Mir's market share grew from 17% to 24%



The share of private labels and direct import in Russia went up from 24% of total sales in 2016 to 46.2% in 2021

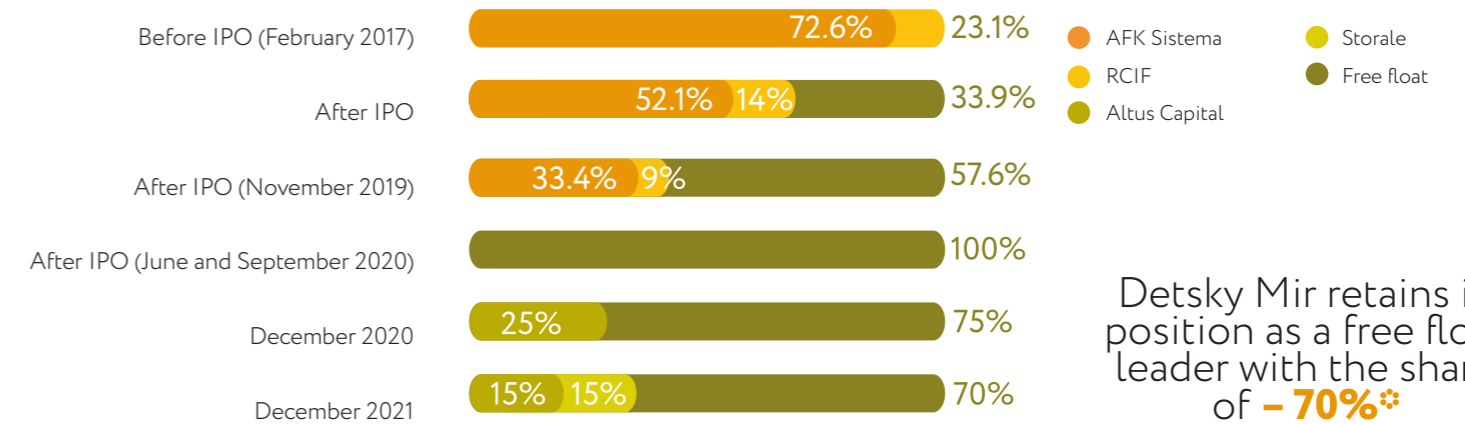




Maria Davydova,
CEO of Detsky Mir:

“In the five years since its IPO, Detsky Mir has achieved an impressive level of success. The Group is now one of the largest and fastest-growing e-commerce players in the children’s goods market with the largest free float of any Russian company. Year in, year out, the Company delivers strong sales growth and high profitability, coupled with a strong dividend yield. We are very grateful to the Moscow Exchange for its fantastic work over these years, and we would like to thank all our investors for placing their trust in us – we are confident that future cooperation will yield even greater results.”

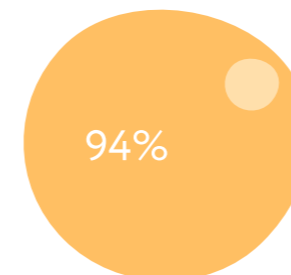
The Company’s shareholding structure



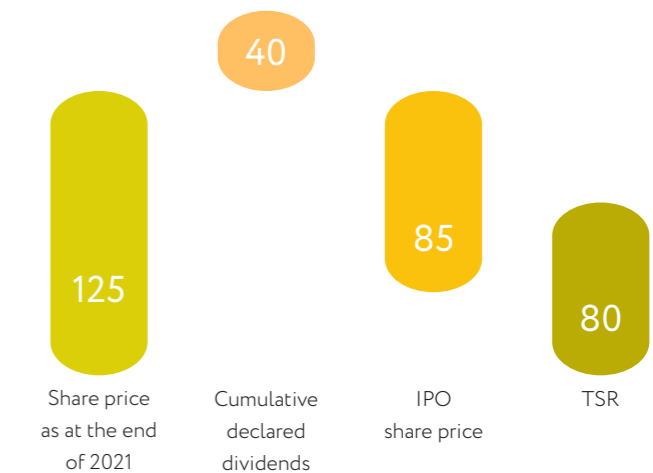
Detsky Mir retains its position as a free float leader with the share of **-70%***

Solid growth of shareholder returns and liquidity

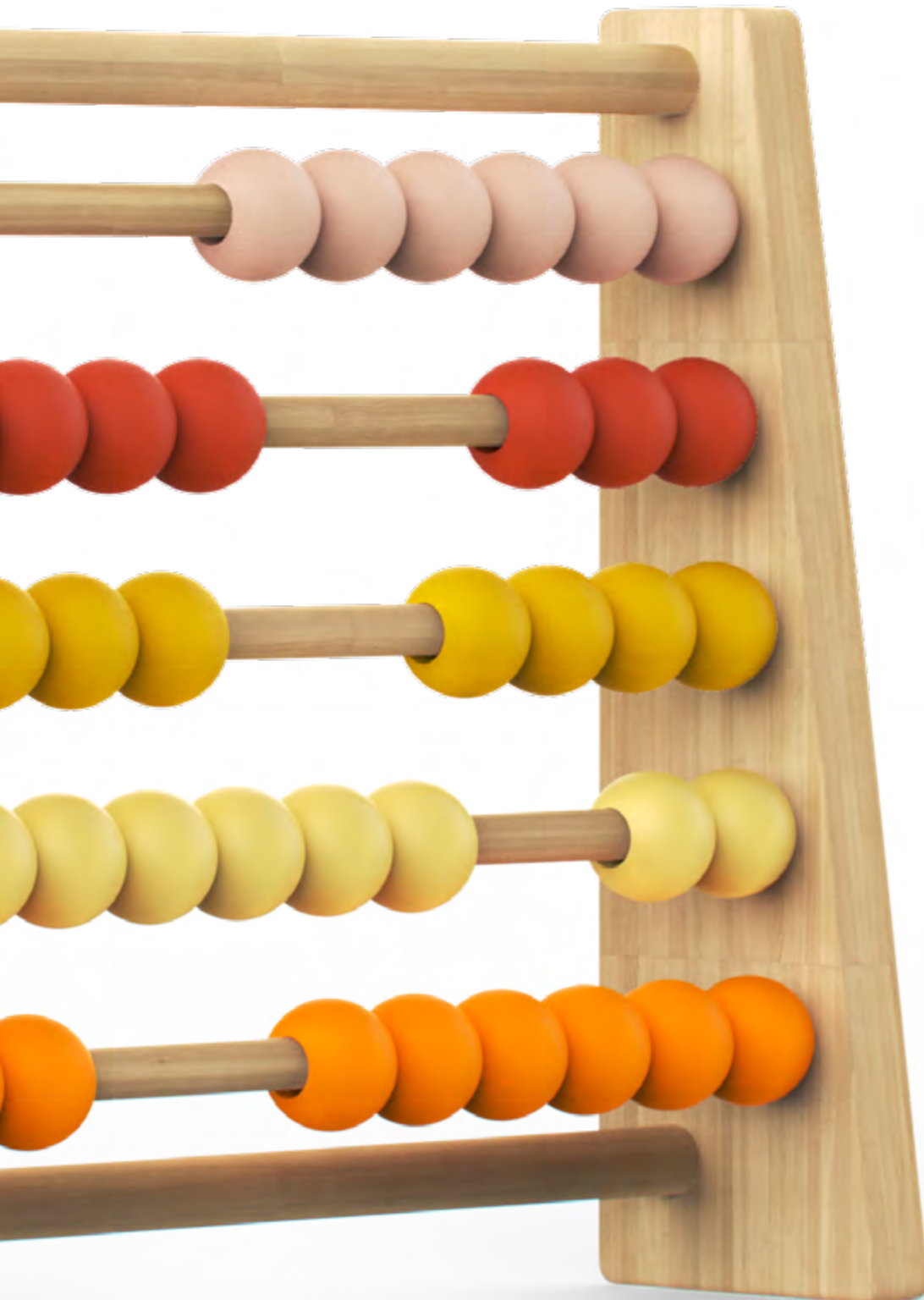
The Company’s total shareholder return (TSR) since its 2017 IPO has amounted to **94%**



TSR since IPO as at 31 December 2021



*As at the end of 2021



INVESTMENT HIGHLIGHTS

Detsky Mir's investment case leverages long-term drivers of shareholder value growth.

- Undisputed leader in the children's goods market with significant growth potential in the online segment**

 - **No. 1** in Russia and Kazakhstan
 - **24%** market share in 2021
 - **+40%** online sales growth rate in 2021
- Brand with nationwide recognition, high consumer demand, and long-standing market presence**

 - **74** years of successful operation
 - **98%** brand recognition
- Multi-category product range ensuring high rates of customer traffic growth, as well as double-digit total sales growth**

 - **+17%** total sales growth rate in 2021
 - **15%** GMV average annual growth rate in 2017–2021
 - **920,000** SKUs at the end of 2021
- Unique omnichannel business model with a number of new initiatives to further grow the online business, including the development of the marketplace**

 - **36%** online sales share of total sales in Q4 2021
- 80%** of Russia's urban population can pick up orders within 60 minutes
- Strong management team with successful experience of growing the business and high corporate governance standards**

 - **4 years** management team's average tenure
 - **50%** – independent members of the Board of Directors, including the Chairwoman of the Board
- Continued growth with a focus on maintaining a high level of operational efficiency**

 - **70%** ROIC
 - **Double-digit** EBITDA
 - **14%** EBITDA average annual growth rate in 2017–2021
 - **70%** share of free float as at the end of 2021
- Resilience through stringent financial discipline**

 - **1.4x** net debt / EBITDA
 - **9.2x** EBITDA-to-interest coverage ratio
 - **100%** of debt is RUB-denominated

THE YEAR'S KEY EVENTS

Regional and international expansion



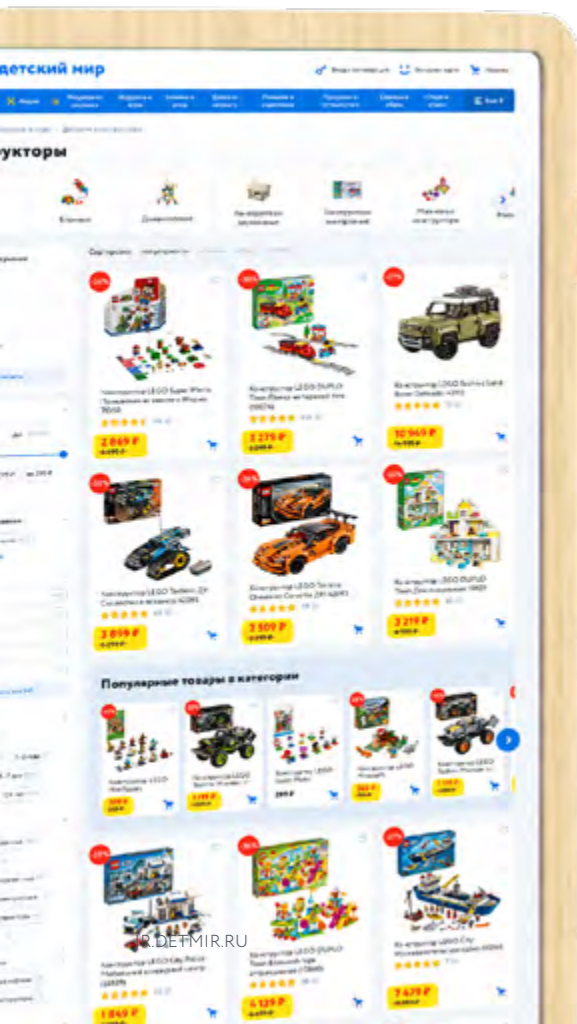
In 2021, the Group opened 251 new Detsky Mir stores. As a result, 114 cities across Russia, Kazakhstan, and Belarus gained their first Detsky Mir stores.



The Company also continued developing its **new ultra-small Detmir Mini format**, opening 94 stores across Russian cities with a population of less than 40,000 inhabitants. This format adds a pickup point for online orders to traditional retail outlets.



In Q1 2021, we developed and launched a mobile app for Kazakhstan, which was a hit among Detsky Mir customers. Today, 80% of online orders are made through the app.



New online records

In 2021, online revenue jumped 40% year-on-year to RUB 54.9 bn. The online segment's share of the Group's total revenue reached 36% in Q4 2021. The medium-term target for the online segment's share of total revenue is 45%.

The Group set several online sales records on Global Shopping Day **in Q4 2021**. On 11 November, the peak day of the sale, 273,000 orders for a total of RUB 570 m were made through Detsky Mir's online platform and marketplace, which exceeded last year's sale by 63% in value terms. The sale included 320,000 SKUs and saw participation from more than 80% of the marketplace sellers, with orders coming in at a rate of up to 18,000 an hour.

Business model development and assortment expansion

In 2021, Detsky Mir's marketplace was recognized as the best niche marketplace according to ECOM AWARDS, an e-commerce and retail professional award launched that year.

The Company's total assortment grew 3.7x to 920,000 SKUs. In the medium term, the Company plans to increase the assortment by up to 2,400 SKUs.

In 2021, the share of total sales from private labels and direct imports increased by 1.7 p.p. year-on-year to 46.2%

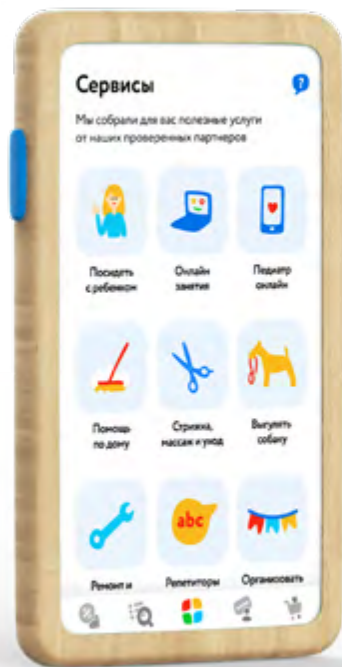
Expanding the Zoozavr pet supplies chain

In 2021, Detsky Mir opened 73 new Zoozavr stores, increasing the number of the chain's outlets almost fivefold during the year and furthering the Group's strategy of entering the pet supplies market. In addition, in 2021 Zoozavr's assortment was supplemented with new private labels in the Pet Food category. The brands Harty and Carnica went on sale in the beginning of 2022 and have already become customers' favorites.



Improving the customer experience

In 2021, total downloads of the Detsky Mir mobile app exceeded 13.1 m. Of all the online orders in 2021, 78.6% were placed through the mobile app. The app scores highly among free apps in Russia, with the average ratings of 4.8 in the Apple App Store and 4.9 in Google Play. It is also one of the top 30 Russian apps in the Shopping category.



In 2021, the Company initiated large-scale store modernization under the Detsky Mir 3.0 concept. The presentation of advertising and information at the modernized stores

maintains visual continuity with Detsky Mir's website and digital services. All the new format outlets are equipped with e-kiosks that provide access to the entire assortment of the Detsky Mir marketplace, which facilitates sales growth. We have already received positive feedback from customers following the project launch.

Logistics infrastructure development

At the start of 2022, the Company opened a distribution center with a site area of 63,000 m² and processing capacity of 2.4 m SKUs. The new facility will ensure uninterrupted supplies to the Company's stores and next-day delivery of no less than 80% of online orders in the Ural Federal District. Additionally, the center will dispatch goods to the Far East and Kazakhstan.

In June 2021, the Company announced the launch of its distribution center in Kazan based on Russian Post's new fulfillment center. The center will support deliveries to the Republics of Tatarstan, Mari El, Chuvashia and Udmurtia, as well as the Kirov, Samara, Orenburg and Ulyanovsk regions. With an area of 8,000 m² and room for up to 200,000 SKUs, the center will be able to process goods of all categories, from diapers and baby rattles to children's furniture and strollers. The distribution center's throughput will reach up to 250,000 orders per month.

In November 2021, the Company launched its third regional distribution center in the Novosibirsk Region. The fulfillment center, hosted by Russian Post, will ensure next-day delivery of at least 80% of online orders to Detsky Mir customers in the Siberian Federal District. At the fulfillment warehouse, Russian Post will be able to simultaneously store up to 200,000 SKUs from Detsky Mir's product assortment, while shipping up to 90,000 online orders per month. The center will handle goods of all categories, from diapers and toys to children's furniture, strollers, and pet supplies.

Management and corporate governance

In February 2021, the Board of Directors of PJSC Detsky Mir approved a final list of candidates to the new Board of Directors set to be voted upon at the extraordinary General Meeting of Shareholders (EGM) on 12 March 2021.

In March 2021, the Board of PJSC Detsky Mir elected Maria Gordon as Chairwoman of the Board of Directors of the Company. Pavel Grachev was elected as Deputy Chairman of the Company's Board.

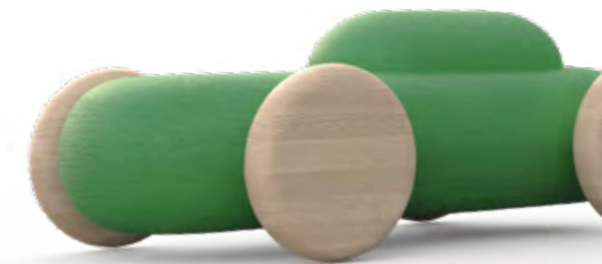
In June 2021, Andrey Osokin was appointed Marketing Director and Member of the Company's Management Board. Prior to that, he had worked in marketing and e-commerce for over 14 years (Goods.ru, Otto Group Russia, and Baon-Desam).

In August 2021, Andrey Spivak took up the role of CFO and Member of the Management Board. Mr. Spivak has over 19 years of experience in retail and FMCG (Magnit, X5 Retail Group, Wrigley Ukraine, Wrigley Russia).

In September 2021, Detsky Mir's CEO Maria Davydova ranked among the top three CEOs in the sector according to an updated ranking by Institutional Investor, a leading global financial periodical. The Detsky Mir team came second in both the overall ranking of management teams and among IR teams.

Pandemic response and contribution to combating COVID-19

In 2021, to combat the spread of COVID-19 and protect the health of customers and employees, the Company continued offering contactless delivery for online orders. Online store couriers, as well as retail store and distribution center employees, were provided with essential personal protective equipment. Enhanced cleaning and disinfection were carried out in all of the Company's commercial premises and buildings. Office employees also moved to a remote working arrangement.



Sustainability

In 2021, the Company developed and implemented an ESG strategy featuring ambitious mid-term goals and priority areas in sustainable development. It set targets and KPIs in environmental protection, responsible product sourcing, social responsibility, data protection, and employee health and safety.

In 2021, the Company once again held the Participate! campaign. Together with customers, Detsky Mir collected essential goods for orphans and children left without parental care, children living in childcare institutions, children from low-income families, and children with special needs. The 2021 campaign took place in over 300 cities across Russia, Kazakhstan, and Belarus, and collected gifts totalling RUB 1,048 m.

In 2021, more than 100 stores and the Company's head office organized a campaign to collect clothing and shoes for recycling. Upwards of 4,000 people handed in almost 3 tons of textile and footwear production waste.

In October 2021,

Zoozavr stores played host to the Comfort in a Shelter campaign, which aims to help homeless animals. Zoozavr customers purchased over a ton of feed and treats for homeless dogs and cats, as well as more than 450 essential goods like hygiene products, toys and pads. Over 3,000 people took part in the campaign, with residents of Istra and Krasnodar being especially active.

In October 2021, Detsky Mir Group was included in Russia's Best Employers List by Forbes and KPMG.

Dividend payments

In July 2021, the Company approved the final dividend payout in the amount of RUB 4.5 bn (the entire net profit for Q4 2020), which corresponds to RUB 6.07 per ordinary share. The total amount of dividends paid for 2020 will stand at RUB 8.2 bn, or RUB 11.15 per ordinary share.

In December 2021,

Detsky Mir distributed 60% of its net profit as dividends for 9M 2021. The total dividends paid amounted to RUB 3.8 bn, or RUB 5.2 per ordinary share. The total amount of dividends paid in 2021 will stand at RUB 8.3 bn, up around 7% year-on-year.

Bonds and credit ratings

As at the end of 2021,

the Company had three bond issues in circulation. Coupons on all of the Company's bonds in the reporting year were paid in full and in accordance with the payment schedule.

In March 2021, the Expert RA rating agency upgraded the long-term credit rating of PJSC Detsky Mir to ruAA- with a stable outlook.



BUSINESS MODEL



Assortment

920,000 SKUs

46.2% private label and direct import



Suppliers

>2,100 marketplace partners

30% share of 20 largest suppliers

35% share of import purchases

>1000 major suppliers



Distribution

1,119 retail stores

981,000 m² selling space

37,000 partner PUPs

36% share of online sales through detmir.ru



Infrastructure

195,000 m² warehouse space

310 cities with access to express delivery

5 distribution centers



910 m visits to the Group's offline and online stores



24% share in Russia's children's goods market (RUB 164.3 bn in Group revenue for 2021)



RUB 8.3 bn total amount of dividends paid by the Group in 2021



29.6 m loyalty card holders



80% next-day delivery coverage for 20.5 m people

GEOGRAPHY

An extensive retail chain is our key advantage

1,119 stores

Group stores and 37,000 partner pickup points

445 cities

in Russia, Kazakhstan, and Belarus

80%

coverage of the Russian urban population

86%

of all online orders fulfilled from the retail chain's stores

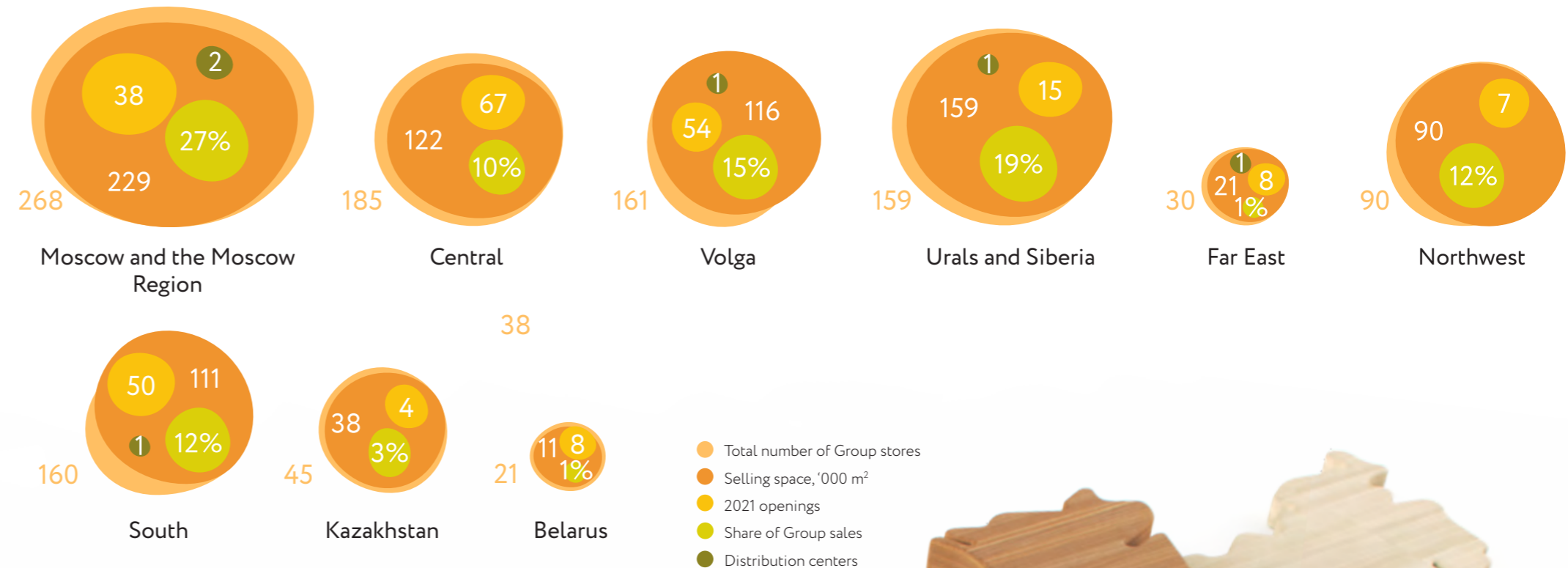
Stores are an important part of the shopping experience, a hotspot for shoppers with children, and a key element of Detsky Mir's logistics infrastructure. The Company intends to continue expanding its chain of stores while developing its online platform.

The retail chain is our key competitive advantage against pure online players. 86% of all online orders in Russia are picked up at retail stores, underscoring the high efficiency of the omnichannel business model.

The active expansion of the geography of the retail chain and the increase in the number of the different types of stores ensure convenience and quick delivery of online orders. Since the chain's stores are storage centers for the Company's inventory, our customers can receive orders within 60 minutes of placing them on the website.

Moreover, customers can take advantage of our super-express delivery service, which has enabled us to be among the first to deliver home orders to customers in 280 Russian localities within a few hours.

Detsky Mir plans to provide full geographic coverage of the Russian, Kazakh, and Belarusian markets. As at 31 December 2021, Detsky Mir had 1,119 stores in 445 cities across Russia, Kazakhstan, and Belarus, while the Detmir Mini chain had 110 stores. The Zozavr pet supplies chain includes 93 stores. Our retail chain covers the entire territory of Russia, with the easternmost store of the Group located in Petropavlovsk-Kamchatsky and the westernmost in Kaliningrad.



AWARDS, ACCOLADES AND RATINGS



Detsky Mir Group was named 2021's best company for investor relations by Institutional Investor.



Detsky Mir was included in Russia's Best Employers List by Forbes and KPMG.



Detsky Mir was recognized as a leader in the 2021 ranking on the omnichannel performance of major Russian retailers through the eyes of the customer by AWG and Data Insight in two categories: Overall performance and Order receipt.



Detsky Mir won one of the most prestigious professional awards in e-commerce and omnichannel, Large Turnover 2021, in the Breakthrough of the Year category, and was a finalist of its Grand Prix.



Detsky Mir's marketplace was recognized as the best niche marketplace in 2021 according to ECOM AWARDS, an e-commerce and retail professional award.



Detsky Mir made it to the top 3 in an ESG ranking of public non-financial Russian companies in the retail sector by the National Rating Agency (NRA).



Institutional Investor ranked Detsky Mir's CEO Maria Davydova among the top three CEOs in the sector. The Detsky Mir team came second in both the overall ranking of management teams and among IR teams.

Forbes

Detsky Mir ranked 86th in the annual Top 200 Largest Russian Companies ranking by Forbes.



The Detsky Mir Charitable Foundation won the Russia's Best Social Projects 2021 award in the Projects for Supporting Socially Vulnerable Groups category.



Detsky Mir Group was awarded a prize in the Social Responsibility category of the annual Retail Week Awards 2021 devoted to honoring breakthroughs in retail development.



Detsky Mir won a prize for Feedback Practice at the prestigious CX World Awards for Best Customer Experience.



Detsky Mir was shortlisted for the Effie Awards 2021, the world's top award for advertising and marketing excellence.



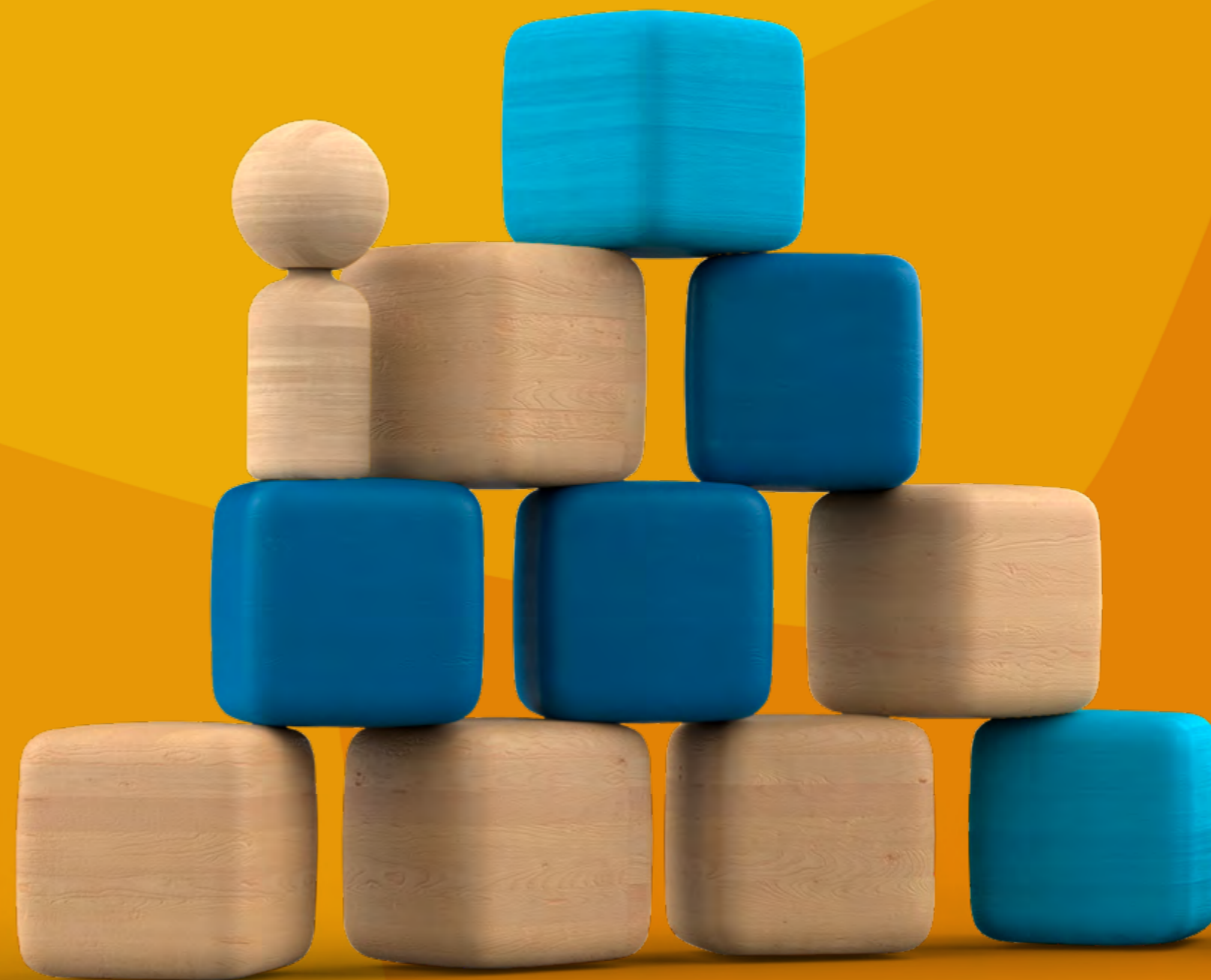
In 2020, Detsky Mir ranked among the top 30 most-mentioned e-commerce retailers on social media, according to Brand Analytics.



*As at the end of 2021

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MESSAGE FROM THE CHAIRWOMAN



Maria Gordon

Chairwoman of the
Board of Directors,
Independent Director

Dear shareholders and partners,

I am writing this letter during trying times for many of our stakeholders. We all very much wish we were facing a different set of circumstances but what distinguishes great companies from the rest is the inner resilience that helps them overcome challenges and remain in a position to execute on a long-term vision.

In the year when Detsky Mir celebrates its 75th anniversary, we remain as ever focused on our key social mission: providing exemplary service for families with young children. In 2022, this entails helping them navigate tough environment of higher inflation, depressed incomes and challenged availability of goods.

As a company, we are doing everything we can so that every family has access to an affordable assortment of daily necessities that meet stringent quality standards.

Affordability is an important part of our brand proposition. Our unyielding focus on development of private label is key: 2021 marked another record with private label assortment accounting for 46.2% of sales.

Our prior investment in country-wide logistics and our footprint of 1119 stores mean that even families in rural communities can quickly access everything they need to take care

of newborns and toddlers. The opening of a distribution centre in Novosibirsk in 2021 means that the company can deliver 80% of orders next day across the Siberian Federal district.

All of this is made possible by the company's investment in talent and infrastructure and a strong focus on innovation. In the past year Detsky Mir made significant investments in digital solutions, development of new business verticals and improvement of customer experience across its flexible line of store formats. As a result, in 4 quarter of 2021 our share of online sales reached a new record of 36%.

Because our people are key to our success, we continue to invest to improvement of employee well-being and staff retention. In response to our company-wide employee survey, we have put together a package of programs to increase employee engagement. Several measures have already been implemented. In particular, payroll has been revised in line with the market; we have enhanced our kitchens and places

for rest in offices and stores, have designed a new management school for employees of DCs and have expanded an information campaign on talent growth opportunities.

In 2021 the board made a decision to significantly expand our long-term incentive program in order to retain and motivate the company's management talent.

On behalf of our independent directors and the Board of Directors in general,

I would like to take this opportunity for your continued support of Detsky Mir. We will do everything in our power to support the company's continued active development and maintain the emphasis on the interests of all stakeholders in these challenging times.

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER



Maria Davydova

Chief Executive
Officer

Dear colleagues, clients, shareholders and partners,

Despite the numerous hardships we endured in 2021, it was a year of considerable success. In response to the ongoing COVID-19 pandemic and a number of new challenges, we continued to pursue our accelerated growth targets and the goals we had set for ourselves. Lockdowns, disruptions in shipments, inflationary pressure, and higher freight charges and personnel costs saw us speed up the transformation of Detsky Mir and strengthened our commitment to the goals defined in the Company's strategy. Last year's developments once again confirmed the particular relevance and efficiency of our omnichannel business model.

In 2021, the Detsky Mir team primarily sought to strengthen the Company's market leadership in Russia and Kazakhstan, expand the retail chain in Belarus, accelerate growth of the Zozavr pet supplies chain, broaden the line of private labels

and increase their penetration rates. In the times of COVID-19, we reiterated our commitment to responsible business practices by acknowledging the health and safety of our employees and customers as the Company's top priority.

75 YEARS OF LEADERSHIP

The first Detsky Mir store opened its doors for Moscow's customers in the middle of the 20th century.

In 2022, the Detsky Mir brand turns 75. As at the end of 2021, the Detsky Mir and Detmir mini (a new ultra-small format) chains in Russia numbered 850 and 110 stores, respectively. On top of that, there were 45 retail stores in Kazakhstan and 21 stores in Belarus. The chain's total selling space exceeded 970,000 m²¹, while its warehouse space was more than 175,000 m². In 2021, the Company had over 16,000 people in its employ.

The modern history of Detsky Mir is an account of comprehensive transformation and ambitious upgrades. The traditional retail business of the Group was transformed into an advanced high-tech omnichannel enterprise that meets the latest competitive requirements and provides the customer with a unique market offering. Aside from to the omnichannel infrastructure that has proved its exceptional relevance and efficiency, each year we take steps to expand our line of private labels and direct import items so that we could offer our customers the best shelf prices and the widest possible assortment.

I would like to take this opportunity to thank all my colleagues and the Company's employees, who have been the main driving force behind Detsky Mir's market leadership over all these years. I express my profound gratitude for their ability and willingness

to deal with ongoing hardships and to demonstrate exceptional professionalism and loyalty by continuing to put in work amid the challenging economic and epidemiological environment. Employees are our key asset, and our outstanding performance would have been impossible without them.

OUR PERFORMANCE IN 2021

Even though 2021 brought along a variety of challenges for the retail business, the Company scored numerous victories and made major breakthroughs. We opened 251 stores, which was a new historic high for Detsky Mir. In the reporting year, the Group's gross merchandise volume (GMV) rose by 16.9% to hit a record RUB 184.3 bn (including VAT). I proudly refer to the 40% hike in online sales, as the share of online

sales in the Company's total sales reached 36.1% in Q4 2021. We continued to advance our private labels in all existing categories and proceeded with the transition to direct import contracts to ensure an exclusive offering and the best shelf prices. In 2021, private labels and direct import items accounted for nearly 50% of the Company's total sales. I also feel compelled to highlight the substantial growth of the Group's own marketplace, as its share in total sales increased to 6.3% from the meagre 1.4% in 2020, and its GMV hit a record high of RUB 3.5 bn.

In 2021, we were enforcing strict financial discipline. At the end of the year, our net debt to EBITDA ratio stood at a comfortable 1.4x, even though we had not made any cuts to our investment and dividend programs.

NEW CHALLENGES MAKE US STRONGER

From 2020 onwards, the retail business underwent a number of significant transformations. The epidemiological crisis affected every market player, including by pivoting the market infrastructure towards the online segment. In the middle of 2020, authorized agencies approved several coronavirus vaccines, and we were hoping that in 2021 a broad vaccination campaign would bring the pandemic under control. But as new coronavirus variants emerged in the reporting period, the government introduced a variety of new pandemic-related restrictions, including full lockdowns with the mandatory shutdown of Russia's shopping malls and non-food stores in November 2021. We closely followed all new measures and learnt to maintain the uninterrupted operation of our business in the most challenging conditions.

¹ Excluding the pet supplies chain

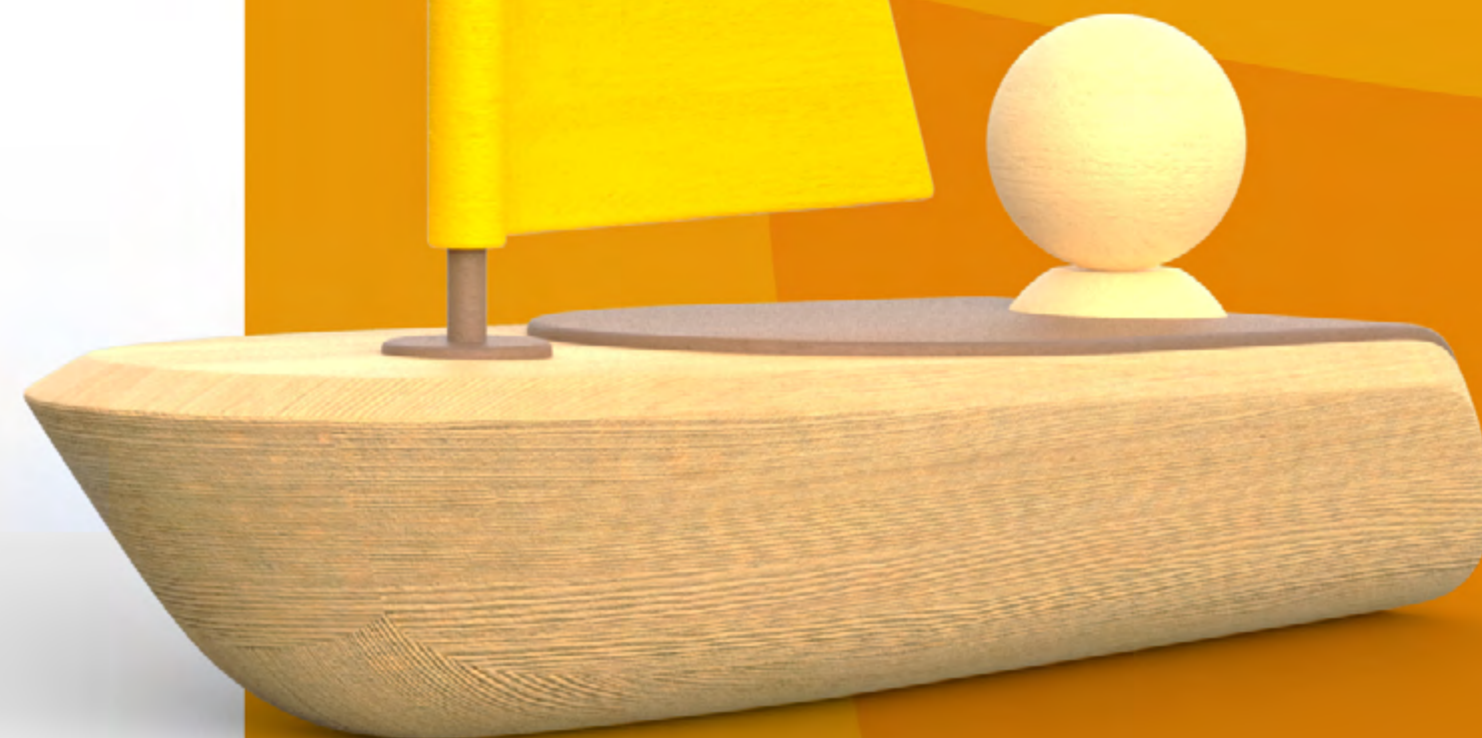
There is little doubt that the main trend of the past two years has been the retail segment's shift to online, with COVID-19 lending a significant boost to this process. In the context of the pandemic, our omnichannel business model proved its exceptional relevance and efficiency.

The collapse in the transportation segment and soaring freight charges significantly hampered our logistics

operations, as there were major impediments to international shipments during the pandemic. But eventually we found a way to avoid disruptions: the Company diversified its transportation routes by using trains and even airplanes to carry our goods, extending the procurement cycle, ramping up investments in inventories, and adjusting supply contracts.

We did everything in our power to get the required amount of products to shelves on time.

In addition to that, 2021 saw an increase in the salaries of retail staff, which led to higher payroll costs for the Company. We were closely watching market developments and adjusting our remuneration offering to reflect general market standards.



FAST GROWTH STRATEGY

In August 2020, in the context of the upcoming market opportunities and challenges, Detsky Mir presented a new medium-term strategy of the Group to 2024.

The approved strategy identifies two focus areas:

1. Strengthening leadership in the children's goods market;
2. Tapping into new markets as part of the Group's core business.

To strengthen our leading position in the children's goods market, we intend to focus on four key areas:

- Continuing the rollout of our omnichannel business model through online expansion and organic growth of the Detsky Mir chain, including the new ultra-small Detmir Mini format. The target is to boost the share of online sales from 31% in 2021 to 45% in 2024;

- Accelerating the development of omnichannel logistics and strengthening our IT platform;
- Achieving an outstanding customer and user experience;
- Advancing the Detsky Mir marketplace (launched in October 2020) as the leading platform for the entire family with the best assortment and pricing offers.

As part of developing new business verticals, we plan to do the following:

- Actively develop the Zozavr pet supplies chain based on an omnichannel business model similar to that of Detsky Mir;
- Launch services, along with services in the children's goods segment as the first step towards an ecosystem and a single platform for buyers and suppliers of goods and services.

Launching digital service



Increasing amount of private labels and exclusive offers



Aggressively expanding the Zozavr chain, including its online platform



Developing omnichannel sales



Strengthening logistics infrastructure



Spearheading first-class customer experience across sales channels



Creating a marketplace for the entire family



OUR MARKETS

Detsky Mir operates in the children's goods market in Russia, Kazakhstan, and Belarus. As at the end of 2021, the Group accounted for 24% of the Russian children's goods market

(including all of the country's cities) in terms of sales.

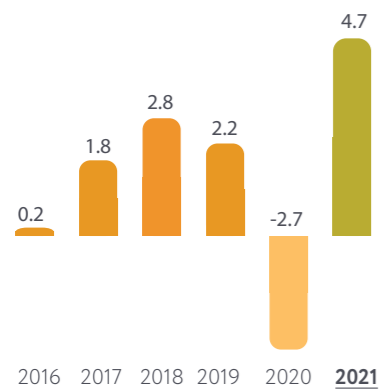
In Q4 2018, Detsky Mir tapped into the Russian pet supplies market

with four pilot openings. In 2021, the Company continued to develop this pilot project by opening an additional 73 outlets under the Zoozavr brand.

RUSSIAN MACROECONOMIC SITUATION

Based on the International Monetary Fund (IMF) forecast, Russia's GDP in 2021 was around USD 1.7 tn, which makes the country the 11th biggest economy globally and the 5th biggest in Europe.

Russia's real GDP evolution, %*



Source: Rosstat

In 2021, in accordance with Rosstat's estimate, Russian GDP grew by 4.7%, amounting to RUB 130.795 at current prices. The statistics service tied the GDP growth to renewed economic activity following the COVID-19 pandemic.

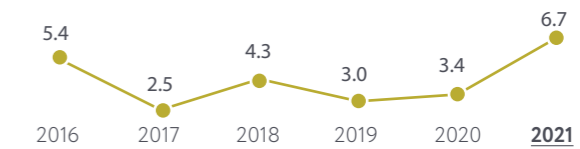
The Federal State Statistics Service identified the following drivers behind the 2021 GDP growth: higher added value in the hotel and restaurant businesses (+24.1%), as well as in water supply, water disposal, waste collection and disposal, pollution clean-up (+13.4%), culture and sports (+8.4%), wholesale and retail operations (+8.1%), and in information and communications (+8.1%).

At the outset of 2022, the IMF scaled back its estimates for the Russian economy, now expecting 2.8% growth in 2022 instead of the 2.9% forecast in October 2021. The IMF projects the world economy to grow by 5.9% in 2022.

The IMF notes that the downward revision of its GDP forecast has to do with the poor 2021 harvest and worse-than-expected consequences of the third wave of the COVID-19 pandemic.



Consumer price index reflecting Russia's inflation in 2021, %

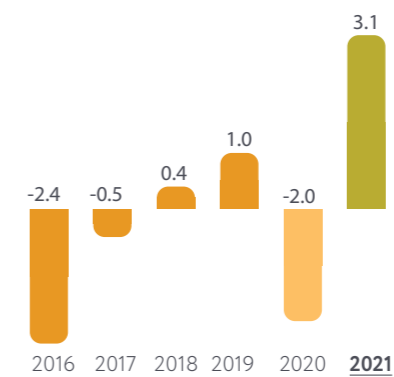


Source: Rosstat

According to the Federal State Statistics Service, 2021's inflation rate was the highest since 2015 at 6.7%. Food products saw the biggest price hike of 8.4%, while prices in the non-food segment went up 7.1%.

The Bank of Russia forecasts that under the current monetary policy the inflation rate will decrease to 5.0–6.0% in 2022 and align with the target by mid-2023. Going forward, the annual inflation rate is expected to hover around 4%.

Real disposable income of the Russian population, %



Source: Rosstat

In 2021, Russians' real disposable incomes grew year-on-year following a dip in 2020. According to Rosstat, in Q4 2021 they grew by 0.5% on an annualized basis, and by 3.1% over the year as a whole.

At the same time, stagnation in the Russian economy led to consumers exercising a more prudent approach to non-food children's products and essential goods purchases, including children's goods. People are trying to avoid impulse purchases and save by buying less and cheaper, which results in a lower average ticket in retail.

Detsky Mir Group has adapted its assortment and pricing policy so as to stave off the negative impact of these macroeconomic factors on the Company's financial performance. Sales growth across the Detsky Mir chain was supported by its best-in-class price offering, especially in traffic-generating categories like Products for Newborns.

The year 2022 brought with it a set of new and complex challenges for Detsky Mir and the entire Russian business community. On 21 February 2022, the Russian President signed decrees recognizing the Donetsk People's Republic and the Luhansk People's Republic, and on 24 February 2022, a decision to carry out a special military operation in Ukraine was made. Following these events, the US, UK, EU, and other countries ramped up their sanctions against Russian government officials, businesspeople, and companies. A number of foreign companies and financial institutions decided to either limit or cut their ties with Russia and Russian counterparties. At this stage, it is hard to tell how these developments are going to affect the Group's performance and financial position.

As at the report approval date, Detsky Mir stores are working and selling food and non-food products for children. The management is continuously

reviewing the Group's outlook for the foreseeable future and takes account of the current and expected economic landscape.

In terms of stocks, the Group's managements does not see a significant supply disruption risk. The Company will maintain a wide assortment and continue to strengthen its logistics capacity.

RUSSIAN DEMOGRAPHICS

Rosstat reports that in 2021 the decline of Russia's resident population for the first time ever topped 1 million people. The last time this number approached that mark was in 2000. As at 1 January 2022, Russia's population numbered 145,478 m people, compared with 146,238 m people as at 1 January 2021. The negative demographic situation over the past two years stems from two factors: decreasing birth rates and accelerated natural decline in light of the COVID-19 pandemic.

In 2021, the demographic problem was somewhat ameliorated thanks to higher migrant inflows. Almost 350,000 people in-migrated

in January–December 2021, which partially offset the natural decline.

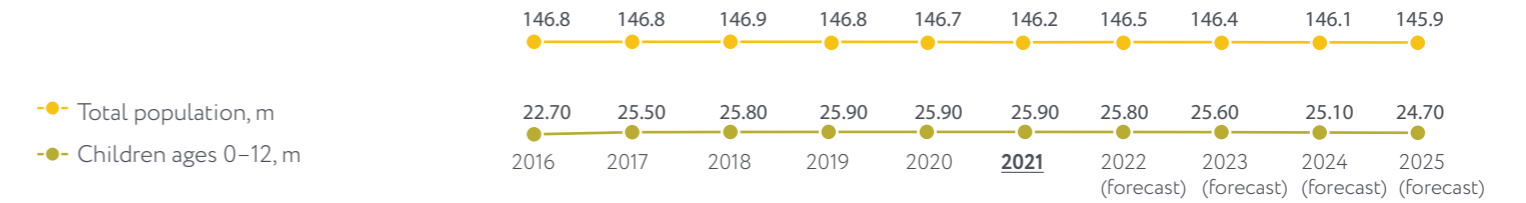
- Number of births in 2021 dipped 2.3% year-on-year
- Natural decline increased to 1.04 million people
- Migration inflows grew to 350,000 people

According to the Russian Ministry of Health, there are now 30.3 m children living in Russia, which is 20.6% of the entire population. Since 2012, this number grew by more than 3.8 m, or 14.3%.

By end of 2021, the number of children in Russia aged 0 to 12 (Detsky Mir's target demographic) reached 25.9 m. In this regard, Russia leads the rest of Europe. The share of children from 0 to 12 years old in Russia's total population is around 18%, which is comparable to many European countries.

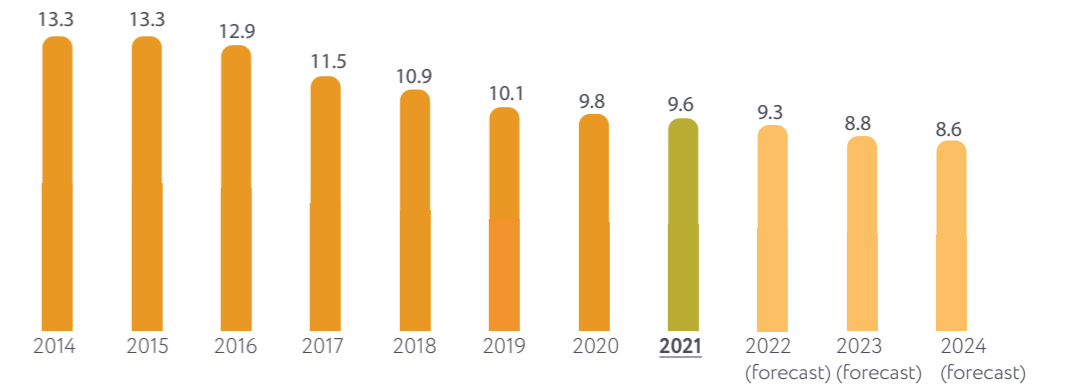
In 2016–2021, the number of children aged 0 to 12 was growing by an average of 2.2% a year. Now it is expected to fall at an annual average of 1.2%, amounting to 24.7 m by the start of 2025. The post-2021 decline in the number of children has to do with the cumulative effect of the drop in birth rates.

Population of children aged 0 to 12 in Russia*



Source: Rosstat

Total birth rate**



Source: Rosstat

In 2021, Russia's birth rate went down to 9.6 from 9.8 in 2020. One of the factors driving the decline in the reporting period

was the demographic crisis of the early 1990s. The economic downturn of the last

several years has also had a negative impact on birth rates.

* As at 1 January.

** Number of births per thousand population (all ages).

Population of children aged 0 to 14 in 2020 by country

Country	Number of children, m	Share of children in the total population, %
India	361.0	26.2%
China	249.9	17.7%
USA	60.5	18.4%
Brazil	44.0	20.7%
Russia	26.5	18.4%
Turkey	20.2	23.9%
UK	11.9	17.7%
France	11.9	17.7%
Germany	11.6	14.0%
Poland	5.8	15.2%
Kazakhstan	5.5	29.1%
Belarus	1.6	17.2%

Source: World Bank

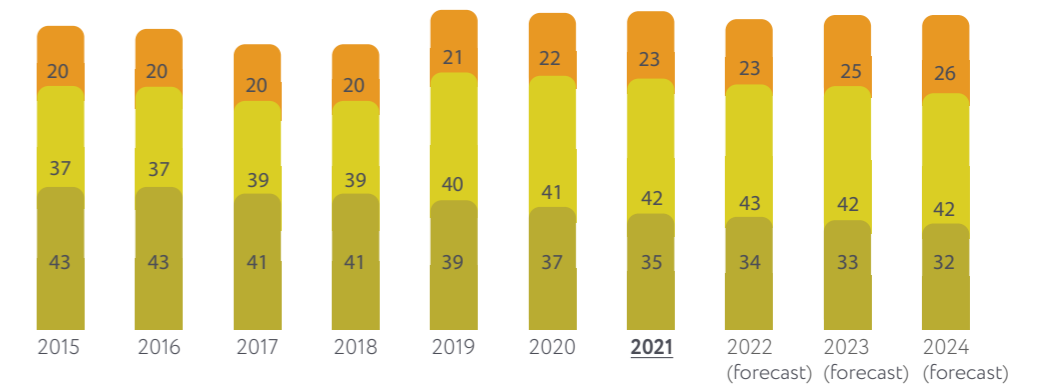
According to Rosstat, the age breakdown of the children’s population in Russia will undergo the following changes

in the next five years: the share of children aged 0 to 4 is expected to decrease from 35% in 2021 to 32%

in 2024, while the share of children aged 5 to 9 should grow to 42% by 2024.

Population of children aged 0 to 12 in Russia by age group, %*

- Aged 0-4
- Aged 5-9
- Aged 10-12



Source: Rosstat

At the same time, the service forecasts an increase in demand for high-margin goods – toys and clothes – due to the increase in the share of children aged 5–9 and 10–12 over the next few years.



* Data as at 1 January.

SUPPORT FOR FAMILIES WITH CHILDREN

In 2021, more than RUB 1.5 tn was allocated to support families with children at the national level (without accounting for the regional allocations), which is 37% higher compared with 2020.

The bulk of the budget was made up of transfers to the Pension Fund for payments under the maternity capital program (over RUB 440 bn) and subsidies to regions for their monthly payments.

In addition, new support measures for families with children were introduced to help them through the COVID-19 pandemic.

Social support measure	Category of families and citizens	Support provided
Temporary social support measures related to the coronavirus pandemic		
Lump-sum payments for children aged 6 to 18	All families with children aged 6 to 18	RUB 10,000, payment could be redeemed starting 2 August 2021
New permanent social support measures reinforced due to the COVID-19 pandemic		
Increased childcare sick leave payments	Parents taking out a sick leave to care for a child below 8 years of age	Sick leave compensation in the amount of 100% of the parent's average remuneration
Monthly payment for each child aged 3 to 7	The average per capita income of a family not exceeding the per capita living wage in the region	50% of the minimum wage per child – base payment 75% – if the average per capita income and the base payment do not exceed the living wage 100% – if the average per capita income and the 75% payment do not exceed the living wage
Monthly allowance for caring for a child until the age of 18 months	Non-working citizens, including students, Women on maternity leave	The minimum allowance was doubled to RUB 7,082 per month
Monthly allowance for caring for a child between the ages of 8 to 17	Single-parent families with the average per capita income below the living wage	50% of the living wage ~ RUB 6,350
Lump-sum payment on childbirth	Families that submitted a request in the first six month after the birth of the child	RUB 18,886, can be redeemed from 1 February 2021
Monthly allowance for women with a low income	Families with the average per capita income below the living wage	50% of the regional living wage of the working-age population

Another important demographic initiative is the **maternity capital program**.

Starting 1 April 2022, Russia is introducing new payments for low-income families with children aged 8 to 16 years.

To qualify, families' average per capita income has to be below the living wage, property has to fall within the established list, and the adults need to have a confirmed income source or just cause for lack thereof. The payment, aimed to help the children, will amount to 50%, 75%, or 100% of the regional living wage.

FIRST CHILD MATERNITY CAPITAL

All families where the first child was born or adopted on or after 1 January 2021 were granted the right to maternity capital.

INCREASE IN MATERNITY CAPITAL

In 2020, this amount was raised to RUB 466,617 (for the birth of a first child) and RUB 616,617 (for the birth of a second and subsequent children). In 2021, the amount of maternity capital was increased by 3.7% to RUB 483,881 for a first child and RUB 639,431 for a second child.

In early 2022, a law passed that indexes maternity capital by

8.4%

In 2022, the amount of maternity capital will be RUB 524,527 for the first child and RUB 693,144 for the second child.

THE MATERNITY CAPITAL PROGRAM

The maternity capital program will be in effect until the end of 2026. All families with children born or adopted from 2020 to 2026 will be entitled to state support in the form of maternity capital.

USE OF MATERNITY CAPITAL

- monthly payments for low-income families with a second child born in the period from 1 January 2018
- improving living conditions
- payment for children's education
- mother's pension savings
- payment for goods and services essential to children with disabilities



CHILDREN'S GOODS MARKET IN RUSSIA

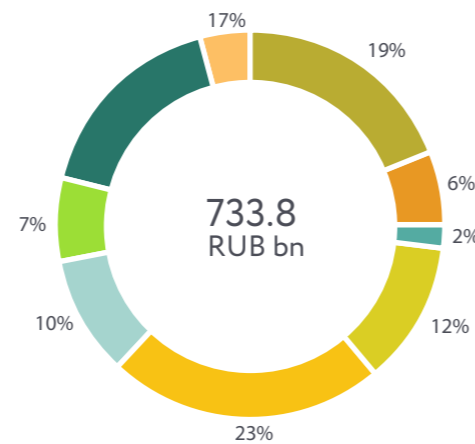
In 2021, Ipsos Comcon updated its assessment of the state of the children's goods market with 2021 results.

The research team's estimate of the size of the Russian children's goods

market in 2021 was RUB 733.8 bn (vs. RUB 696.8 bn in 2020).

Russian children's goods market in 2021, %

- Moscow
- St. Petersburg
- Northwest
- Central
- Volga
- South and Northern Caucasus
- Urals
- Siberian District
- Far Eastern District



In the reporting year, the sales volume of children's goods in Russia increased by 5.3%. The following positive

and negative factors influenced sales in 2021:

Negative factors

- Falling birth rate
- RUB depreciation
- Increased saving rates and preference for less expensive products
- Disconnect in incomes between Moscow and the regions
- Reduced traffic in stores
- Concerns over safety and social distancing
- Gradual decline in the number of children aged 0–14 due to the cumulative impact of low birth rates

Positive factors

- Growth in the share of online sales
- Demand for fast and inexpensive home delivery
- Demand for greater convenience of online shopping (UX)
- Demand for personalization
- Growth in the average ticket size / hedge buying
- Increased demand for the convenience store format
- Expansion of state-funded programs to support families with children

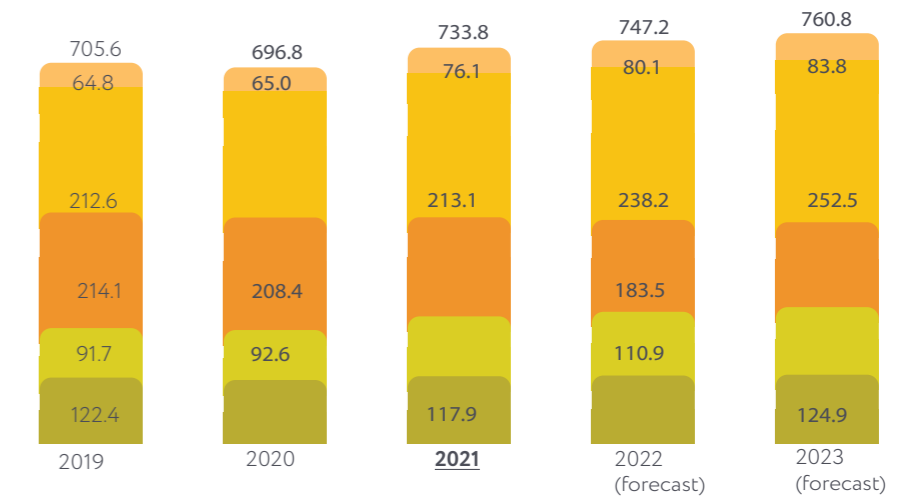
For the mid-term, Ipsos Comcon expects the market to continue its slow recovery

following the 2020 contraction amid the crisis brought on by the COVID-19

pandemic. The projected average annual growth rate is 1.7–1.8% in 2022–2025.

Children's goods market in Russia by category, RUB bn*

- Toys
- Stationery
- Products for Newborns
- Apparel
- Footwear



Price is the most important factor for consumers when making a purchase. Consumer behavior is shifting toward less expensive products, which is leading to the redirection of consumer demand from the premium and mid-price segments to the mass-market and lower-price segments. Russian-made and private label goods are gaining considerable popularity, as their prices are lower than similar foreign or branded products. Detsky Mir is actively developing its own private

labels (see the Assortment and Supply Chain section for more details).

In an Ipsos Comcon survey, children's goods came out as the most stable element of a family budget. During a crisis, the Russian population would cut down on spending related to food, services, household appliances, clothes and footwear. However, when it comes to children's goods, the majority of respondents said they would not stop buying them or compromise on the price.

As at the end of 2021, there were three main sales channels in the children's goods market: specialty retail chains (Detsky Mir and its closest competitors), food retail chains, and the online channel. The share of food retail chains dwindled significantly in 2021, while the online channel continued on its upward trajectory. Specialty retail chains are firmly perched on top and only reinforced their position.

* Ipsos Comcon estimates the size of the Russian children's market in terms of retail sales (including 10% VAT) based on all cities.

Over the past few years, several specialty retailers have left the market. The remaining national and regional chains have closed a significant number of their stores, demonstrating a significant

decrease in overall sales. Nevertheless, specialty retail holds the biggest share of the children's goods market, which is largely due to Detsky Mir's active growth.

In 2021, specialty retailers grew their share of the children's goods market by 2.6 p.p. year-on-year to 39%, while the share of food retail chains went down by 8.8 p.p. year-on-year to 27%.

Online sales are growing in popularity every year due to the wide assortment and attractive prices, as well as the convenience of selecting products and reading reviews. In 2021, the share of online sales grew by 5.0 p.p.

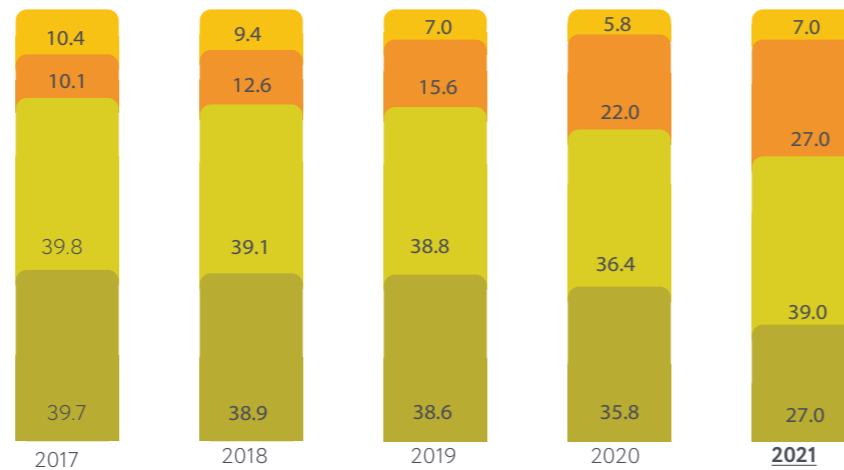
year-on-year to 27.0%, while sales growth in rubles stood at 29.5%.

Sales of children's products in Russia vary by region and income level. According to Ipsos Comcon, the highest per capita

spending on children's products in 2021 was recorded in Moscow (RUB 11,200 vs. RUB 6,700 per child in Russia as a whole). Approximately one-fourth (19%) of Russians' spending on children's products takes place in Moscow.

Children's goods market by sales channel, %

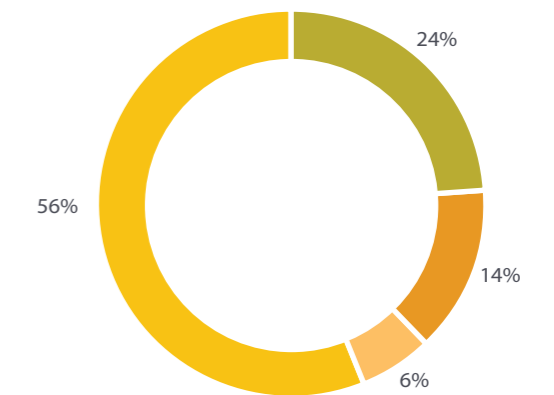
- Food retail chains
- Specialty stores
- Online
- Other



Source: Ipsos Comcon

Key children's goods retailers in Russia in 2021, %

- Detsky Mir
- Wildberries.ru
- Ozon.ru
- Other retail



Source: Ipsos Comcon



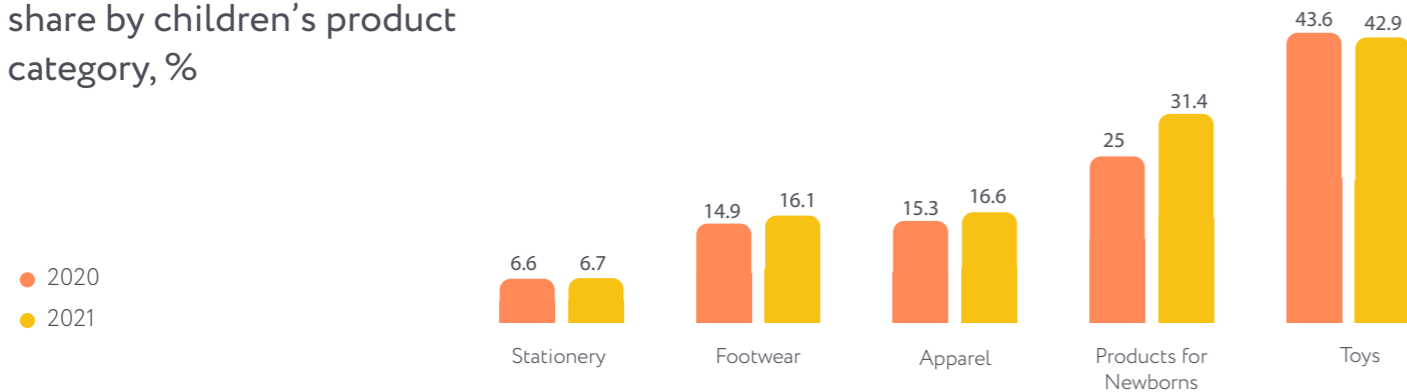
At the end of 2021, the Company's share by revenue in the Russian children's goods market increased by 2 p.p. to

24%
(22% in 2020)

In 2021, Detsky Mir maintained its absolute leadership in the children's goods market.



Detsky Mir Group's market share by children's product category, %



Source: Ipsos Comcon

The main drivers of the Company's growing market share in 2021 were the Apparel, Footwear, and Products for Newborns categories. The market shares of the first two grew by 1.3 p.p. and 1.2 p.p. to 16.6% and 16.1%, respectively. Products for Newborns saw

a more substantial increase of 6.4 p.p., with Detsky Mir's share going from 25.0% in 2020 to 31.4% in 2021.

The online children's goods market is highly fragmented and, along with several large retailers, includes

a sizeable number of small stores that work exclusively online. By the end of 2021, detmir.ru had become the largest specialty online retailer.

Sales of key retailers in the online children's goods market in 2020–2021*

	2020		2021	
	RUB bn	Change, y-o-y	RUB bn	Change, y-o-y
1 wildberries.ru	52.1	85%	106.3	104%
2 detmir.ru	38.4	140%	54	41%
3 ozon.ru	19.7	143%	44.5	126%

Source: Ipsos Comco

Russia's retail market is going through the same cycle as markets in developed countries: following a period of intensive growth, the market has

begun to consolidate. Detsky Mir sees itself as the key market consolidator and is positive about its organic growth prospects in the current economic

environment of weaker competition and inefficient retailers exiting the market.



* Sales are shown inclusive of VAT.



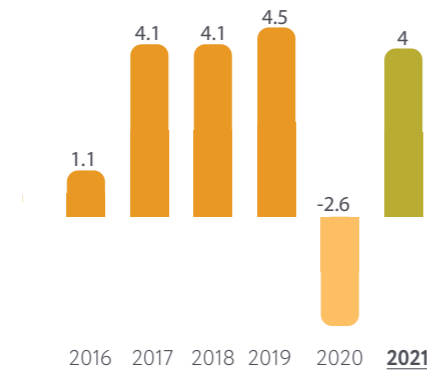
OPPORTUNITIES IN KAZAKHSTAN

Not unlike in Russia, Kazakhstan’s economy was affected by restrictions imposed to combat the ongoing COVID-19 pandemic.

According to Kazakhstan’s Ministry of National Economy, the country’s real GDP grew by 4% in 2021. For the service sector, the increase was 3.8%.

The IMF forecasts Kazakhstan’s economy to stay on the recovery course with 4.2% growth in 2022.

Kazakhstan’s real GDP evolution, %



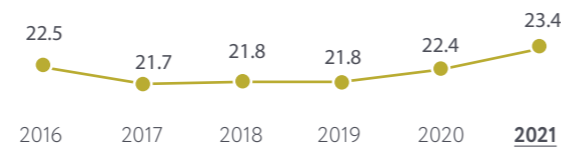
Source: National Bank of Kazakhstan

Despite a high increase in the mortality rate due to COVID-19, the country’s population grew by 1.3% to 19.1 m people. The birth rate increased by 4.5%.

The World Bank estimated Kazakhstan to have around 5.5 m children aged 0 to 14 in 2020. During 2016–2020, this demographic group was growing at an average annual rate of 3.5%. By 2020, children accounted for 29.1% of the entire population.

Kazakhstan’s demographics

● Birth rate per 1,000 population



The growing share of children in Kazakhstan’s population has a beneficial effect on the children’s goods market. The Company’s data show that the volume of the children’s

goods market in 2021 was RUB 100–120 bn, approximately seven times smaller than the Russian market. At the same time, the market has a large share of unorganized retail,

which creates opportunities for early consolidation. As at the end of 2021, 45 Detsky Mir stores were operating in Kazakhstan.

Kazakhstan’s competitive landscape

Competitors	Number of stores, 2021
Detsky Mir	45
Marwin	26
Anvar	44
Magnum	66
Skif (SMALL)	103
Erkema	6
Kari Kids	20

Kazakhstan maintains close political and economic ties with Russia. Both countries are members of the Commonwealth of Independent States and the Eurasian Economic Union, and are also part of a single customs space with free movement of goods, services, capital, and labor. Kazakhstan is also developing relations with China, which is one of its largest trade partners.



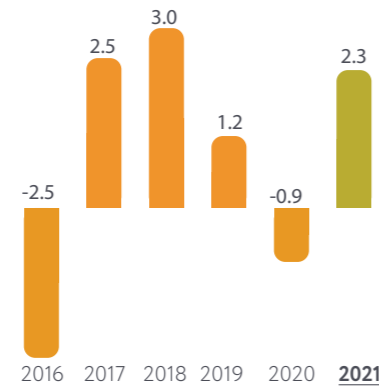


OPPORTUNITIES IN BELARUS

Together with Russia and Kazakhstan, Belarus is part of the Eurasian Economic Union, and shares a single customs space with them. Belarus has good transport links not only with the European part of Russia, but also with the countries of Central Europe, being located in close geographical proximity to both.

Belarus's economy is closely connected with and highly dependent on Russia, which is the main market for Belarusian industrial and agricultural products. Belarus also serves as an important transit and processing center for energy imports from Russia.

Belarus' real GDP evolution year-on-year, %



Source: National Statistical Committee of the Republic of Belarus (Belstat)

Belarus' competitive landscape

Competitors	Number of stores, 2021
Buslik	44
Fantastic	36
Shagovita	30
Detsky Mir	21
Kari Kids	21
Waikiki	15
Mothercare	12
Orange Camel	5
Aleshka	5

Source: Detsky Mir



At the end of 2021, the population of Belarus was 9,349,000 people. In 2021, the country's population decreased by approximately 60,000 people, or 0.6%. The number of children aged 0 to 14 went up and now stands at 1.6 m.

Experts estimate that the size of the children's goods market in 2021 was about RUB 45 bn, 16 times smaller than the Russian market. With a large number of small and medium-sized retailers, the Belarusian children's goods market is fragmented and in the process of consolidation.

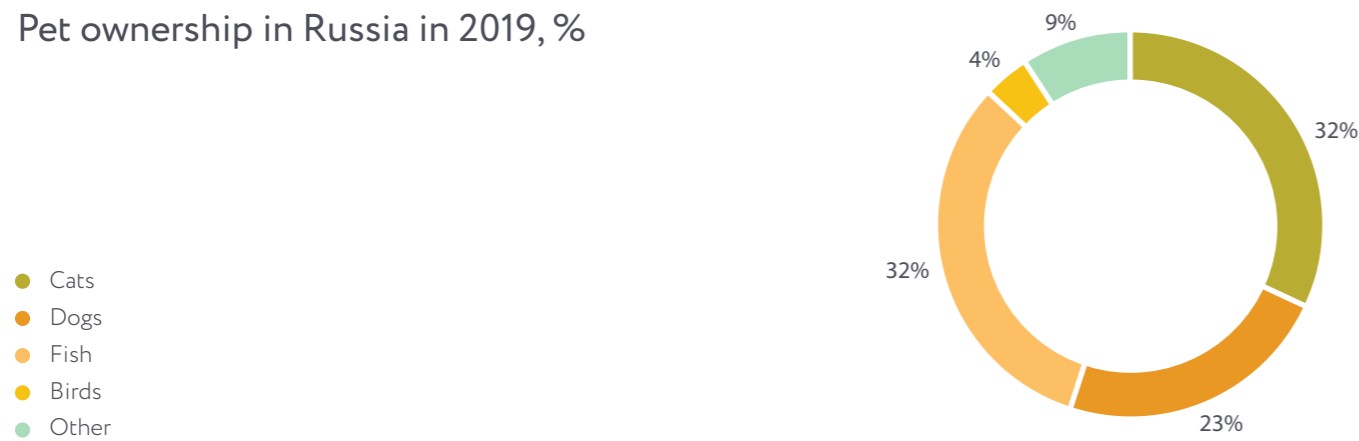
PET SUPPLIES MARKET IN RUSSIA

The Russian pet supplies market is one of the largest globally by number of pets (72 m), with cats and dogs accounting for approximately 50% of the total. Between 2013 and 2019, the number of cats and dogs increased at an average rate of 2% per year.

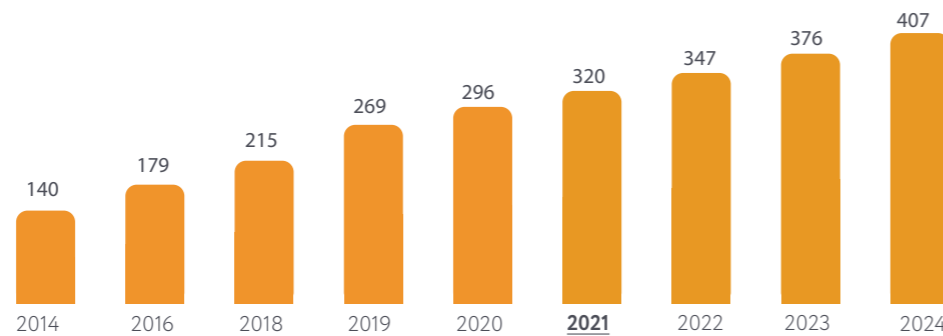
The Company estimates that the market for pet supplies in 2020 stood at RUB 296 bn. Pet food accounts for 79% of this market. This share is experiencing constant growth due to the increase in the number of owners switching to canned or dry food. The Russian

market for pet supplies grew even during the economic downturn (2013–2020), which indicates reluctance among owners to reduce spending on their pets.

Pet ownership in Russia in 2019, %



Pet supplies market in Russia, RUB bn



The Company estimates that the Russian market for pet supplies will continue growing and that the average annual growth rate for the market as a whole will be 8.3% in 2020–2024.

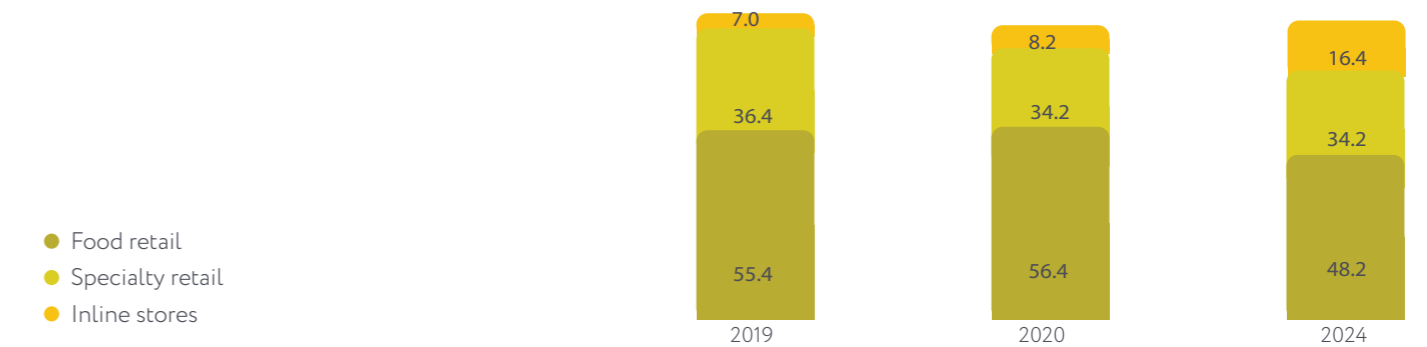
There are two main sales channels, food retail chains and specialty stores, with market shares in 2020 of 56.4% and 34.2%, respectively.

The Company expects that the average annual sales growth rate through specialty stores will be 7.4% in 2020–2024.

In the reporting year, online shopping was the fastest-growing sales channel (+17% year-on-year). The share of online sales is expected to double from 8.2% in 2020 to 16.4% in 2024.

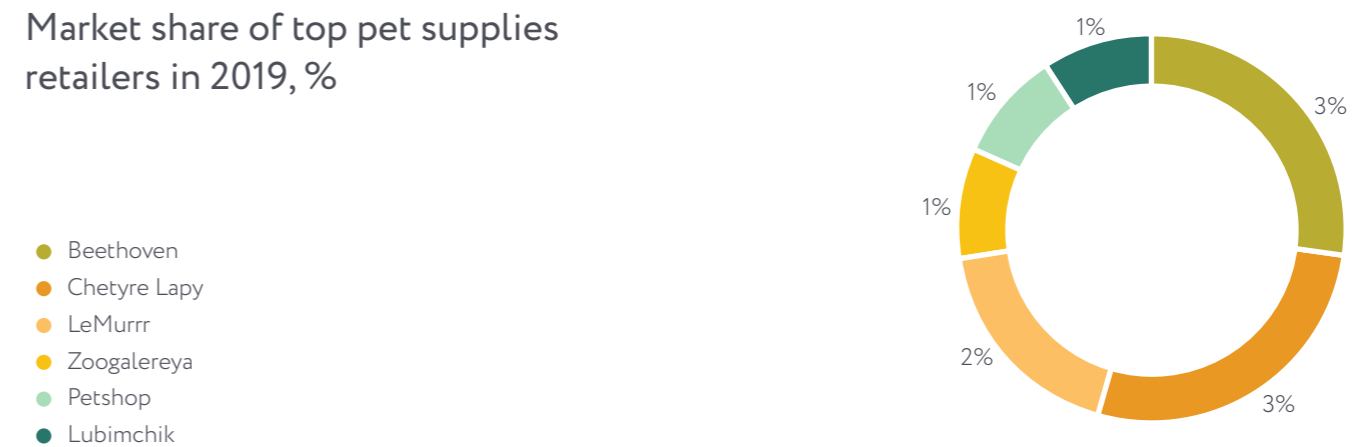
The Russian pet supplies market is highly fragmented, with the combined share of the five largest market retailers totalling approximately 10%. All specialty retail stores are actively developing their own online platforms, sales channels in large chain stores, and compact points of sale.

Pet supplies sales channels, %



Source: Detsky Mir

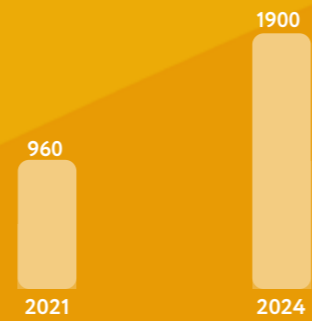
Market share of top pet supplies retailers in 2019, %



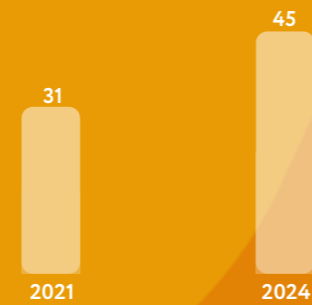
STRENGTHENING LEADERSHIP IN THE CHILDREN'S GOODS SEGMENT



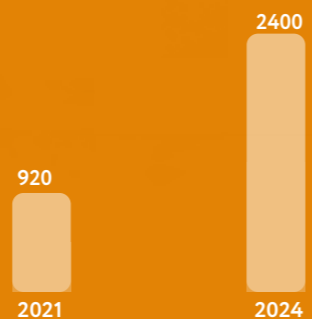
Number of Detsky Mir and Detmir Mini stores



Online share



SKUs, '000

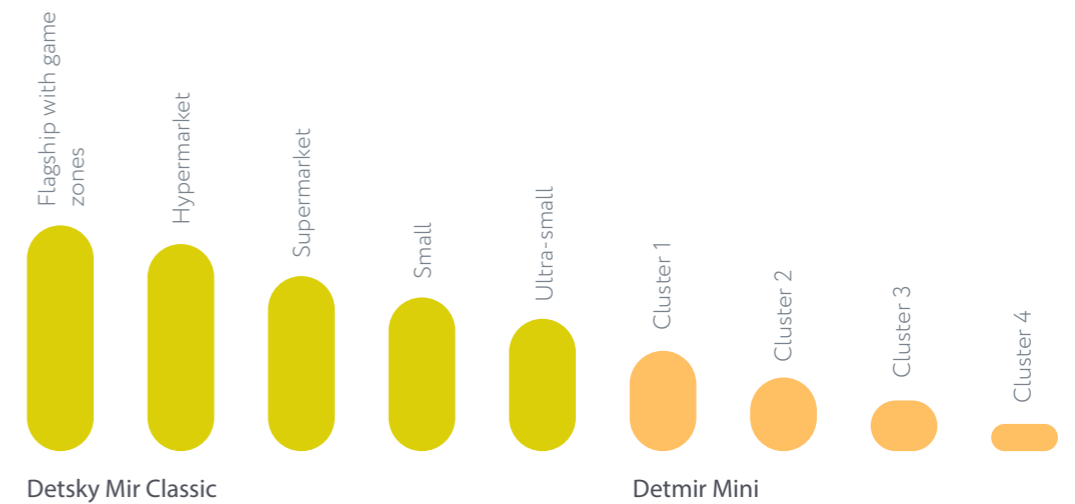


DEVELOPING THE OMNICHANNEL PLATFORM

Digital transformation and further expansion of the retail chain are the pillars of our strategy.

As regards retail expansion, we are guided by a nested-format strategy.

As regards retail expansion, we are guided by a nested-format strategy



All Detsky Mir formats have an online order pickup point. In 2020, we launched a new Detmir Mini ultra-small format as a hybrid between a retail store and a pickup point, with total

selling space of about 200 m². This format will allow us to improve and accelerate online order delivery, as well as to keep consolidating the market by increasing penetration

into locations with population of less than 40,000 people where the Group has not been previously active.



DETSKY MIR 3.0

To support the explosive growth in online sales and improve customer experience, we decided to transform our existing formats under a new Detsky Mir 3.0 digital concept. The debut Detsky Mir 3.0 opened in Q2 2021. In the mid term, we plan to gradually modernize the existing stores.

In 2021, we launched 27 Detsky Mir 3.0 stores, with two of them in Kazakhstan and Belarus. Two stores were refurbished and one relocated.

All new openings in Russia, Kazakhstan and Belarus will leverage the 3.0 concept.



FORMAT PROFILE

The Company plans to create a unified customer service center for online orders. On top of that, we will designate a storage area for such orders and adjust all assembly and storage processes, including those related to prepaid and marketplace goods. For instance, all store employees will use a special mobile app enabling a fast and efficient order assembly.

The new stores will also have an additional checkout desk for online orders, returns and exchanges to reduce the workload of main checkouts during a high season.

The presentation of advertising and information at the modernized stores will maintain visual continuity with Detsky Mir's website and digital services. All the new format outlets will also be equipped with e-kiosks that provide access to the entire assortment of the Detsky Mir marketplace as a way to increase sales.

THE 3.0 FORMAT FEATURES:

- dedicated areas for online order storage and delivery
- interactive kiosks

ADDITIONALLY, THE STORES BOAST:

- a larger checkout area
- wider aisles
- a mobile app used by all staff

Most 3.0 stores have a baby care room, and we are also piloting self-checkouts.



Following the project launch, we have already received positive feedback from customers who see the new stores as more spacious and friendly.



A NEW EMPLOYEE APP

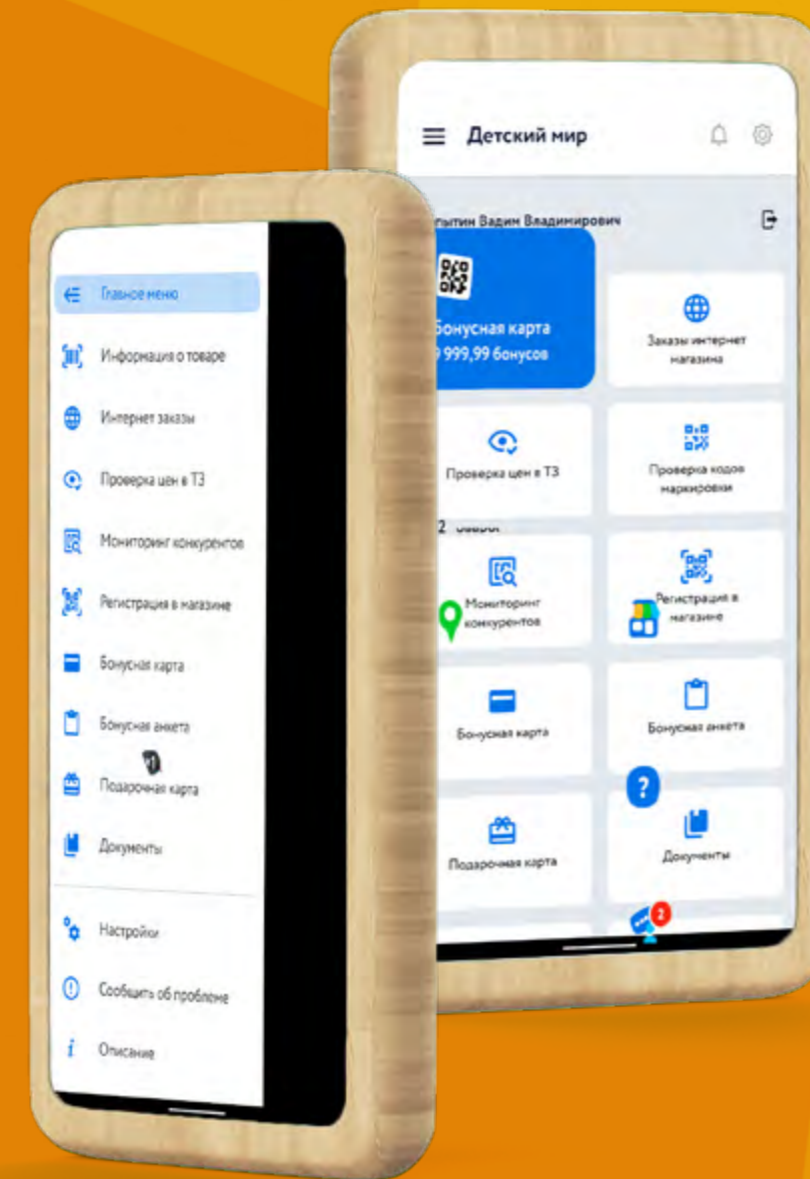
Our employees will leverage a dedicated app to perform a variety of tasks, from registration and assembly of online orders to training.

- **Faster assembly:** the app will show information on goods in process of assembly. In particular, an employee will be able to check the stock in the store and warehouse, goods photos and description. Importantly, the app will register the assembly, confirming the number of ordered items and their assembly and selecting the storage sector.
- **Competitor price monitoring:** this function enables both store employees and the central office to compare Detsky Mir prices with competitors'. Each of our stores is permanently linked

to a peer store with a similar assortment, which makes it possible to scan the competitor's goods and record shelf prices. The information on scanned goods is sent to the cloud and loaded into our accounting system for further pricing decision-making.

- **Faster in-store price monitoring:** our employees can check the accuracy and relevance of shelf prices.
- **Visit tracking and employee registration**
- **Access to HR training materials**

The app can also check the balance of loyalty and gift cards, status of labelling codes, and a COVID-19 vaccination certificate.



In 2022, we will launch a mobile app that will initially duplicate the key features of the existing one, with many more to be added later for work, staff training, control and communication.

In the reporting year, we equipped all the new format outlets with **e-kiosks** providing access to the entire assortment of the Detsky Mir marketplace as a way to increase sales. In 2022, we will fully upgrade kiosks and employee data terminals.

EXPANDING ASSORTMENT BY DEVELOPING OUR OWN MARKETPLACE

We believe that the omnichannel and marketplace models (selling third-party goods on our website for a commission) are highly effective

and offer a significant long-term growth potential. The Company's management has made a strategic decision to develop both marketplace models

as an extension of the Group's traditional omnichannel model.

Why Detsky Mir marketplace?

- ✓ The widest possible assortment
- ✓ A convenient online platform for customer relations and effective inventory management
- ✓ Lower operating costs vs competitors thanks to existing infrastructure
- ✓ Small additional investments and working capital required

In November 2019, Detsky Mir announced the launch of a pilot marketplace for the Apparel and Footwear category. Nearly a year later, the marketplace was expanded to cover all categories, including Toys and Games, Products for Newborns and Pet Supplies. Thanks to the platform, we expanded our online offering to 920,000 SKUs.

In the medium term, the Company plans to increase its marketplace assortment to 2.4 million SKUs.

We believe we are well-positioned to make our marketplace more profitable as compared to competition due to such advantages as the existing logistics and retail infrastructure,

large volume of free organic traffic in stores along with low marketing and operating costs. At the first stage, we will focus on the children's goods range and pet supplies, and then test related categories taking into account our brand specialization.

LONG-TERM VISION

- ✓ Outperforming main competitors as regards the width of product range in relevant categories
- ✓ Double-digit share of marketplace sales in total online sales
- ✓ Competitive commission rate
- ✓ Cost breakdown:
 - Primarily logistics and payroll expenses;
 - Low marketing expenses compared to peers thanks to free traffic and a recognizable brand.



INCREASED INVESTMENT IN LOGISTICS AND IT

Expanding and deepening our competencies in logistics is a key component of the Group's omnichannel strategy.

Our main principle in developing the logistics infrastructure is proximity to customers. We strive to ensure maximum convenience and speed

of delivery and service, using both distribution centers and retail stores.



	Federal DCs	Regional DCs	Last mile
Assortment	2.4 million SKUs	600,000 SKUs	20-30,000 SKUs
Number of locations	3 federal DCs +1 federal DC in the pipeline	1 regional DC in the pipeline	> 500 stores
Coverage	95% of the Russian population	500 km from a regional DC, 84% of the Russian population	5 km from a store, 30% of the Russian population
Speed	1-20 days	Next day	Same day, ~3 hours

Our omnichannel infrastructure gives us an important competitive advantage over other online retailers, with orders collected at Detsky Mir stores making up more than 80% of online sales.

As at the end of 2021, Detsky Mir's logistics infrastructure comprised two federal distribution centers expected to handle up to 2.4 million SKUs and one regional distribution center with a design capacity of up to 200,000 SKUs.

In early 2022, we opened the third federal DC in Yekaterinburg with a design capacity of 1.5 million SKUs.

Our commitment to be closer to our customers underpins our ambition to ensure next-day direct delivery of at least 80% of online orders. On our way towards this goal, we continue to develop our regional logistics network by relying on 5,000-10,000 m² DCs. This helps us ensure next-day direct delivery

to customers and shipment to stores located 500 km from the DC, while also cutting our logistics expenses thanks to a shorter shipment distance.

We are actively expanding our express delivery service from stores ensuring record delivery time. Super express delivery within several hours is our unique edge. No online retailer in the Russian market can offer this level of service throughout the country.

DEVELOPMENT PLANS FOR DISTRIBUTION CENTERS

From 2022 to 2024, Detsky Mir plans to commission three more distribution centers – one leased regional center and two fully owned federal centers.

In Q2 2021, the Company opened a new regional distribution center in Kazan with 8,000 m² of floor space at the Russian Post's fulfillment center located on the grounds of Kazan's

international airport. The center will serve as a testing ground for the third-party logistics (3PL) model so that the Group could choose the most efficient model when opening this type of distribution centers in the future. In 2022, we will launch two regional distribution centers in St. Petersburg and Novosibirsk (opened in October 2021) and a federal Urals DC.

In early 2022, we opened the third federal DC in Yekaterinburg. The fourth one will come on stream in 2024, with geography depending on growth priorities. As a result, our distribution centers enabling next-day delivery may expand their coverage from 33% of the Russian population at the end of 2020 to 84% in 2023.

- Federal DCs' coverage
- Regional DCs' coverage

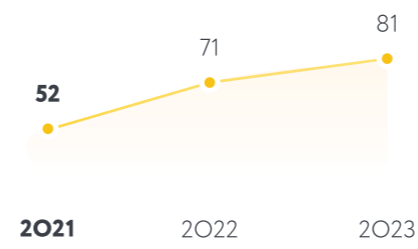


Overview of distribution centers

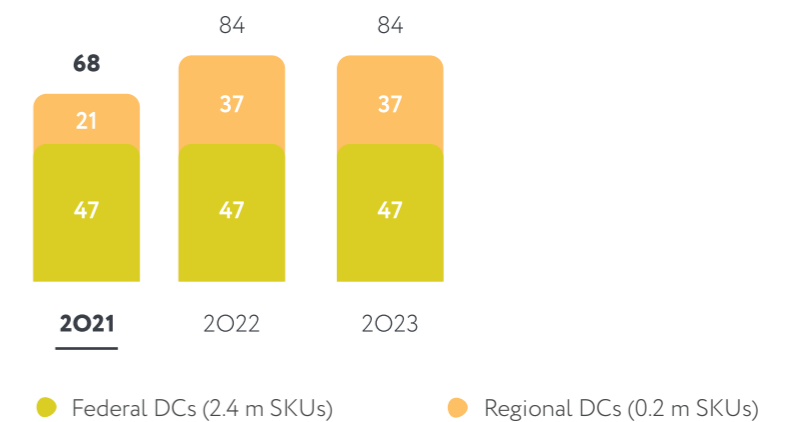
Distribution center	Launch	Assortment, SKUs	Population, m
Moscow and the Moscow Region (2 federal DCs)	Opened	2.4 m (2023)	48.3
Rostov-on-Don	Opened	0.14 m (2022)	15.9
Kazan	Opened	0.2 m (2022)	14.9
Novosibirsk	Opened	0.2 m (2022)	14.4
Yekaterinburg (a federal DC)	Q1 2022	1.5 m (2023)	20.5
Federal DC No. 3	2024	-	-
Total			123.5

Growing availability of next-day delivery

Share of next-day delivery in online revenue, %



Federal and regional DCs' coverage as % of Russian population



IMPROVING CUSTOMER AND USER EXPERIENCE

Customer demands are evolving continuously toward greater convenience and comfort. For today’s shoppers, it is important not only to get the right product on time and at the best price but also to experience a high level of service.

Growing customer satisfaction (net promoter score [NPS], the key indicator reflecting the shopper’s willingness to recommend a seller and make repeat

purchases) is an important component of our strategy.

Many factors contribute to NPS, including convenient store location, staff friendliness, assortment, prices, as well as the accuracy and speed of delivery. However, the usability of our digital storefronts – the online store website and mobile app – also has a great impact on NPS. Therefore, the new

strategy seeks to significantly improve experience for customers digitally interacting with the Company.

At the end of 2019, we successfully launched the Detsky Mir mobile app which saw over 13 million downloads in two years. It also ranked in the top 10 online shopping apps on App Store and Google Play.

Our app had a significant impact on traffic structure, with the share of in-app orders increasing from 65% in 2020 to 79% in 2021.

From 2021, when we switched to the mobile first development concept, our app outperformed the website in terms of functionality. Over the year, it had many releases featuring, among other things, a new search engine, product recommendations, a customer support chatbox and an upgraded My Orders section.

App Store and Google Play users give a high rating to our app which boasts a total of 13,100,000 downloads.

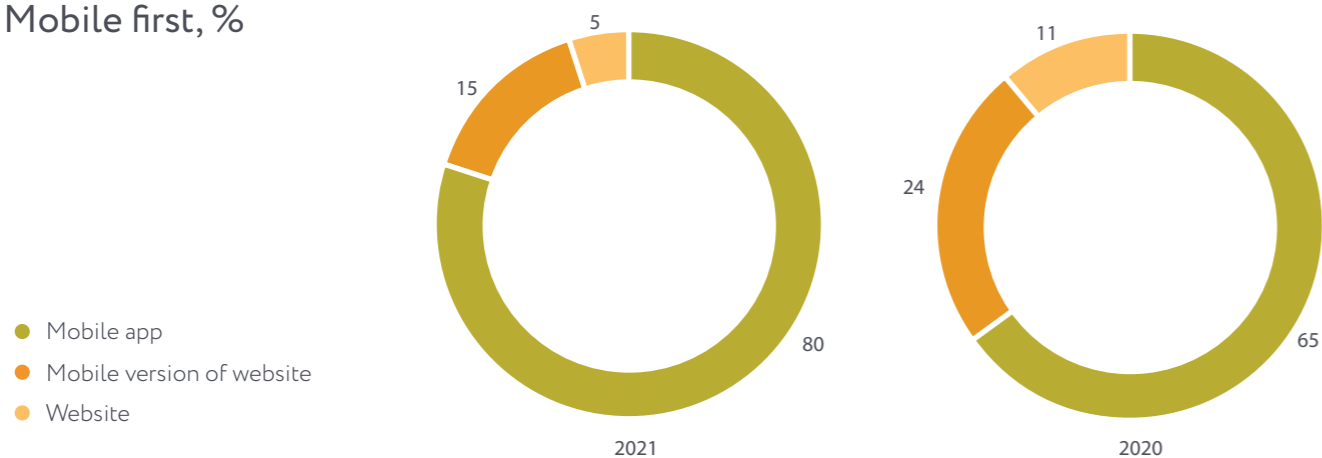
We leveraged this experience to develop other Group products. In particular, we launched the following mobile apps:

- Detsky Mir Kazakhstan
- Detmir Belarus
- Zoozavr

In December 2021, our Detsky Mir Russia app became available in Huawei AppGallery.

We regularly benchmark our app against domestic counterparts, divided into three tiers depending on their capabilities. As at the end of 2021, our Detsky Mir app was transitioning from Tier 2 to Tier 1. We plan to complete the transition in 2022, making our app the frontrunner in the Russian retail market in terms of functionality.

Mobile first, %



DEVELOPMENT OF NEW BUSINESS VERTICALS

SCALING UP ZOOZAVR

Scale-up of the Zoozavr pet supplies chain on the basis of an omnichannel business model was the first project to be implemented under the plans to develop new business verticals and tap into new markets.

The Group sees a good opportunity in consolidating the fragmented, sizeable and rapidly growing market of pet supplies in Russia by leveraging synergies with the Company’s core business. We are confident that the strong operating efficiency and the omnichannel business model of Detsky Mir will help us ramp up

sales and market share in this segment rather rapidly and with minimum investment amounts.

The pilot was launched back in late 2018. Since then, we have opened 23 Zoozavr stores and tested different types of locations and formats. The Group intends to launch at least 100 retail stores for the chain by the end of 2022 to assert its leadership in the pet supplies market. We also plan to leverage the online capabilities of Detsky Mir (website, mobile app and marketplace) for promoting Zoozavr goods and to use

the Group’s logistics infrastructure and stores as pick-up points for the ordered pet supplies.

Our central project is the launch of private labels across all key categories of pet supplies. The target share of private labels in Zoozavr’s total sales is 30%. Achieving this target will help significantly improve margins in the business. In Q1 2022, we launched six private labels for pets, including dog and cat foods, litter, toys, medications, and pet clothes and accessories.

Category	Brand	Manufacturer	SKU count
Treats	Light Bites	Russia	57
Litter	Homezen	Russia	6
Flea and tick treatment, pet additives	Dr. Petzer	Russia	13
Accessories	Zoozavr	China	118
Toys	Simpish	Russia	39
Clothing	Zoozavr	China	372
Accessories (imports)	M-Pets	China	100

DIGITAL SERVICES AND FAMILY OFFERING

The considerable organic traffic and sizeable loyal audience of Detsky Mir provide the chain with ample opportunities for developing digital products via the Company’s mobile app and website. Our goal is to meet the full range of parent and kid needs (including those extending beyond the segment of children’s goods) through our mobile app and website.

In 2021, Detsky Mir built a team for digital services, which identified five promising fields to focus on in the run-up to the launch of the first digital offering version:

1. services (nannies, cleaning, minor repairs)
2. distance learning and coaches
3. telemedicine
4. educational games
5. digital assistants (drawing, wish list, sleep sounds)
6. parent media

In each of the identified focus areas, we consider both cooperation with the existing market services and creation of new products from scratch.

We are positive that integration into Detsky Mir’s ecosystem will offer a number of significant benefits to our partners, customers and the Group itself.

Benefits for partners:

- Free traffic and loyal audience
- Benefits for customers:
- Recognizable and reliable brand
- Content that inspires confidence
- Unique customer experience across a variety of touchpoints

Benefits for Detsky Mir:

- Additional driver of traffic and audience monetization
- Business diversification
- Long-term relationships with customers

In the first half of 2022, we plan to launch a new Services section in Detsky Mir’s mobile app. The Company is keen on constantly improving and upgrading this section based on customer feedback and experiments with new products.



RISK MANAGEMENT

RISK MANAGEMENT SYSTEM

Detsky Mir's goal in its risk management is to build a comprehensive system that would help the Company to promptly identify, assess, control, and prevent risks

arising in the course of its operating activities and during implementation of strategic initiatives. The focus is on reducing the likelihood of risks

occurring and mitigating any negative impact on the Company's business.

RISK MANAGEMENT FUNDAMENTALS:

Integration into goal-setting procedures	Results of risk assessment and analysis are used to chart the Company's goals and objectives
Process continuity	Constant updates and improvements to all aspects of risk management
Validity	Analysis of costs to reduce the likelihood of a risk against potential damage should the risk materialize
Awareness	A single channel for informing the management of the entire spectrum of risks is used to ensure the completeness, quality, and comparability of information provided at each level of decision-making
Openness to discussion	Open dialogue both within the Company and with key stakeholders

PRIMARY OBJECTIVES OF RISK MANAGEMENT



RISK MANAGEMENT ORGANIZATIONAL STRUCTURE

Risk control is exercised at all management levels and in all functional areas. Risk management functions are distributed among the Board of Directors, Management Board, Risk Committee, and structural units.



The level of decision-making, as well as risk management priorities, is based on the risk ranking, which uses two primary factors to assess each risk:

1. Risk probability
2. Potential financial consequences of risk materialization

The Board of Directors considers only key risks facing the Company. Managers at all levels are involved in continuously identifying, monitoring, and managing risks.

As part of the annual strategy review and budgeting process, the management

reassesses risks and develops response plans to mitigate risks and allocate required resources. The results of this work are subject to constant monitoring and are discussed on a quarterly basis by the Board of Directors' Audit Committee.

The Company has created a dedicated position of risk manager, whose functions include:

- Overall risk management coordination
- Developing methodological documents to support risk management processes

- Analyzing the Company's risk portfolio and developing strategy proposals to respond to relevant risks and reallocate resources

- Generating consolidated risk reporting

- Exercising operational control over risk management processes at the unit level

- Informing the Board of Directors and executive bodies about the effectiveness of the Company's risk management

PRIMARY RISK MANAGEMENT METHODS

- Insurance
- Hedging
- Financial planning
- Diversification
- Compliance with and fulfillment of regulatory requirements
- Avoidance of high-risk investments
- Avoidance of unreliable partners and customers
- Coordination and coherence of programs and management processes that contribute to the Company's development

RISK INSURANCE

Detsky Mir has in place the following insurance programs to reduce operational risks:

- Property insurance for fully owned retail properties and distribution centers, equipment, and inventory
- Civil liability insurance
- International transportation insurance for the Company's own cargo shipments from Asia, the USA, and Europe
- Voluntary medical insurance for employees
- Comprehensive risk insurance for directors and officers (POSI and D&O policies)

The Company is constantly improving its insurance coverage terms and engages with the reinsurance market on a long-term basis. Reinsurance policies are contracted with companies that have a financial reliability rating of at least A on the scale used by international rating agencies.

RISK MAP

Detsky Mir Group is undergoing active transformation as it works to achieve the ambitious goals set out in its Strategy 2020–2024. On top of the internal transformation, Detsky Mir’s activities are impacted by changes in the Company’s operating

environment, regulation, and other external factors. We keep close tabs on any risks and challenges that come up in the process of internal transformation and in the external environment. The most relevant of them we have compiled into a risk map.

The most significant risks facing the company include those related to economic and social instability, late goods delivery, epidemiological situation, and new restrictions due to COVID-19.



Risk probability	Potential damage from materialized risk				
	Very low	Low	Medium	High	Extremely high
Very low			Occupational safety and human rights violations	Environmental and climate change risks	
Low		Lower maturity of transport and distribution center infrastructure Risks related to tightening environmental controls Rapid change in consumer preferences	Failure to implement strategic initiatives and plans Deteriorating product quality	Deteriorating financial stability	
Medium	Possibility of limited growth due to the saturation of the Russian children’s goods market Reputational risk		Structural changes in the Company’s markets Purchase price growth Reduced staffing levels during high season Technology failure and information security risks	Inflation risk	
High			Economic and social instability Late delivery of goods	Epidemiological risk New restrictions due to COVID-19	
Extremely high					

RISK MANAGEMENT INTEGRATION INTO DECISION-MAKING PROCESSES

Strategy

- Identifying risks in the macro environment
- Identifying relevant risks for each macro scenario
- Identifying risks that are significant with respect to strategy implementation but that do not change the relevance of the main strategic goals
- Developing measures to manage these risks

Business planning and budgeting

- Assessing the feasibility of risk management measures
- Budgeting for reasonable risk management measures

Investment planning

- Analyzing and accounting for project risks

Interaction with counterparties

- Analyzing risks for each counterparty
- Avoiding high-risk counterparties
- Developing measures to manage relevant risks with counterparties that have successfully passed screening

EXTERNAL RISKS

Risk	Business impact	Risk mitigation measures
<p>Economic and social instability</p> <p>Economic and social instability stemming from the COVID-19 pandemic, among other things, as well as an unfavorable demographic situation in the countries where the Company operates, may have a negative impact on consumer demand</p>	<p>Deterioration of operational and financial performance; failure to achieve strategic goals</p>	<ul style="list-style-type: none"> ● weekly market monitoring ● assortment diversification (including the development of private labels and exclusive range), diversification of sales channels and markets ● improvement of commercial terms ● investment in pricing ● improvement of the customer experience ● preparation of an anti-crisis budget
<p>Regulatory risks</p> <p>Changes in the regulatory environment (legislation and regulatory requirements)</p>	<p>Ensuring compliance with regulatory requirements</p>	<ul style="list-style-type: none"> ● regular monitoring of legislation ● regular review of compliance with requirements ● participation in industry working groups and associations
<p>Restrictions related to the COVID-19 pandemic</p> <p>Introduction of new or tightening of current restrictions due to COVID-19</p>	<p>Decrease in traffic, full or partial store closures while the restrictions are in effect</p>	<ul style="list-style-type: none"> ● regular monitoring of legislation ● accelerated development of digital sales channels ● improvement of customer experience and digital products
<p>Epidemiological risk</p> <p>Further spread of COVID-19, new variants, low vaccination effectiveness</p>	<p>Decrease in traffic, deterioration of operational and financial performance</p>	<ul style="list-style-type: none"> ● accelerated development of digital sales channels ● improvement of customer experience and digital products

INDUSTRY RISKS

Risk	Business impact	Risk mitigation measures	Risk	Business impact	Risk mitigation measures
<p>Structural changes in the Company's markets</p> <p>Growing competition from online channel and food retailers: strengthening of existing retailers and the emergence of new ones</p>	Deterioration of operational and financial performance; failure to achieve strategic goals	<ul style="list-style-type: none"> ● weekly market monitoring ● digital transformation ● assortment development and expansion (including private labels and exclusive range) ● improvement of commercial terms with suppliers ● investment in pricing ● improvement of customer experience and digital products 	<p>Purchase price growth</p> <p>Unplanned change in prices for products procured by the Company</p>	Deterioration of operational and financial performance	<ul style="list-style-type: none"> ● building a sufficient level of inventory to reduce dependence on short-term price fluctuations ● additional discounts and bonuses from suppliers thanks to centralized procurement in bulk ● development of private labels and switch to direct contracts with manufacturers
<p>Rapid change in consumer preferences</p> <p>Loss of or decrease in demand for the Company's products, store formats, digital products, and services in favor of new ones</p>	Deterioration of operational and financial performance; need to revise the strategy	<ul style="list-style-type: none"> ● analysis of consumer preferences and market trends ● accelerated development of digital sales channels ● timely incorporation of new preferences in goods procurement and in the creation of new digital products and services ● format updates and retail store digitalization 	<p>Inflation risk</p> <p>Real income decline due to inflation</p>	Deterioration of operational and financial performance, failure to meet strategic goals	<ul style="list-style-type: none"> ● additional discounts and bonuses from suppliers thanks to centralized procurement in bulk ● private label development and switch to direct contracts with manufacturers ● assortment development and expansion (including private labels and exclusive range) ● investment in prices
<p>Maturity level of transport and distribution center infrastructure</p> <p>Insufficiently developed transport and distribution center infrastructure in regions can pose challenges for regional development and subsequent supply chain management</p>	Deterioration of operational and financial performance	<ul style="list-style-type: none"> ● increased service capacity of current distribution center complexes ● increased logistics centralization ● consideration of opportunities to build new storage facilities 			

OPERATIONAL RISKS

Risk	Business impact	Risk mitigation measures
<p>Late delivery of goods</p> <p>Late delivery of goods due to bad weather conditions, road repairs, a temporary truck ban (including due to the spread of COVID-19), as well as customs delays</p>	<p>Loss of customers; deterioration of operational and financial performance</p>	<ul style="list-style-type: none"> ● weekly monitoring of product supplies ● inventory control ● diversification of the portfolio of product and logistics providers ● switch to alternative transportation methods
<p>Reduced staffing levels during high season</p> <p>Lack of human resources at distribution centers and stores during peak season due to high employee turnover</p>	<p>Deterioration of operational and financial performance</p>	<ul style="list-style-type: none"> ● weekly monitoring of staffing levels and employee turnover ● workforce need forecasts for the peak sales season ● outsourcing employees during peak sales season ● ramp-up in advertising to attract candidates during high season ● measures to reduce turnover at distribution centers, resulting in fewer vacancies in the pipeline and increased recruitment speed ● obtaining a license to hire people from Belarus for an additional influx of distribution center employees ● monitoring the pay level in the market and revising it when necessary

Risk	Business impact	Risk mitigation measures
<p>Technology failure and information security risks</p> <p>Unauthorized access to information or technological failures in IT systems (including SAP) due to a system malfunction, accident, or breach of network security can adversely affect the ability to provide services to customers, as well as to perform other business processes.</p>	<p>Deterioration of operational and financial performance, as well as the Company's reputation</p>	<ul style="list-style-type: none"> ● proactive development of the IT infrastructure for future business growth ● application of a three-level structure of SAP information systems (development systems, test systems, production systems) ● proactive identification and analysis of IT system vulnerabilities through external penetration testing, analysis of wireless network security, analysis of the web and mobile apps (penetration tests)
<p>Deteriorating product quality</p> <p>Arises on the side of the supplier or manufacturer due to a low level of production technology, the use of poor-quality raw materials and low-skilled labor, as well as due to irregular production</p>	<p>Deterioration of operational and financial performance, as well as the Company's reputation</p>	<ul style="list-style-type: none"> ● diversification of suppliers ● quality and safety monitoring of products at all stages of their life cycle ● laboratory testing of consignments ● product certification ● product labelling

STRATEGIC RISKS

Risk	Business impact	Risk mitigation measures
<p>Possibility of limited growth due to the saturation of the Russian children’s goods market</p> <p>Possibility of limited growth due to the saturation of the children’s goods market by 2030, when children’s goods consumption draws level with developed countries</p>	<p>Slowdown of the Company’s growth; need to revise the strategy with a focus on finding new markets</p>	<ul style="list-style-type: none"> ● weekly market monitoring ● business diversification: development of categories outside the children’s goods segment (pet supplies, etc.)
<p>Failure to implement strategic initiatives and plans</p> <p>Insufficient management resources to implement projects and initiatives in line with the approved strategy</p>	<p>Failure to achieve strategic goals; need to revise the strategy</p>	<ul style="list-style-type: none"> ● regular monitoring of plan fulfillment ● analysis of implemented projects and their effectiveness ● prioritization of future projects based on updated performance indicators and expenditure budget

FINANCIAL RISKS

Risk	Business impact	Risk mitigation measures
<p>Deteriorating financial stability</p> <p>Liquidity shortage, unforeseen financial losses associated with ruble depreciation and a rise in interest rates</p>	<p>Deterioration financial performance, as well as failure to achieve strategic goals</p>	<ul style="list-style-type: none"> ● early repayment of debt with higher interest rates ● expanding the pool of partner banks (getting additional credit lines) and diversifying the existing loan products ● concluding forward contracts with a fixed rate for a period of three to six months to hedge against foreign exchange risks

SOCIAL RISKS

Risk	Business impact	Risk mitigation measures
<p>Occupational safety and human rights violations</p> <p>Violations related to employee training, medical examinations, adherence to sanitary and epidemiological requirements, as well as compliance with labor laws, non-discriminatory and ethical behavior</p>	<p>Deterioration of operational and financial performance, as well as the Company’s reputation</p>	<ul style="list-style-type: none"> ● review of Occupational Safety Regulations ● creation of an effective professional risk management system

ENVIRONMENTAL AND CLIMATE CHANGE RISKS

Risk	Business impact	Risk mitigation measures
<p>Environmental and climate change risks</p> <p>Climate change and associated extreme weather conditions that can have demographic and infrastructure effects</p>	<p>Deterioration of operational and financial performance, as well as failure to achieve strategic goals</p> <p>Need to revise the Strategy</p>	<ul style="list-style-type: none"> ● introduction of advanced technological solutions and continuous improvement of the management system as it relates to environmental protection, energy efficiency, and occupational health and safety ● development of emergency preparedness and response measures for prevention and response in case of emergency situations
<p>Risks related to tightening environmental controls</p> <p>Increased regulatory requirements with respect to sustainability, carbon regulation, and information disclosure</p>	<p>Ensuring compliance with regulatory requirements</p>	<ul style="list-style-type: none"> ● regular monitoring of requirements and trends ● regular review of compliance with requirements ● development of the Sustainability Strategy with a focus on best practices

OPERATING REPORT

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OMNICHANNEL PLATFORM

OMNICHANNEL SALES

Detsky Mir is one of Russia's largest and fastest growing online players in the children's goods market.

The Company's online business was launched in 2011, and now represents one of the Group's key sales channels.

>664 m
Online store visits via the website and mobile app

>34 m
Online orders

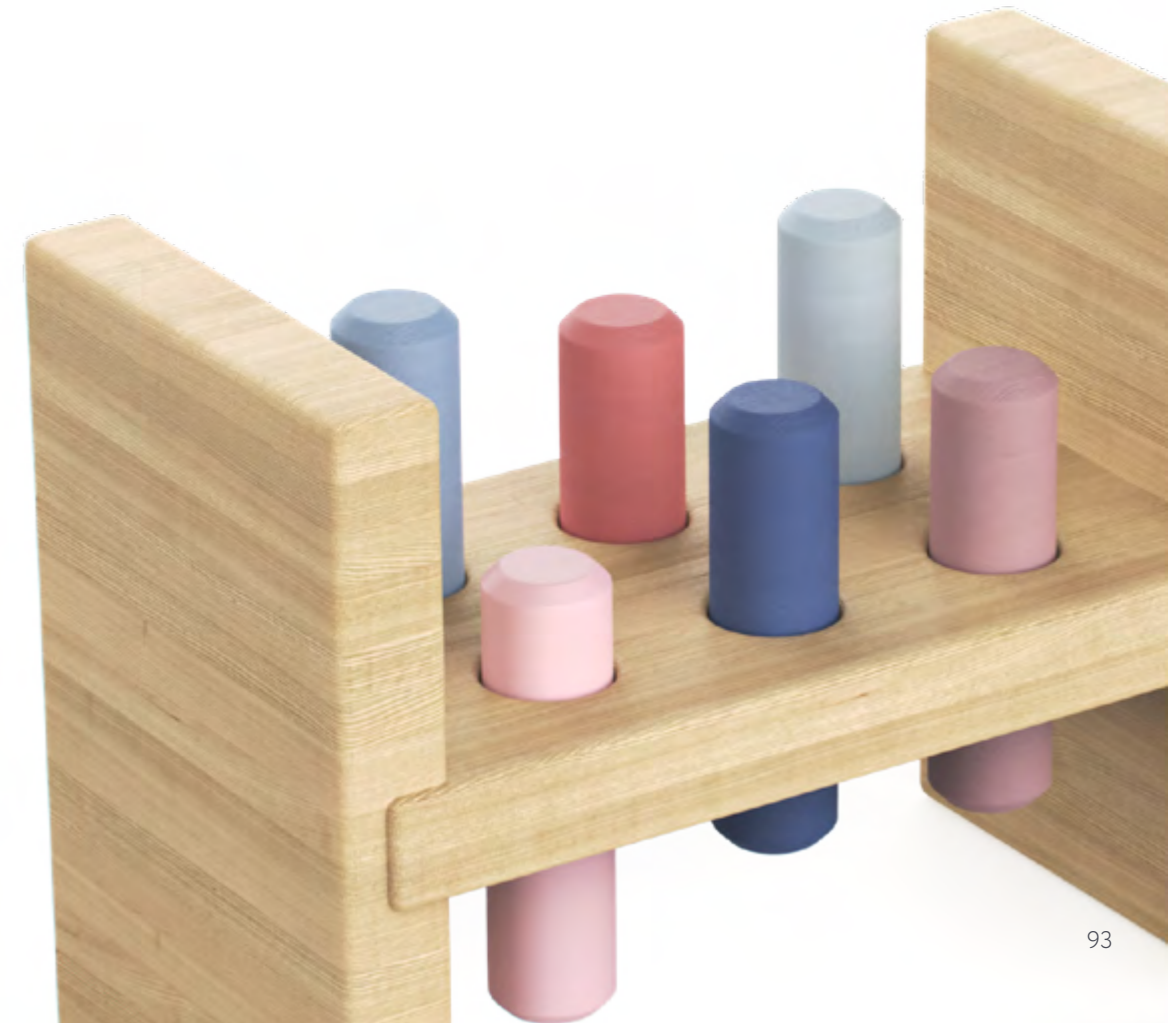
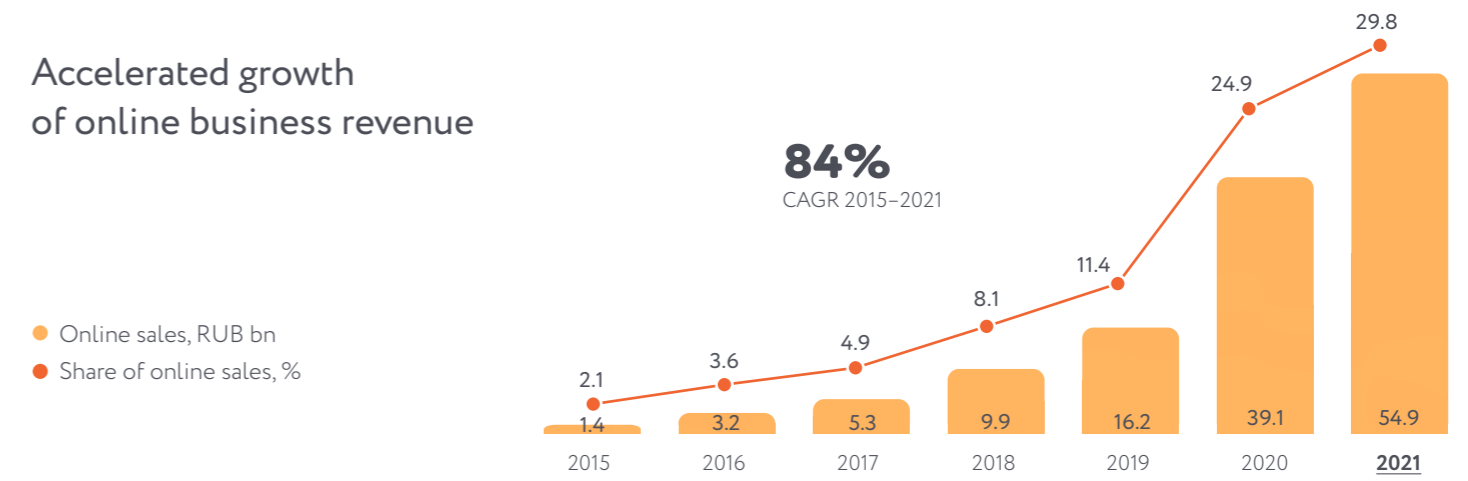
36%
Online share in total sales (Q4 2021)

In 2021, online revenue increased by 40% year-on-year to

RUB **54.9** bn.

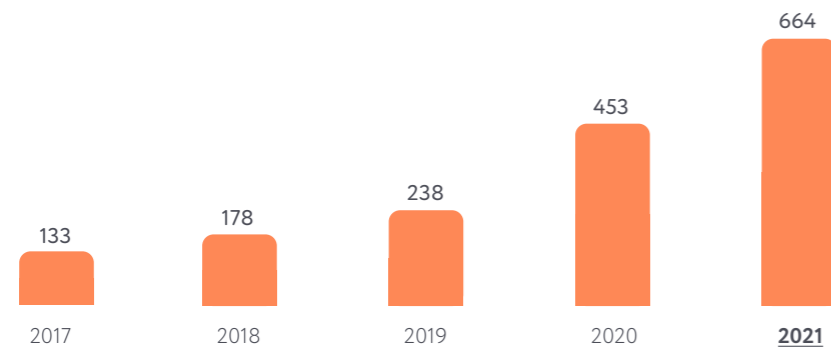
While the share of online sales in Q4 2021 hit the record high of 36%. By the end of 2021, the Company had registered over 664 m online store visits and fulfilled over 34 m online orders.

Accelerated growth of online business revenue

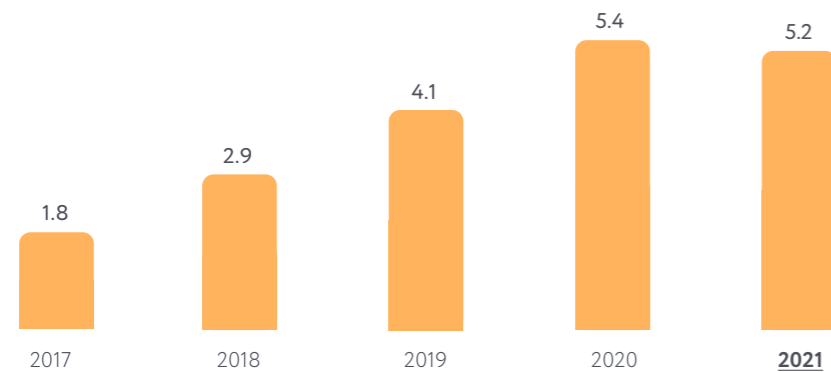


DETMIR.RU DIGITAL PLATFORM

Online store visits[°], m



Conversion rate, %



Detsky Mir Group's full assortment includes 920,000 SKUs available for purchase through the online store or the mobile app.

Leading categories in online sales in 2021: Footwear (+64%), Baby Food (+42%), Stationery, Books and Multimedia (+34%), and Toys (+27%). Pet Supplies also enjoyed increased demand, with online sales increasing almost twofold year-on-year.

The detmir.ru online store has become the main platform for the annual Black Friday campaign. As part of the promotional sales, Detsky Mir's online store and mobile app registered over 1.5 m orders for a total of RUB 3 bn. The most generous discounts were offered from 6:00 pm on 25 November until 11:59 pm on 26 November. In this time, more than 450,000 orders were placed for a total amount of over RUB 930 m, up 37% year-on-year in money terms. The total value of orders made via the Detsky Mir marketplace exceeded RUB 300 m, a more than threefold increase versus 2020. The share of sellers participating in the promotional campaign came in at 83%.

Ways to receive online orders in 2021**



86%
of online sales

In 2021, pickup from stores was the main delivery method, with orders assembled from the store shelves and handed over to the customer inside the store. Customers can choose convenient time slots to collect their orders. The level of service in the selected time slots reaches 95%, while the shortest delivery time remains within one hour from the order placement.



14%
of online sales

In 2022, we plan to continue fine-tuning our in-store delivery and assembly tools as part of the DM 3.0 project, which focuses on new-format stores well-suited for the fulfillment of a large number of online orders.

In addition to in-store assembly, Detsky Mir's online stores offer delivery from distribution centers.

The most popular delivery channel in the Company's online segment is pickup from one of the chain's stores. In 2021, 86% of Detsky Mir's online revenue was generated by orders for pickup at Detsky Mir retail stores (either from a store shelf or from a distribution center).

As at the end of 2021, the Company had four distribution centers: central DC at Bekasovo (Moscow Region), Rostov-on-Don DC, Kazan DC, and Novosibirsk DC.

The expanding network of regional distribution centers is the key driver behind the accelerated growth of regional sales.

LEADING CATEGORIES IN ONLINE-SALES IN 2021



Pet food
+246%



Pet Supplies
+155%



Footwear
+64%



Baby Food
+42%



Books and Multimedia
+34%

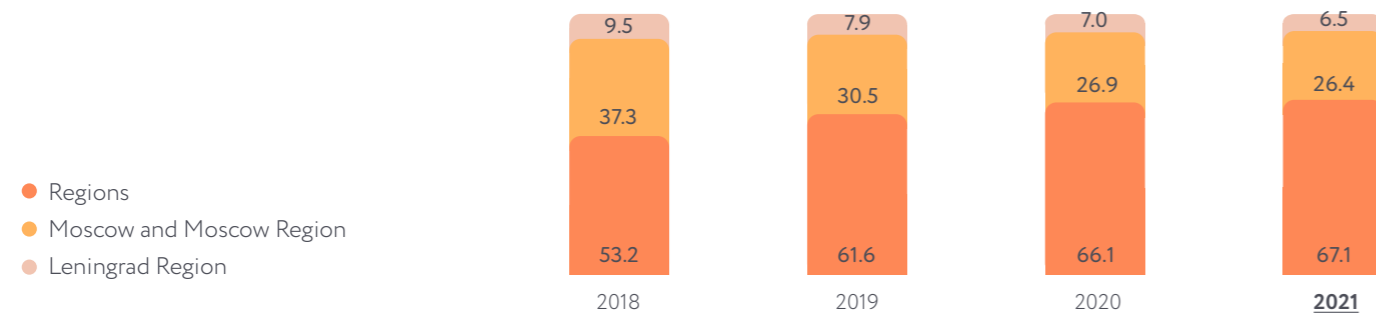


Toys
+27%

[°] Including traffic from the mobile app

^{**} Courier delivery includes delivery to a customer's address and to a partner pickup point. Pickup from stores includes online orders for products that are offered in retail stores and for products that are not there at the time of ordering but that can be delivered to a store from a distribution center through the Company's logistics system at the buyer's request.

Online revenue, %



In 2021, the Company launched the Detmir online store and mobile app in Belarus, while also offering

its customers a pickup service. In Kazakhstan, Detsky Mir put in place courier delivery services and continued

increasing the share of its online sales (12.5% as at the end of 2021).

DIRECT DELIVERY



In 2021, the value of such orders exceeded

RUB **3.5** bn

In 2020, Detsky Mir was one of the first market players to launch an express delivery service enabling customers to receive their orders from stores within one to two hours.

The service is available in 870 retail stores from 310 cities and towns and is expected to gain further traction in 2022.

In addition to delivering orders inside its own stores, the Company actively cooperates with the operators of commercial pickup points. In 2021, Detsky Mir partnered with several new companies. As a result, the number of partner pickup points where customers can receive their online orders reached 37,000 as at the end of 2021.

Strong diversification of delivery types to meet the needs of different customer groups



In-store pickup in 60 minutes

Minimum order of RUB 500

Free of charge

Pickup from Detsky Mir or Detmir Mini stores



Delivery to retail stores in one to five days

Minimum order of RUB 500

Free of charge

Pickup from Detsky Mir or Detmir Mini stores



Express delivery from retail stores

No minimum order amount

RUB 199

Free delivery for orders starting from RUB 2,000



Next-day delivery from DC

No minimum order amount

RUB 199

Free delivery for orders starting from RUB 2,000



Delivery at partner pickup points

Minimum order of RUB 500

RUB 99

Free delivery for orders starting from RUB 2,000

In 2021, we continued expanding our logistics infrastructure. In Q2 2021, the Company opened a new regional distribution center in Kazan with 8,000 m2 of floor space at the Russian Post's fulfillment center located on the grounds of Kazan's international airport. Later in 2021, Detsky Mir opened another fulfillment center in Novosibirsk. In early 2022, the Group launched its third federal distribution center with a total floor area of 63,000 m2 and processing capacity of 2.4 m SKUs. The new facility will ensure uninterrupted supplies to retail stores and next-day delivery services for at least 80% of online orders in the Urals Federal District.



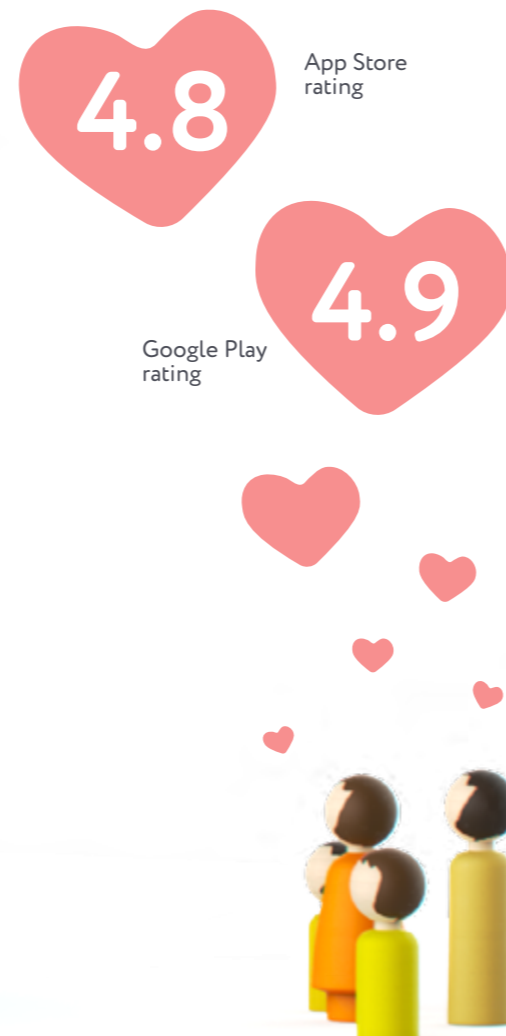
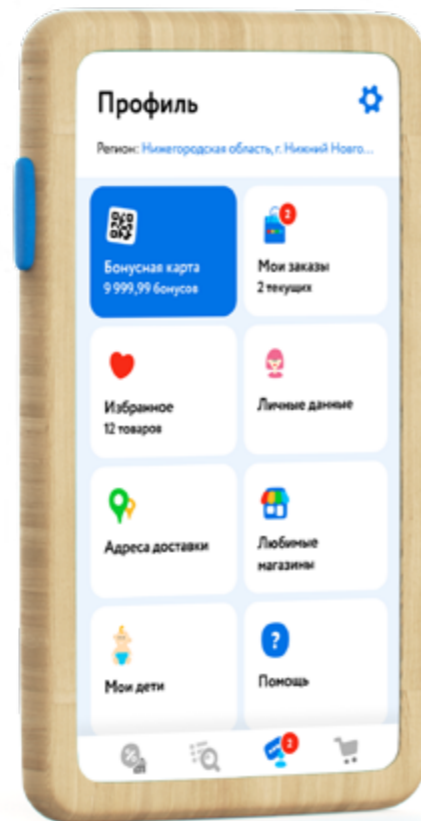
MOBILE APP

In December 2019, Detsky Mir released a mobile app that allows customers to make purchases from the online store using the Company’s loyalty card. By the end of 2021, this app had been downloaded more than 13.1 m times, with over 447 m app launches on customers’ mobile devices and the number of daily active users exceeding 701,000.

Detsky Mir’s app boasts a very high rating compared to other free Russian apps, scoring 4.8 on App Store and 4.9 on Google Play^o.

Android mobile devices account for 72.8% of downloads, with iOS devices accounting for the remaining 27.2%.

In 2021,
78.6%
of online orders were made via the mobile app.



DEVELOPING ONLINE CUSTOMER SERVICE

In 2021, the Company continued to enhance its online detmir.ru store. We launched a new search engine, product recommendations, an updated home page and promotions, while also simplifying the repeated order feature. According to the split tests, all these upgrades helped increase average revenue per user (ARPU) by 7%. The Company also unveiled a number of new user-friendly options, including a customer support chatbox, an upgraded My Orders section, a barcode scanner and a convenient social login tool.

In 2021, we launched two gamification pilots – Bonus Boxes (loot boxes) and Bonus Quest (quest). The findings of these pilots will be used to expand our loyalty program and foster a distinctive customer experience.

The Company’s online marketing and advertising strategy is based on developing free and nearly free traffic sources: SEO, e-mail, app push, and web push.

The plans for 2022 include the launch of an updated checkout page with an option to split the order into several deliveries, express order placement at the nearby Detmir Express store, and comprehensive product upgrade in terms of user experience at the discovery phase, including the catalog, filters, widgets and product card. The Group’s mobile app will be also adapted to meet the needs of people with visual impairments.



^o As at the end of December 2021

MARKETPLACE

In November 2019, Detsky Mir announced the launch of a pilot marketplace for the Fashion category. In 2020, the marketplace was expanded to cover all categories, including Fashion, Toys and Games, Baby Products and Pet Supplies.

As a result, the online store's total assortment has grown 3.7x compared to the end of 2020, reaching

920,000 → **2.4**_m SKUs

At the end of the reporting year, the marketplace accounted for 6.3% of total online sales, yet it remained one of the Company's fastest growing segments. In 2022, Detsky Mir will continue to develop this segment and plans to expand the assortment to

SKUs in the medium term.

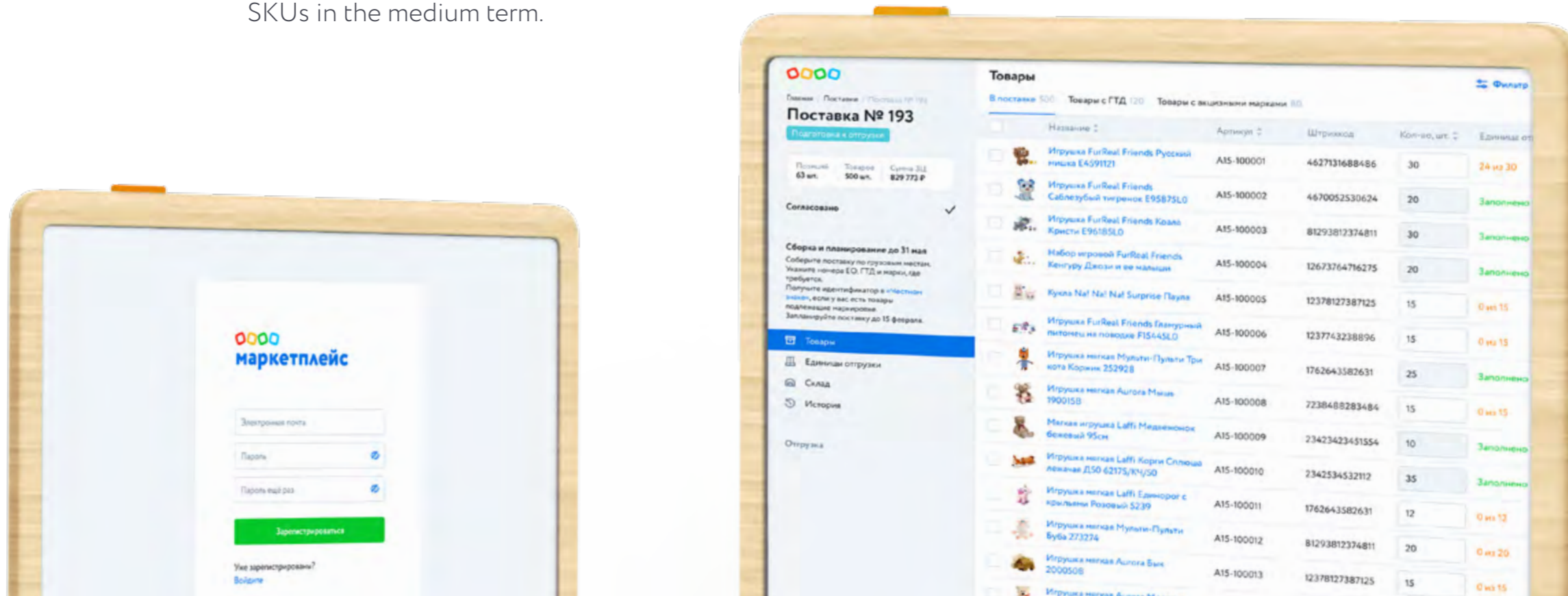
We offer attractive 3PL partnerships (whereby goods are sold from third-party sellers and manufacturers for a commission), which include a competitive flat rate of commission and the opportunity to leverage our existing logistical infrastructure. We have created a dashboard on the online platform for sellers that includes all the functions they need, including analytics, price management, and the opportunity to create and manage their assortment. We are now planning to expand the functionality of this dashboard and to implement a system to manage promotional campaigns, financial reporting, and operational analytics.

This marketplace will provide a unique opportunity for customers to purchase goods from a variety of categories of Russian and foreign branded products. Orders will be available by either pickup or courier delivery. Purchases of more than RUB 1,900 are eligible for free delivery. Our loyalty program is fully integrated into the marketplace, allowing customers to enjoy the full range of benefits it offers.

Maria Davydova,

CEO of Detsky Mir:

« Having a wide assortment is an important competitive advantage for any online store, so rolling out this marketplace more widely is a key strategic priority for us. Leveraging our existing retail and logistical infrastructure, while maintaining low marketing and operating expenses, will allow us to implement projects more efficiently than our competitors. We seek to focus on the categories of Children's Goods and Pet Supplies first, and then later test related categories and those beyond children's products – all while taking into account the brand's direction.»



RETAIL SALES OF CHILDREN'S GOODS

RETAIL CONCEPT

DETSKY MIR RETAIL CONCEPT RESTS ON SEVEN PILLARS.

- 1 Multi-format children's goods stores offering a wide and unique assortment
- 2 Affordable prices with a focus on middle and low-medium segments
- 3 Convenient locations in modern shopping centers and densely populated residential areas accessible on foot

- 4 Stores as an extension of the online shopping experience, where shoppers can pick up orders quickly and free of charge
- 5 Stores as an inventory storage center to enable fast courier delivery for online orders (last-mile service)
- 6 Thoughtful visual merchandising tailored to children and parents alike
- 7 Long-term relationships with customers based on a loyalty program

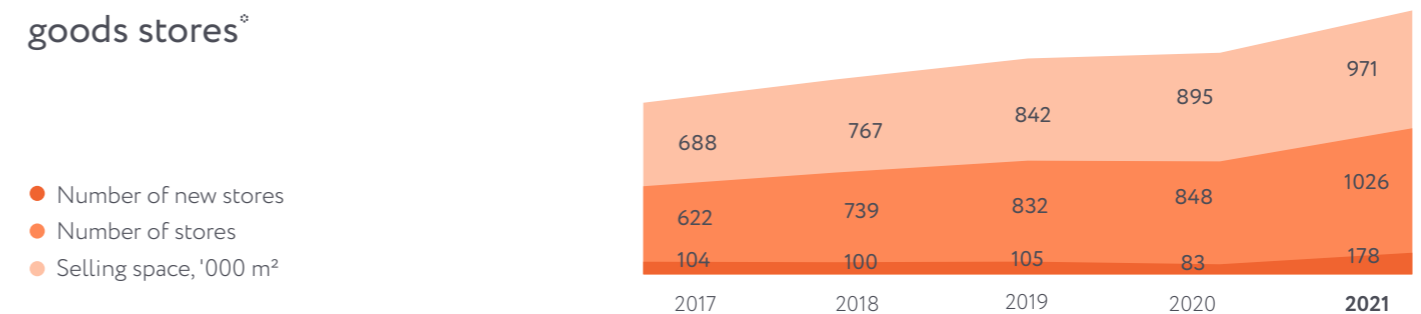
As at 31 December 2021, Detsky Mir had 916 stores in 445 cities and towns across Russia, Kazakhstan, and Belarus, while the Detmir Mini chain operated 110 stores.

In the reporting year, Detsky Mir welcomed over 249 million customers.

The Company successfully delivered on its annual target of expanding Detsky Mir and Detmir Mini chains by opening

178 new stores. Most openings (63 stores) took place in Q4 2021. At the same time, we continued expanding internationally in Kazakhstan and Belarus, opening eight new supermarkets in the reporting year.

Number of children's goods stores^o



^o Excluding Zoozavr pet supplies stores. New stores excluding ELC and ABC chains. In Q3 2020, to increase profitability by accelerating the opening of small Detmir Mini stores, the Group decided to close ELC and ABC chains accounting for less than 0.3% of the Group's revenue in 2020.

DETMIR MINI EXPANSION

In late 2019, to advance our omnichannel model with a view to consolidating the children’s goods market, we began actively testing the new ultra-small Detmir Mini format which combines a retail store with an online order pickup point. At the end of the reporting year, there were 110 such stores operating in the Moscow, Central and Southern regions.

In 2021, Detmir Mini earned almost

RUB **1** bn

According to preliminary research into these regions, market capacity is 2,000 Detmir Mini stores. We plan to leverage four clusters (selling space from 80 to 160 m²) to develop this format.

The priority locations will be cities and towns with around 20,000 residents and select venues in areas unsuitable for standard Detsky Mir stores revenue-wise.

DETMIR MINI PROFILE

The assortment includes 2,000 SKUs from all categories offered by Detsky Mir. The FMCG category accounts for the majority of the format’s assortment and sales.

The assortment includes 2,000 SKUs from all categories offered by Detsky Mir. The FMCG category accounts for the majority of the format’s offering and sales.



100–200 m²



FMCG + apparel and footwear for babies 0–24 months old



50% online sales



2,000 SKUs



80% of total area selling space



10,000–40,000 population



Next-day delivery from a regional DC

Detmir Mini sales

Category	Offline	Online	Total
Toys	19%	10%	29%
Stationery, books and multimedia	1%	1%	2%
Nutrition	12%	11%	24%
Diapers	9%	11%	20%
Feeding and care	2%	1%	3%
Large-size products	0%	3%	3%
Apparel	7%	7%	15%
Footwear	2%	2%	4%
Sports and outdoor activities	0%	1%	1%
Total	53%	47%	100%

Pickup of online orders accounts for at least 53% of Detmir Mini total revenue.

This is largely thanks to our fast delivery, with all orders available for pickup within a day after placement.



ASSORTMENT AND SUPPLY CHAIN

DETSKY MIR ASSORTMENT

In line with our assortment strategy, there are two main groups of goods – traffic generators and profit generators. Depending on the group, each product category has its own development strategy and location in retail stores.

TRAFFIC GENERATOR

Products for newborns

Share of revenue 30%

Private labels and direct imports 7.7%

Own assortment 14,800

Marketplace assortment 15,000

Detsky Mir market share 26.0%^o

Key competitors: food retail and online stores

The Products for Newborns category includes baby food, diapers, and childcare products.

This is an FMCG category with the highest average purchase frequency of several times a week.

The Products for Newborns category is strategically important given that it drives a significant portion of customer traffic across all sales channels.

The primary goal of this category is to generate strong sales by offering the best prices and a wide assortment of newborn products compared to direct competitors.

In addition, Products for Newborns mitigates the seasonality that all non-food retailers experience, since sales of these goods are generally not affected.

Toys

Share of revenue 31%

Private labels and direct imports 31.7%

Own assortment 31,700

Marketplace assortment 42,000

Detsky Mir market share 31.6%^o

Key competitors: specialty children's chains and online stores

Toys are one of the Company's largest categories. They drive customer traffic, increase loyalty, and generate high returns on sales in like-for-like stores and via the online channel. The category's wide assortment and affordable prices make the Company more resilient to competition.

According to Ipsos Comcon, Detsky Mir is the market leader in this category, with a share of approximately 44%.

The Company is also actively developing private labels of toys to maintain competitive prices and high margins.

Large-size products

Share of revenue 3%

Private labels and direct imports 71.5%

Own assortment 12,000

Marketplace assortment 10,400

Key competitors: specialty children's and online stores

Large-size products include car seats, baby carriages, and baby furniture. This category consists primarily of branded products, along with a significant assortment of private label goods.

PROFIT GENERATOR

Fashion

Share of revenue 30%

Private labels and direct imports 97.4%

Own assortment 24,500

Marketplace assortment 526,000

Key competitors: retail clothing and footwear stores, sports stores, and online stores

Apparel includes outerwear, clothing, underwear, socks, and accessories. Footwear comprises classic, casual, sports and hiking shoes, beach footwear and swimming pool footwear.

The Company focuses on fast fashion and expanding the relevant assortment. In 2021, for instance, we offered eight seasonal collections – Spring, Summer, Beach, Pre-Autumn, School, Autumn, Winter, and New Year's.

The Company currently owns 18 private labels in Fashion, each boasting its own target audience, assortment, and price positioning. To create collections, we engage our own design studio, which opened in July 2016, and external designers working exclusively for the Company.

The Fashion category delivers the highest margins across the entire assortment.

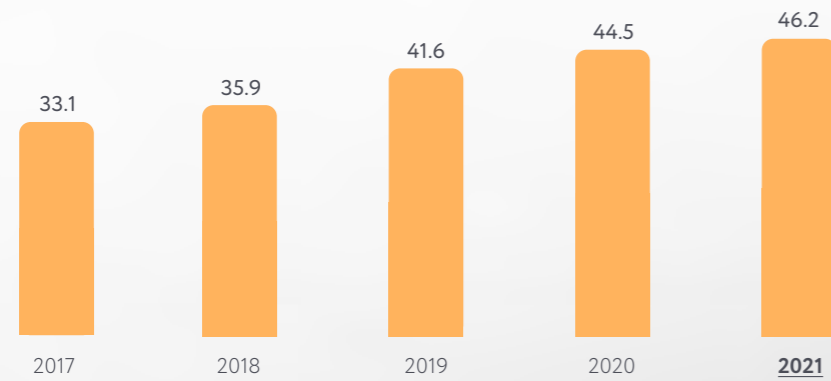
^o Source: Data from Ipsos Comcon

Share of private labels and direct imports in Detsky Mir sales by category, %

- Fashion
- Large-Size Products
- Other
- Toys
- Products for Newborns

	2017	2018	2019	2020	2021
Products for Newborns	1.6	2.9	5.6	6.4	7.7
Toys	18.1	22.9	29.2	30.7	31.7
Other	31.7	33.4	38.9	50.3	52.8
Large-Size Products	64.6	64.6	67.6	68.9	71.5
Fashion	90.3	92.9	95.9	96.5	97.4

Share of private labels and direct imports in Detsky Mir sales, %



Detsky Mir is continuously improving its supply chain management and building long-term partnerships with suppliers.



DIRECT CONTRACTS

We seek to reduce the share of distributors by entering into direct contracts with major manufacturers of children's goods. This approach serves to optimize purchase prices, manage our assortment effectively, and improve quality control.

We are also able to set favorable prices and obtain direct access to supplied goods. As a result, we increase revenue and margins, while also boosting service quality thanks to uninterrupted supplies.

In 2021, foreign manufacturers, primarily from China, India, Vietnam and Bangladesh, accounted for approximately 75% of our shipments. Roughly half of the goods are purchased in rubles from representatives and distributors of international companies, while the other half is largely represented by our private labels sourced directly from foreign manufacturers and paid in foreign currency.

The aggregate share of direct contracts in Toys, Products for Newborns, and Large-Size Products categories exceeded 70%, with the top seven suppliers accounting for 45% of such contracts. At least half of all direct deliveries in the Fashion category come from the five largest suppliers.

BRANDS ADDED TO OUR PORTFOLIO OF DIRECT IMPORTS IN 2021

As at 31 December 2021, we partnered with 116 manufacturers in the Toys category, 40 in the Products for Newborns category, 86 in the Large-Size Products category, and 64 in the Stationery and Other Goods category. Fashion goods come from some 70 manufacturers.

We also strive to negotiate special terms for unique products that boost traffic, like-for-like sales and customer loyalty, while protecting the Company from price competition in the pre-sale period. In particular, unique products accounted for as much as 25% of all shipments from Mattel, Hasbro, and Spin Master, with the figure standing at 23%, 9% and 5% for P&G, Kimberly and Lego, respectively.

These goods give us an advantage over competitors and help strengthen our image as a specialty store with the largest assortment of children's goods.



PRIVATE LABELS

Private labels are a strategic focus area for Detsky Mir. The Company currently owns 18 private labels in Fashion, each boasting its own target audience, assortment, and price positioning. To create collections, we engage our own design studio, which opened in July 2016, and external designers working exclusively for the Company.

Private labels enable us to offer exclusive and very popular products at the best prices which makes them strategically important for the Company. This is achieved through economies of scale.

By selling private label goods made in Russia and abroad, we can effectively control pricing and carefully monitor the quality of input materials. In turn, manufacturers benefit from a stable stream of orders and lower branding and logistics expenses.

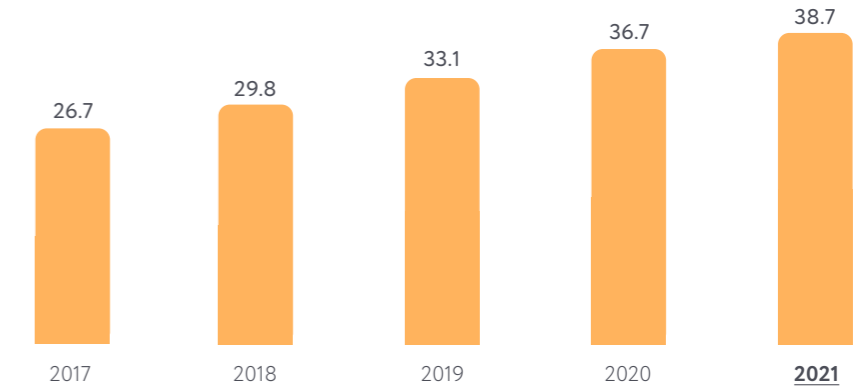
In 2021, private labels accounted for 38.7% of all Detsky Mir revenue.

Collections designed by the Detsky Mir studio accounted for 11.5% of sales in the Apparel category (over 420 designs). In addition to unique design, the key edge of Futurino Fashion, an entirely in-house brand, is its great value for money, as we request prices for each finished design from 5–10 different manufacturers.

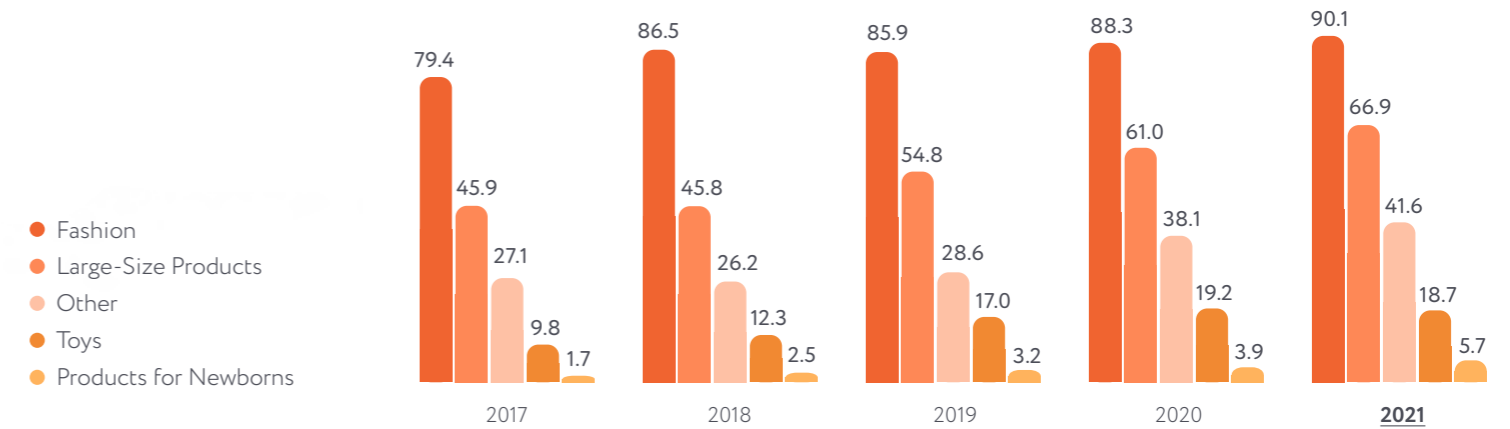


Private labels account for **90.1%** of Fashion sales, while in Toys and Products for Newborns categories, their share is 18.7% and 5.7%, respectively.

Share of private labels in total sales, %



Share of private labels in total sales by category, %



PRIVATE LABELS IN FMCG

<p>Creative</p> <p>P</p>  <p>Attivio</p>	<p>Hygiene, feeding and care</p> <p>P</p>  <p>Baby Go</p>	<p>Toys for girls</p> <p>P</p>  <p>Demi Star</p>
<p>Diapers</p> <p>PP</p>  <p>MANU</p>	<p>Large-size products</p> <p>P</p>  <p>babyton</p>	<p>Toys for boys</p> <p>P</p>  <p>GLOBAL BROS</p>
<p>Stuffed animals and plush toys</p> <p>P</p>  <p>Laffi nearest & dearest</p>	<p>Stationery</p> <p>P</p>  <p>OLSSON</p>	<p>Sports</p> <p>P</p>  <p>MOBICARO</p>
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PRICE SEGMENT

P Low PP Medium

KEY PRIVATE LABELS IN FASHION

In 2021, our Fashion business launched Baby Go and Futurino collections manufactured on the basis of the Better Cotton Initiative's standard of responsible cotton processing.

<p>BRAND BABY GO</p> <p>P</p>  <p>Baby Go</p> <p>Apparel for babies</p>	<p>Party apparel for girls</p> <p>PP</p>  <p>Orsolini ISPIRAZIONE E DI LUSO</p>	<p>Sports apparel and footwear</p> <p>PP</p>  <p>JOYOTO</p>
<p>BRAND FUTURINO</p> <p>P</p>  <p>Futurino FASHION</p> <p>Capsule apparel</p>	<p>Maternity apparel</p> <p>PP</p>  <p>Baby Go - TREND -</p>	<p>School apparel</p> <p>P</p>  <p>Chessford BACK TO SCHOOL</p>
<p>Everyday apparel and footwear</p> <p>P</p>  <p>FUTURINO</p>	<p>School apparel and footwear</p> <p>P</p>  <p>RUN LIFEWEAR</p>	<p>Casual footwear</p> <p>P</p>  <p>Kedini</p>
<p>Techwear apparel</p> <p>PP</p>  <p>COOL</p>	<p>Walking shoes</p> <p>P</p>  <p>Wappo</p>	<p>Russian-made apparel for babies</p> <p>P</p>  <p>Моя Горoshinka сделано в России</p>
<p>Maternity apparel</p> <p>P</p>  <p>FUTURINO MAMA</p>	<p>Sports apparel</p> <p>P</p>  <p>futurino</p>	

We also developed a fall/winter 2021 capsule eco-collection for babies called My Goroshinka (My Little Pea). The collection is made from 100% organic cotton (see the Responsible Product Sourcing section).

THE MY GOROSHINKA (MY LITTLE PEA) ENVIRONMENTALLY CONSCIOUS CAPSULE COLLECTION

(FALL/WINTER 2021)

Clothing is made from 100% organic eco-cotton, which is safe for infants and does not cause irritation or allergic reactions. It is ideal for newborns and infants with sensitive skin. The porous structure is highly permeable to air and helps

the child's skin to breathe. The fabric is very soft and pleasant to the touch, while at the same time being particularly durable and resilient, withstanding daily wear and ensuring lasting comfort for the child.

The organic cotton is grown using sustainable technology without the use of synthetic chemicals such as pesticides and fertilizers, while the resulting textile is not treated with hard bleaching agents or dyes.



In 2021, in line with our ESG strategy, we purchased goods partially made of recycled polyester, which account for 23% of our offering. Recycled polyester was largely used as filling for Futurino and BabyGo outerwear.

We also placed first orders for apparel from recycled cotton.

In 2021, the share of private labels in the Books, Stationery and Multimedia category increased by 8 p.p. year-on-year

to 33%. Private labels and imports accounted for 59% of revenue, up 9 p.p. year-on-year.



BABYGO

The share of the Company's own BabyGo brand in the Diapers category increased from 7% in 2020 to 10% in 2021. We

The share of the Company's own BabyGo brand in the Diapers category increased



introduced large packs for a month-long use and improved the characteristics of pull-ups. Going forward, we plan

to add night pull-ups to the assortment and redesign the packaging and the product.



MANU

In early 2020, Detsky Mir launched its own new brand of diapers Manu in Russia, Kazakhstan, and Belarus. Thanks to the premium Japanese quality and medium pricing, the brand is well-positioned to compete with other global brands.

The brand's share in sales grew



with a further increase expected throughout 2022

The Manu line consists of 10 SKUs (open diapers and pull-ups) and five basic sizes ranging from Newborn to XL.

We are currently developing large packs (boxes), night pull-ups and a new line of the most advanced ultra-thin diapers.

The brand's share in sales grew from 1% to 5% in late 2021, with a further increase expected throughout 2022.

In the Feeding and Care category, the share of private labels went up from 7% to 9% in 2021. We started designing our private label of kids electronics (sterilizers, food warmers, breast pumps, baby scales, etc.) to be marketed in 2022.

In the medium term, Detsky Mir plans to expand its product range by developing the marketplace, adding more unique products, advancing quality private labels, and increasing the share of goods in the low-medium

price segment. On top of that, we seek to reduce purchase and retail prices and negotiate more favorable payment terms.

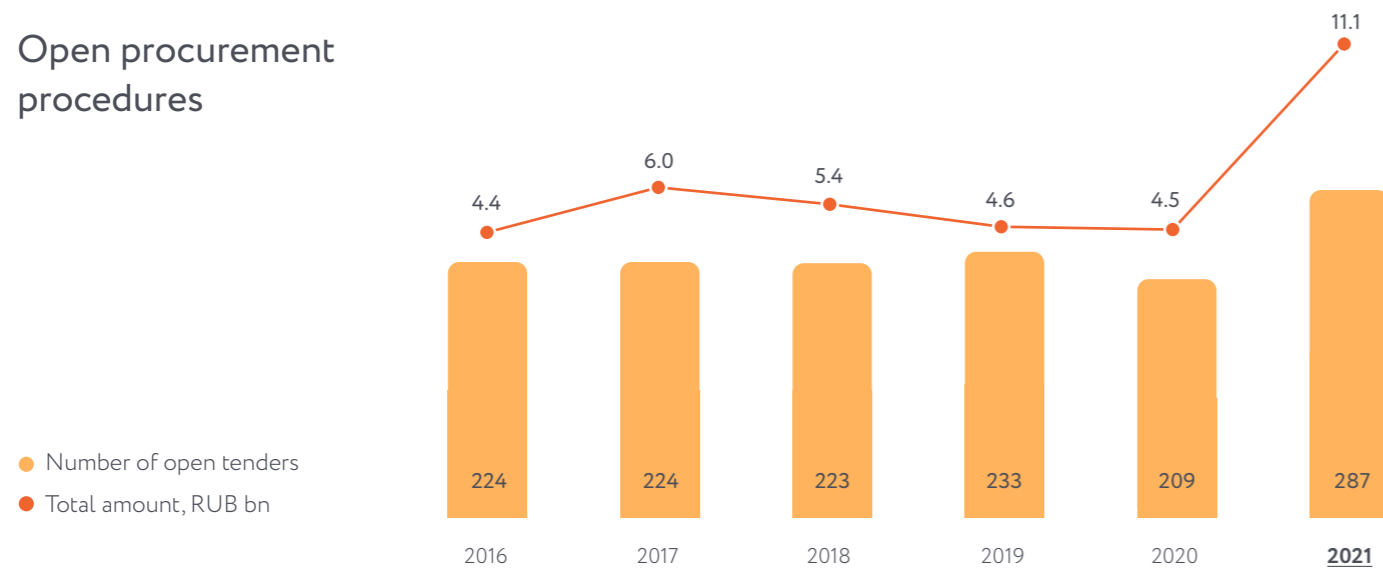
OPERATIONAL PROCUREMENT

Purchasing goods and services for our own needs is one of our priorities. Among other things, we procure warehousing, in-store and IT equipment along with transportation and logistics,

construction and installation, marketing and advertising services to support our key business processes. This is why non-commercial purchases require a comprehensive approach as regards

both quality and pricing. As a public joint-stock company, Detsky Mir pays special attention to making its procurement process transparent and effective.

Open procurement procedures



In 2021, we increased both the number and the amount of procurement procedures largely due to the opening and launch of new distribution centers and the ongoing opening of various formats, including Zoozavr stores. Additionally, we organized a number of tenders which were impossible or unreasonable to hold during the COVID-stricken year of 2020. Our absolute logistics and consumables costs grow side-by-side with turnover.

In 2022, we will keep working hard to streamline our procurement. Thanks to the ongoing cooperation with a new e-commerce platform pilot tested in 2021 we can fast-track some tenders and minimize manual labor through automation. On top of that, with new information sources available, we were able to expand the supplier pool, strengthen competition and get even better terms. We keep adjusting our approach as regards contract duration

and price fixing based on trends in various market segments. For some expense items, for instance, it is wise to sign a long-term contract for 2–3 years while for others prices should be subject to regular (quarterly, monthly) revision. A combination of various approaches helps improve procurement economics and our financials.



PET SUPPLIES

In the reporting year, the Company decided to scale up this business, expanding the chain to

93 stores, primarily in European Russia.

At the end of 2018, the Company launched a pilot to enter into a new market – pet supplies. We opened four stores under the Zoozavr brand. In 2019, the Company decided to continue developing this area, adding six more stores to the portfolio.

The Zoozavr chain offers products from leading manufacturers in all major categories – pet food (including medicinal), veterinary drugs, cosmetics, hygiene products, grooming products, and much more.

Alongside the retail chain, we kicked off zoozavr.detsky-mir.ru, an online pet supplies store and a dedicated iOS and Android app. Customers can pick up their orders at any Detsky Mir store or use our courier delivery service.

In 2021, the stores earned

RUB **929** m.

Zoozavr will be instrumental in consolidating a large, fragmented and growing market (see the Our Markets section) through synergies with the Company’s core businesses.

In 2021, the online channel’s share of total sales in the segment reached approximately

66%

At the same time, online orders delivered directly from distribution centers accounted for at least 35% of all online sales.

During the lockdown period, all Zoozavr stores continued to operate as usual, delivering strong sales growth year-on-year. This is yet another proof that the pet supplies market is highly resistant to external social and economic shocks.

SYNERGY WITH CORE BUSINESS

- Single target audience
- Shared loyalty program
- Ability to order pet supplies from several manufacturers of children’s goods;
- Use of existing sales channels: pick-up from stores and partner pick-up points, website, and the detmir.ru mobile app
- Development of online product range through the Company’s own marketplace
- Use of existing logistics (distribution centers and transportation capacities)
- Extensive financial and management resources relative to other player
- High operational efficiency of business processes

ZOOZAVR PROFILE

- Total area: **90–120 m2** / selling space: **70–195 m2**
- Store locations: **mostly outdoor venues** or in shopping malls next to food retail stores
- Wide product range: up to **4,000 SKUs** (retail) and more than **10,000 SKUs** (online)
- Planned **launch of private labels** in 2022
- Effective online outreach across the entire Russia via Detsky Mir stores
- Omnichannel pricing policy and price leadership strategy

ZOOZAVR SALES STRUCTURE

The Zoozavr store product line consists of 4,000 SKUs across all pet supply categories. Pet food is the key category

making up 70% of all sales, with Clothes and Footwear, Treats and Toys delivering the highest margins. The Veterinary

Medicine category is also strategically important, especially when it comes to competition with online players.

Zoozavr sales by product group

Category	Share of online sales, %	Share of offline sales, %
Cat food and treats	52%	40%
Dog food and treats	33%	25%
Cat box fillers	5%	6%
Veterinary drugs	2%	7%
Accessories	6%	17%
Birds, rodents, and fish	2%	5%

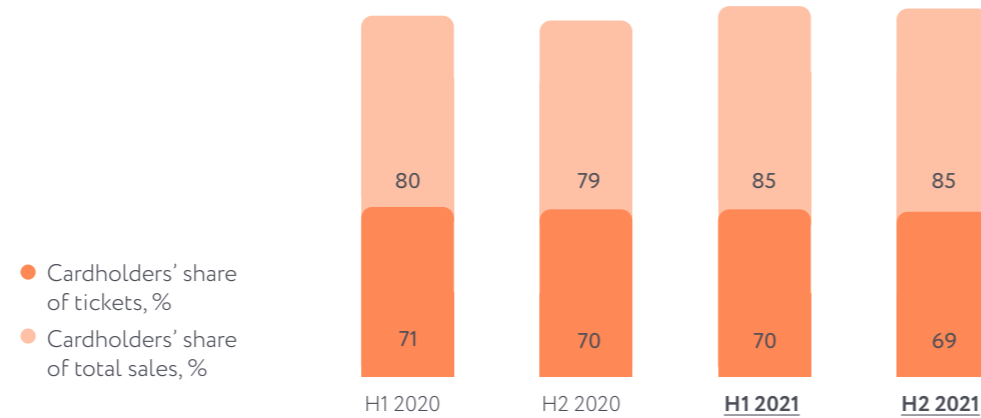
ACTIVE MARKETING SUPPORT

Holders of Detsky Mir bonus cards can take advantage of the Zoozavr loyalty program, which allows them to receive 2% bonuses on purchases and compensates them for up to 100% of the cost of goods.

Loyalty cards make up around

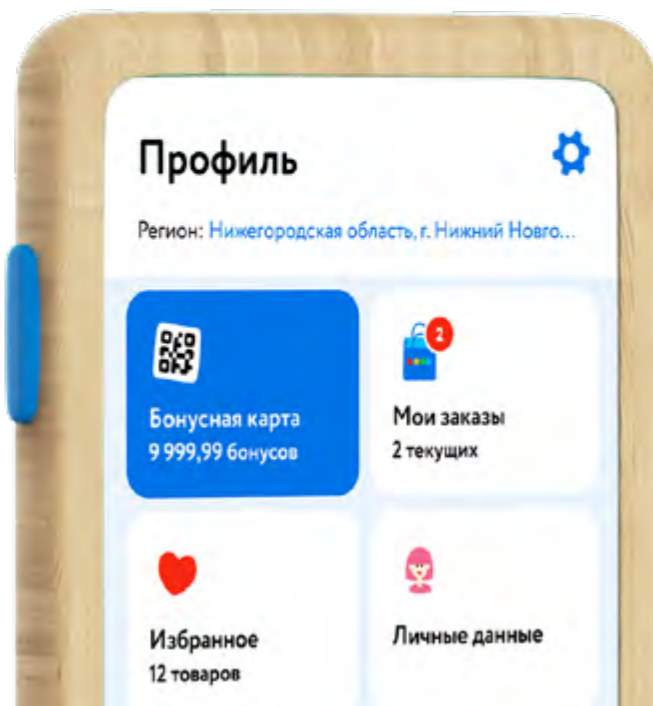
70%
of Zoozavr sales.

Zoozavr economics



The Company actively uses promotions across all pet supplies sales channels.

At the moment, while the chain is actively expanding, promotions bring in 40% of sales (the target is 30%).



PRIVATE LABELS

In 2022, Zoozavr plans to launch six private labels.

- Seven private labels, or 600 SKUs
- Categories: cat and dog food and treats, fillers, toys, clothes, and other accessories
- Countries of origin: Russia, China, Italy, and Japan
- Synergy with private labels in the children's segment (logistics and production facilities)
- Sales launch in Q1 2022

The Company also plans to switch to direct contracts with pet supply manufacturers. For example, at the beginning of 2021, a direct contract was signed with Royal Canin, the world's largest pet food manufacturer.

CARNICA, A SUPER PREMIUM BRAND OF HIGH-QUALITY CAT AND DOG FOOD

Carnica is a new super premium brand of high-quality cat and dog food which will fully guarantee healthy and adequate nutrition of your pet. Developed together with a nutrition expert, Carnica is manufactured using high-tech equipment and in compliance

with the most stringent global standards of quality.

There are several lines of Carnica dry and wet pet food – Classic, Special Diet and Monoprotein.

The brand's name shows it is meat-based. Dry food contains up to 60% of animal protein, while wet types boast up to 65% of meat ingredients.





Dr. Petzer

Flea and tick treatment, additives

13



Harty

Food

35



Light Bites

Treats

57



Zoozavr

Clothes and accessories

490



Homezen

Filler

6

CUSTOMER EXPERIENCE

IMPROVING CUSTOMER EXPERIENCE

Dedication to positive customer experience lies at the heart of Detsky Mir's strategy. The Company has in place a full customer feedback cycle, including collection of data at key points of contact, analysis, development and execution of action plans.

In 2020, a daily customer experience assessment was introduced. The day after making a purchase, customers receive an email inviting them to take a survey.

In 2021, the Company collected around one million questionnaires, which laid firm groundwork for business decisions seeking to improve customer experience in retail and online stores.

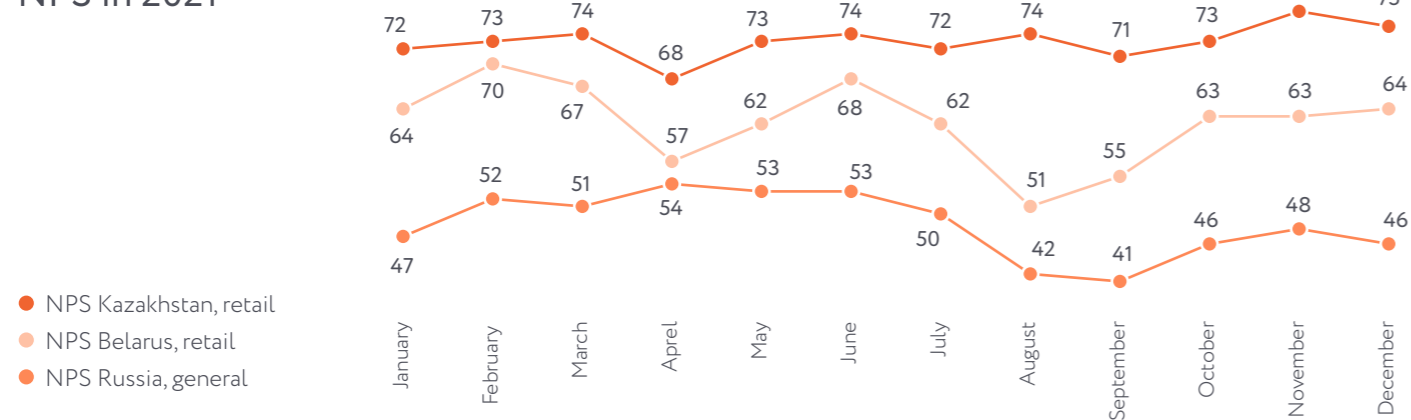
Customer satisfaction is monitored by measuring quantitative indicators:

- **Net Promoter Score (NPS).** Measures loyalty to a company based on a customer's willingness

to recommend it to friends and acquaintances. The index is included in the incentive plans at all management levels, including CEO, CEO-1 and CEO-2.

- **Customer Satisfaction Index (CSI).** Allows a company to evaluate the experience of a customer's last purchase. The indicator is included in the incentive plan for retail store personnel.

NPS in 2021*



* Data for 2020 is not shown, as it is not comparable with data for 2021 due to significant changes in the NPS measurement methodology.

Customer feedback is becoming a catalyst for changes in business processes, website and mobile app interfaces, and retail store design.

For the customer's convenience, we upgraded the website and mobile app and added new features to personal accounts in 2021. Based on feedback from online users, we introduced an option to pay for orders with gift cards and apply for installment payment plans.

In 2021, the Company launched Detmir 3.0, a new store format designed based on VoC (Voice of Customer) findings. Our pick-up areas also underwent transformation: new stores boast dedicated customer service areas, while some 200 existing stores were equipped with new service areas to better cater to customer needs. In-store order collection has never been easier: now customers can pick up their orders and pay for them in one place.

The customer voice is heard throughout the Company. Every month, results are studied by senior management, relevant departments, and counterparties. This approach enables rapid implementation of changes to improve the customer experience. All of this has a significant positive effect on customer loyalty, which in turn represents a boon for Detsky Mir's performance.



Listening to customers on a regular basis:

- Every 15 minutes – store manager
- Every day – region leader and territory manager
- Every month – top management, department heads

Continuous improvement of customer experience via the Customer Support Center

- 2016**

Quarterly measurement of customer loyalty using the NPS index
- 2017**

Creation of the Customer Support Center: all customer requests are aggregated in a single system
- 2018**

Expansion of available communication channels: VK, Yandex.Market, reviews on product cards and a feedback form on the website
- 2019**

Transition to monthly research on customer loyalty, as well as adding WhatsApp and Viber
- 2020**

Daily measurement of the customer experience in real time by key point of contact (NPS and CSI)
- 2021**

Improvements in CX and UX analytics: launch of tracking metrics, qualitative and quantitative ad-hoc projects seeking to optimise retail and online store processes, sharper focus on customer feedback in managerial decision-making, roll-out of a daily CX dashboard for retail store directors.

On top of that, VoC metrics are to be included in the incentive plans for employees at all levels:

 - NPS for the CEO, CEO-1 and CEO-2 management;
 - CSI for the personnel of retail stores, including territory managers, directors and deputy directors.

ALWAYS IN TOUCH: CHATBOT AND AUTOMATION OF WRITTEN COMMUNICATION CHANNELS

After considering the split between communication channels (70% and 30% of written and voice requests, respectively), we proceeded with the automation of written communications. As early as May 2021, we unveiled a chatbot in the following channels:

- Web chat
- Mobile app chat
- VK
- Viber
- Whats app

It took the Customer Support Center six months to train the bot on how to deal with 31 messaging topics and complete approximately 250 scenarios without the operator's help. Our chatbot can provide information on the current order status, exchange/return of purchased products, promotions and opening hours, while also being able to extend the order holding period and give out promo codes.

30% of all written communications are handled automatically, with no operators involved.

It takes the chatbot up to five seconds to give a ready-made response to the submitted request in any area covered by the training program and in accordance with the scenario. The key distinctive feature of our robot is its creative approach to the conversation, which makes it seem like talking to a real-life operator. Most of our customers cannot tell the difference between a dialog with an operator and the chatbot.

The rate of automation for order status requests (share of inquiries fully resolved with no involvement on the side of operators) reaches 60%.

Thanks to the large-scale automation of written communications, we managed to:

1. Reduce response time in chats and messengers
2. Reduce the number of human errors
3. Reduce operator workload to redistribute working hours and assignments in a more efficient way
4. Reduce the cost of one processed request, with savings per request coming in at around RUB 5
5. Save over RUB 3 m per month in customer support center expenses

VOICEBOT

Order Status, an interactive voice response (IVR) system, enables the Company to provide 24/7 customer support. It takes an average of 30 seconds from the moment the call is received until the customer is notified of the order status.

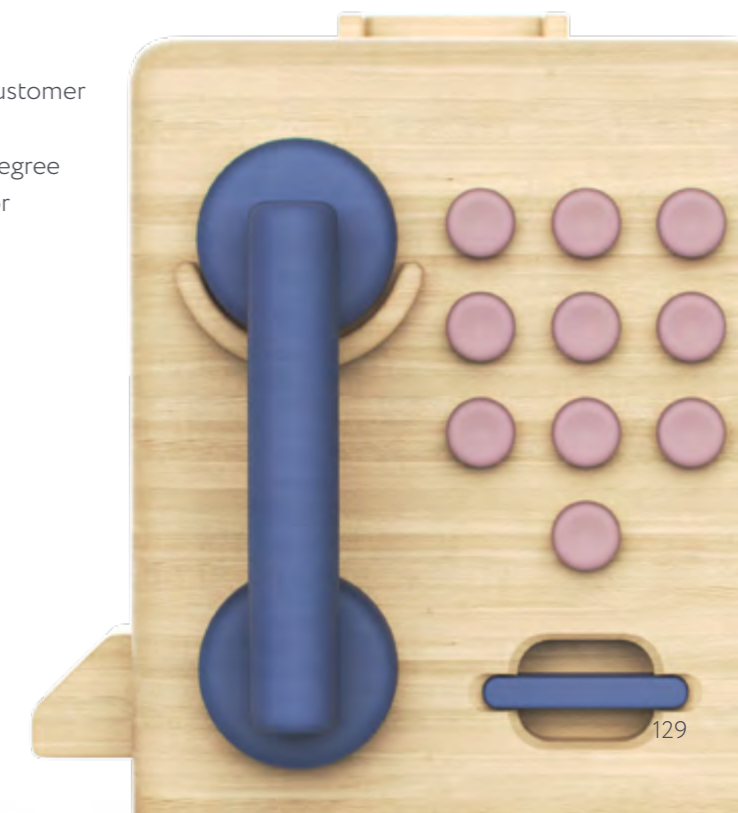
36% of incoming calls regarding order status are processed automatically using a voice assistant.

This solution not only improves customer experience, but also helps boost the Company's efficiency, as the degree of service automation and operator payroll savings reach 11%.

RESPONSE TIME

All calls and inquiries from customers go to the Customer Support Center as the single point of contact. A unified tracking system makes it possible to maintain a high response rate, comparable with market leaders:

- 1 minute – web and mobile app chats
- 15 minutes – VK, WhatsApp, Viber
- 2 hours – email, feedback form on the website



FAIR ADVERTISING

Detsky Mir's Legal Department vets all advertising prior to publication. Transparency, integrity, and regulatory compliance are key principles in the Company's advertising materials.

In line with the Russian government's announcement of a lockdown regime and the introduction of rules to combat the spread of COVID-19 and minimize traffic in retail stores, Detsky Mir refrained from running TV ads from 5 to 22 April 2020.

While most retail chain stores continued to operate during lockdown, we did not consider it appropriate to encourage customers to visit stores through additional advertisement of products or ongoing promotions.

LOYALTY PROGRAM

The Detsky Mir and Zoozavr chains have a unified loyalty program offering customers a variety of considerable benefits. Buyers can get a 5% bonus for purchasing clothes and footwear and a 2% bonus for getting any other goods, including pet supplies. These bonus points can be used to compensate up to 100% of the purchase value.

The number of loyalty program members in Russia has been growing. By the end of 2021, a total of 29.6 m loyalty cards had been issued (up 2.8 m cards compared to 2020).

In 2021, program participants accounted for 78% of total tickets and 86%

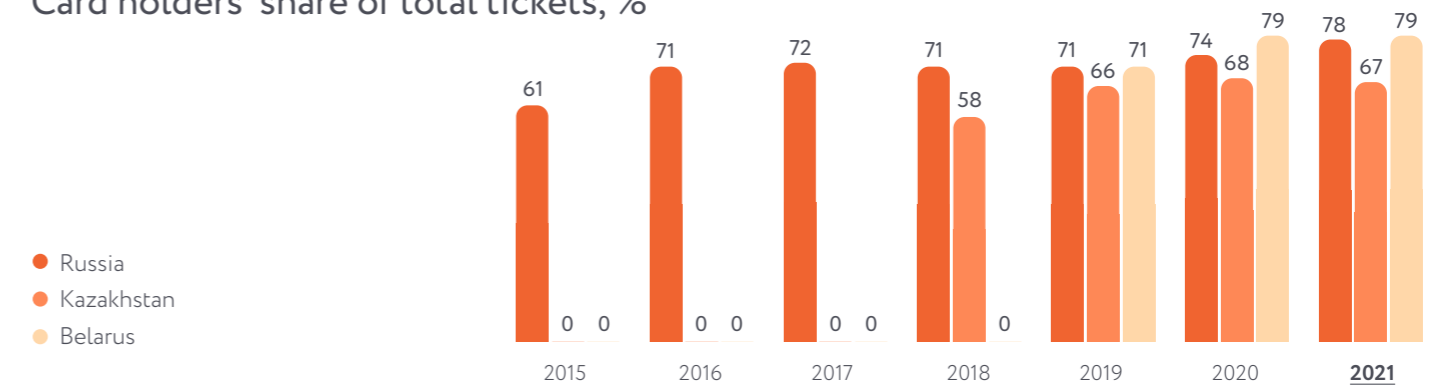
of total sales in the Detsky Mir chain. Card holders' average ticket is nearly 77% higher than that of non-loyalty card customers.

In the Zoozavr chain, a total of 279,000 loyalty cards (up 173,000 cards compared to 2020) had been issued by the end of 2021. Card holders accounted for 69% and 81% of the chain's total tickets and sales, respectively. Card holders' average ticket is 85% higher than that of non-loyalty card customers.

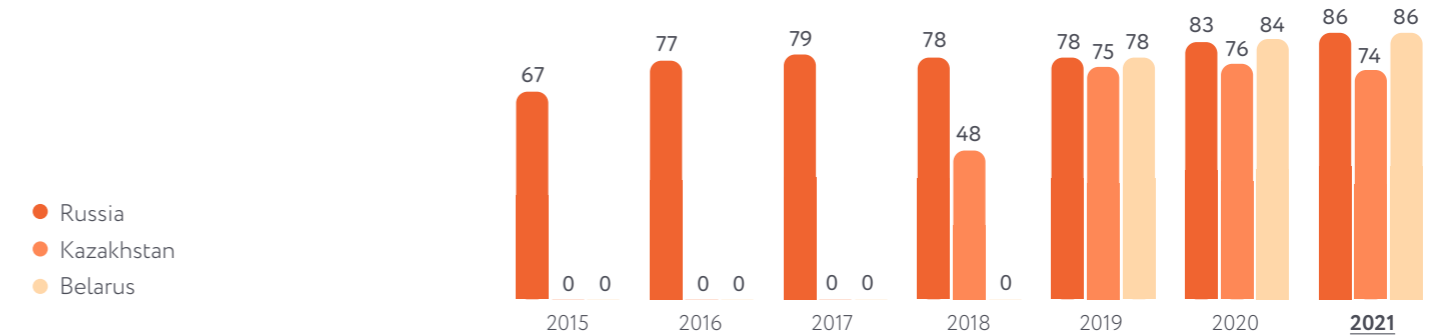
The loyalty program at Detsky Mir stores in Kazakhstan is also rapidly gaining traction, with 780,000 members

registered as at the end of 2021 (up 140,000 people year-on-year). Loyalty card holders accounted for 74% of total sales and 67% of total tickets. Card holders' average ticket is 41% higher than that of non-loyalty card customers. In 2021, we continued rolling out the Detmir chain in Belarus. By the end of 2021, loyalty cards had been issued to 275,000 customers (up 129,000 people year-on-year). Program participants accounted for 79% of total tickets and 86% of total sales. Card holders' average ticket is 60% higher than that of non-loyalty card customers.

Card holders' share of total tickets, %



Card holders' share of total sales, %



In January 2022, we launched a unified account for families, which enables couples to use a single loyalty card to place online orders and make purchases in retail stores. This made accumulating and spending bonus points even easier than before.

In 2022, we plan to kick off transformation of Detsky Mir's loyal customer base with a pivot towards active buyers. This project will help update the clients' personal data

(including birth dates of their children) and remove irrelevant profiles with a view to strengthening our focus on the active customers of Detsky Mir.

CRM SYSTEM

In 2020, the Company launched a number of projects with the help of the Mindbox CRM system. Mindbox integrates all customer data into a single profile and supports data deduplication, cleaning, analytics, and segmentation by behavior and purchases.

By deploying this system, the Company has aggregated all of its customer data in one place. Using this data, we were able to set up automatic communication with customers.

Mailings have become personalized, with subscribers receiving offers depending on their interest in certain categories of goods.

AUTOMATING NPS DATA RETRIEVAL

After making a purchase at a retail or online store, each customer automatically receives a survey by email asking them to rate the level of service. This data is aggregated for further analysis and to find solutions to potential issues.

CASCADING ORDER NOTIFICATION SYSTEM

Each user first receives an email notification and then a push notification. If the push notification is not delivered for any reason, an SMS message is sent. This change can reduce the SMS notifications budget for the online store by up to 80%.

SYNCHRONIZATION OF THE NEW MOBILE APP

The Company has synchronized its new mobile app with the CRM system and has begun to transfer information to a single customer database. This has made it possible to set up automatic trigger chains to activate or win a customer back inside the mobile app.

We also synchronized encrypted customer data with advertising accounts on Yandex.Audience, Google, MyTarget, VK.com, etc. This has allowed the Company to interact with different audiences on external advertising platforms and personalize advertising to attract, retain, and win back customers.



GIFT CARDS

Detsky Mir Group is expanding its projects aimed at improving its customer service level. Gift cards and electronic

gift certificates remain an important sales driver in the business-to-customer (B2C) and business-to-business (B2B) segments.

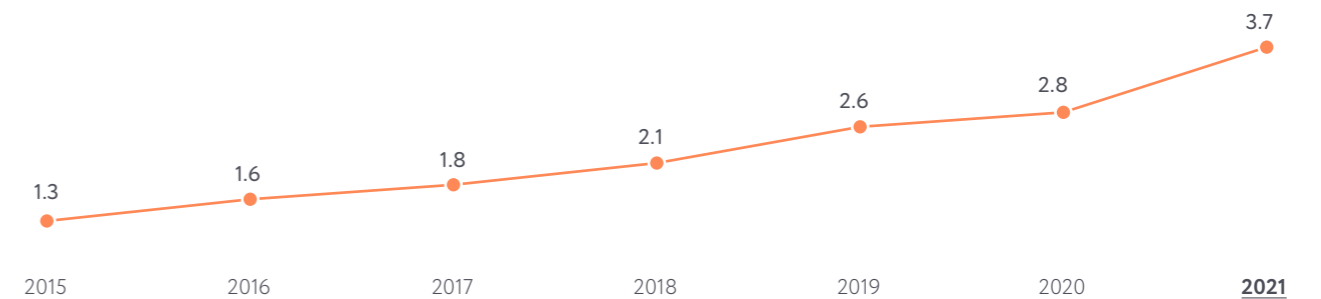
B2B sales had increased by 34% year-on-year, demonstrating the product's popularity, including among Detsky Mir's corporate clients.

By the end of 2021, Detsky Mir's revenue from the sale of gift cards and electronic gift certificates in the B2C and B2B segments had increased

by **33%** year-on-year to RUB **3.7** bn.

Stable growth in Detsky Mir gift card sales was observed in Kazakhstan and Belarus, where the sales volumes increased by 98% and 198%, respectively.

Gift card and electronic gift certificate sales, RUB bn



Electronic gift certificates can be purchased in the detmir.ru online store and on partner sites for use in Detsky Mir retail stores. In 2020, the share of electronic gift certificates (out of total

gift card sales and certificates) increased by almost 1.5x to 20%.

In 2021, we plan to continue developing the B2C and B2B segments for gift

certificates, as well as launch a new service to use gift cards and electronic gift certificates as payment for goods on the detmir.ru website.

LOGISTICS

LOGISTICS INFRASTRUCTURE

Robust logistics infrastructure is one of Detsky Mir's key advantages that ensures fast delivery of online orders, availability, and a wide selection of goods in all regions of the country.

The Company currently owns federal Bekasovo 1, Bekasovo 2 and Yekaterinburg distribution centers, which have a total area of 195,500 m².

Our strategic goal is to provide next-day delivery for at least 80% of all online orders by building an efficient regional logistics network (see the Strengthening Leadership in the Children's Goods Segment section).

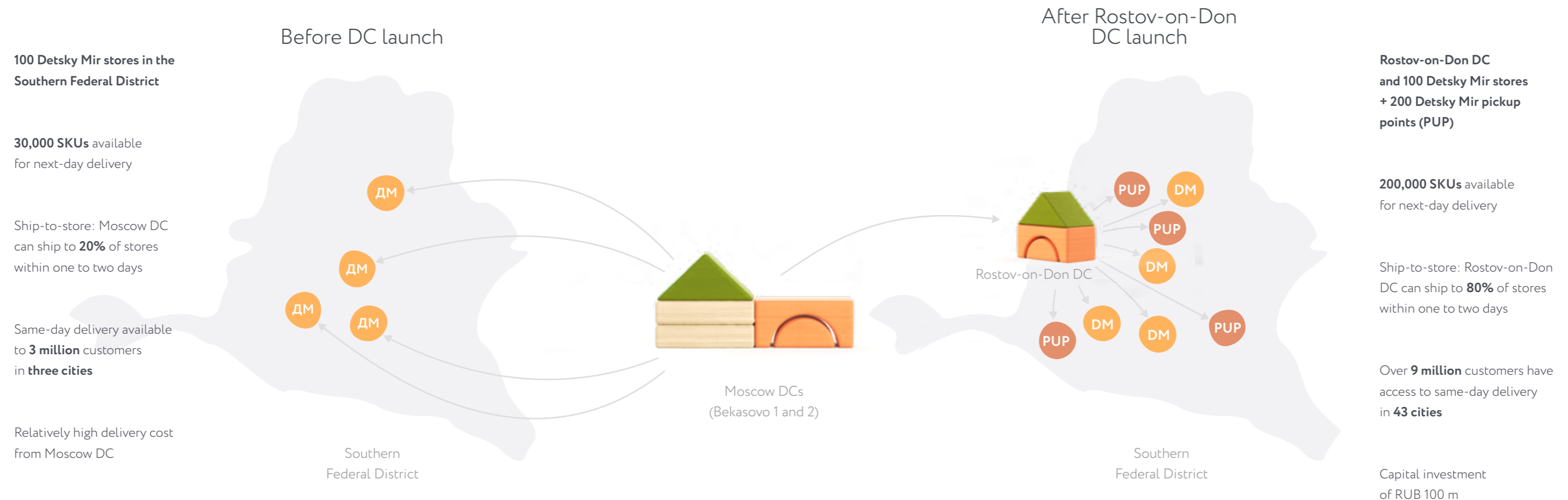
The new 35,000 m² distribution center has an advantageous location in close proximity to the M-4 Don highway, 7 km from Rostov-on-Don and 20 km from Platov Airport. We leased 6,000 m² of warehousing space for seven years with a potential of further expansion. The project's total capex is approximately RUB 100 m.

The complex fully complies with modern requirements for such terminals. Designed to process up to 200,000 SKUs, the new regional distribution center provides fast and uninterrupted delivery of online orders in the Southern Federal District. In H2 2020, more than 195,000 online orders were shipped from the South Distribution Center

Maria Davydova,

CEO of Detsky Mir:

« The opening of the new distribution center is strategically important for us as it will ensure next-day delivery to customers across the entire federal district. I am confident that the facility will meet our expectations, and we will continue opening similar logistics centers throughout Russia. »



Kazan DC

Before DC launch	After DC launch
107 Detsky Mir stores in the Volga Region	Delivery time reduced to one day
Average delivery time of four days	200,000 SKUs added to the available product range
Same-day delivery available to 5 million customers in six cities	Over 15 million customers have access to same or next-day delivery
	Throughput increased to 250,000 orders per month

In the reporting year, the Company launched its second and third regional distribution centers in the Novosibirsk Region and Kazan.

With an area of 8,000 m2 and room for up to 200,000 SKUs, the Kazan center will be able to process goods of all categories, from diapers and baby rattles to children’s furniture and strollers. The distribution center’s throughput will reach up to 250,000 orders per month.

The fulfillment center in Novosibirsk will provide for the next-day delivery of at least 80% of online orders in the Siberian Federal District. At the fulfillment warehouse, Russian Post will be able to simultaneously store up to 200,000 SKUs from Detsky Mir assortment, while shipping up to 90,000 online orders per month.

Also, in early 2022, the Group launched its third federal distribution center with a total floor area of 63,000 m2 and processing capacity of 2.4 million SKUs. The new facility will ensure uninterrupted supplies to retail stores

and next-day delivery services for at least 80% of online orders in the Urals Federal District. Additionally, the center will dispatch goods to the Far East and Kazakhstan. It is expected to be able to process more than 35,000 orders daily.

The new distribution center will create 1,000 new jobs for local residents.

Another federal DC is expected to be launched in 2024.

Novosibirsk DC

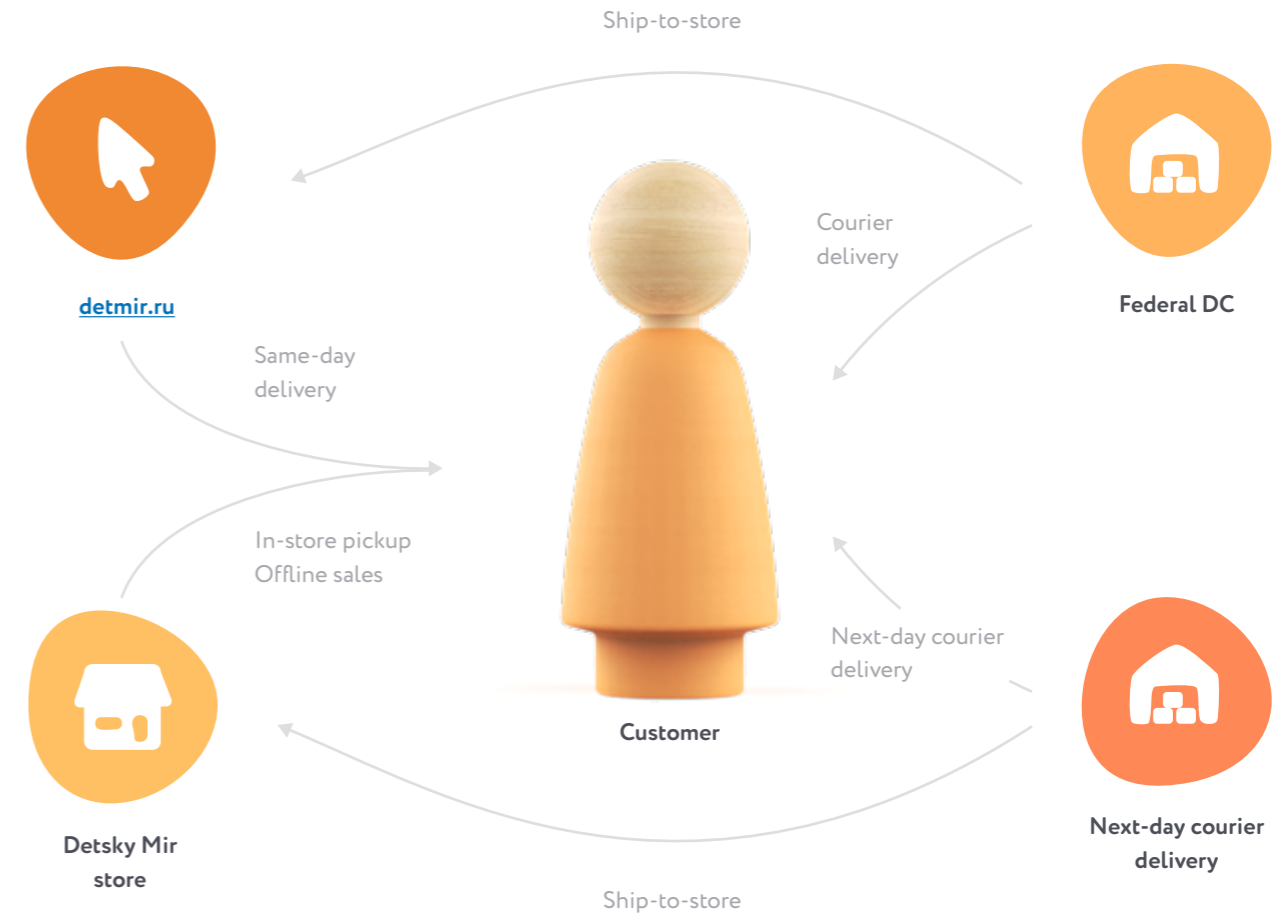
Before DC launch	After DC launch
144 Detsky Mir stores in the Urals and Siberia	Delivery time reduced to one or two days
Average delivery time of 13 days	200,000 SKUs added to the available product range
	Over 20 million customers have access to same or next-day delivery
	Throughput increased to 90,000 orders per month
	80% of all online orders featuring next-day delivery



DISTRIBUTION NETWORK AS AT 31 MARCH 2021

Facility	Description	Geography
<p>3 federal distribution centers</p> <p>33% of inventory</p>	<ul style="list-style-type: none"> Concentration of all goods (capacity of up to 2.4 million SKUs) in a total space of more than 195,000 m² Distribution of goods to stores and regional centers, as well as to partner pickup points and directly to online customers 	Moscow and Sverdlovsk regions
<p>3 regional distribution centers</p> <p>1% of inventory</p>	<ul style="list-style-type: none"> Storage of the most popular assortment (capacity of up to 200,000 SKUs) Next-day delivery of goods to stores, as well as to partner pickup points and directly to online customers within 500 km 	Rostov-on-Don, Kazan, Novosibirsk
<p>1,026 stores</p> <p>Detsky Mir, Detmir Mini and Zoozavr</p> <p>66% of inventory</p>	<ul style="list-style-type: none"> Storage of assortment (20,000–30,000 SKUs) Distribution of online orders to customers 	445 cities in Russia, Belarus, and Kazakhstan
<p>37,000 partner pickup points</p>	<ul style="list-style-type: none"> Online order fulfillment 	Russian cities

Proximity to customers is the foundation of our logistics architecture



Stores are a vital element of the Group’s logistics infrastructure. Their space is used as mini-distribution centers for assembly and pickup of online orders. They are used for express home delivery, which was of particular importance during the lockdown.

The Group’s current logistics system is a solid basis for its online business and further scaling up due to simultaneous replenishment of both retail outlet and online store inventory.



IMPROVING OPERATIONAL EFFICIENCY

In 2021, the Company continued focusing on the operational efficiency of its logistics. Changes included transitioning distribution center employees to piecework pay, revising the existing

business processes, creating new ones related to the growth of online sales and the marketplace, and streamlining the work of employees by developing new user interfaces for data collection terminals. Staff productivity increased by 9% year-on-year.

Over the year, we built an additional mezzanine with 140,000 units, enabling

us to expand the marketplace assortment to accommodate 1 million SKUs.

We also expanded the assembly and packaging area, which resulted in a greater capacity of the warehouse servicing online orders. On top of that, the centralization of pet supplies increased from 7% to 84%.

In the medium term, the Company aims to maintain a high level of centralization, which will increase sales, eliminate stockouts (situations where there is no product on the shelf) and create a high-quality logistics platform to further scale up the business.

Most goods from Southeast Asia arrive by sea on FOB/FCA (free on board / free carrier) terms via the Far Eastern and Baltic ports of unloading (St. Petersburg and Ust-Luga). In 2021, we were actively expanding direct deliveries by rail to mitigate transit disruption risks amid COVID restrictions. Deliveries from Europe arrive by road mainly on FCA/EXW (free carrier / ex works) terms.

Customs clearance is done electronically (through the Federal Customs Service's Electronic Declaration Centers), and at customs posts in the Moscow Region.

We select carriers (forwarders) for deliveries from Southeast Asia and Europe by issuing annual requests for proposals with subsequent monthly rate quotations.

Goods from Russian suppliers are delivered to Detsky Mir's distribution centers by suppliers at their expense. At the end of 2021, approximately

70 transportation companies were also responsible for delivering goods from distribution centers to stores.

Our partners also provide for home delivery of online orders by courier (more than 15 partners at the end of 2021). As part of our efforts to grow express delivery, we use our own courier service in various districts across Moscow, St. Petersburg and Novosibirsk.

Orders are generated in the SAP ERP system based on PUSH (initial delivery of a new/seasonal assortment) and PULL (subsequent auto-order) principles

During the time elapsed since the start of the pandemic, transportation has largely adjusted to the restrictions to ensure smooth deliveries and accommodate a considerable rise in online order volumes.

Given the persisting disruptions in international logistics from Southeast Asia, we relied on all the available channels throughout 2021: transportation by sea, combined sea and rail shipments, rail shipments, and air transportation.

and are sent through the SAP EWM system to the distribution center which assembles and prepares goods for shipment.

Routes are planned automatically using a proprietary cargo management system based on the SAP Transportation Management System (TMS) ERP. The system takes into account shipment and delivery schedules, store opening hours, as well as other requirements and restrictions. Deliveries from the distribution center to stores are mainly done by road, with multimodal shipping used as an option.

To maintain high predictability of arrivals and stock availability in 2022, production orders are placed taking into account the increased delivery time. In 2021, we entered into the first long-term cooperation program with Kuehne+Nagel, a sea transport and logistics company, to secure deliveries at the best prices.

CENTRALIZING SUPPLIES

We ensure uninterrupted availability of goods on store shelves through the effective control and management of inventory and stock movement processes. In this regard, one of our main tasks is to maintain the level of supply centralization (share of goods passing through our own distribution center).

In 2021, the centralization of the Detsky Mir chain and online store reached 82% and 100%, respectively. By comparison, prior to the launch of the Bekasovo distribution center and transition to the SAP platform in 2014, this figure stood at 26%. On top of that, the centralization of pet supplies increased from 7% to 84%.

MANAGING GOODS SUPPLY AND INVENTORY

Our undisputed priority is the continuous development and optimization of inventory and transportation management systems.

In 2021, the total volume of incoming deliveries exceeded 35,000 shipping units. Our own imports from Southeast Asia and Europe accounted for about a third of total supplies through the distribution center, with goods from Russian suppliers making up the rest of deliveries.

INFORMATION TECHNOLOGY

Investment in business digitalization is one of the key drivers behind the Group's development. The Information Technology (IT) Department supports the continuous development and automation of the Company's operations. The IT Department is involved in nearly all projects initiated by business units.

In 2022, the IT Department plans to double its in-house development staff reducing time to market for the Company's digital products and continuing the transition to product teams adopting the agile software development practices.

IN 2021, DETSKY MIR'S KEY MAJOR IT PROJECTS WERE:

Marketplace. In 2021, we continued the Marketplace program set to increase the automation of supplier and customer relationships and widen our assortment to 2.4 million SKUs. In 2021, we completed a number of projects for the direct integration of partner.detmir.market and SAP software in terms of maintaining data on suppliers, products and product certificates, deliveries, and goods orders. We automated interactions with respect to promotional campaigns and price benchmarking against competitors

to secure the best price for our customers. A new mezzanine system was put into operation, enabling further growth of the marketplace product range.

E-commerce projects. In 2021, the Company expanded the network of regional distribution centers for the online store. In May 2021, we opened the first 3PL DC in Kazan in cooperation with Russian Post, and in September 2021 a similar DC was brought on-stream in Novosibirsk.

We ensured e-commerce expansion in Kazakhstan (launching courier shipments to customers from stores and a mobile app for the online store) and Belarus (launching a website and accepting orders from customers using in-store pickup) in February and September 2021, respectively. We continued to develop the functionality of the main online store enabling customers to buy goods on credit and pay with gift cards and certificates starting December 2021.

Logistics projects. In 2021, the IT Department supported the opening of its own logistics center in the Urals officially launched in early January 2022. The center had IT systems installed and SAP ERP- and SAP EWM-based developments completed to provide for the required automation of logistics processes. Also,

we accomplished a project to optimize the transport management system (TMS), and developed a new Carrier Portal in 2021.

Reserve Capacity of the Main Data Center's Critical Equipment. At the end of 2021, a standby data center was put into operation to reserve critical capacity

of the main SAP data center (first stage of the Standby Data Center project) and boost fault tolerance capabilities for the business. The project followed the private cloud model for 2021–2023, providing the customer with a dedicated IT infrastructure similar to the Main Data Center with quick scale-up optionality.

FORWARD-LOOKING IT PLANS

IT architecture. In 2022, we will design the target corporate IT architecture for 2022–2027. First steps will be taken to design a project to migrate from SAP ERP to the new version of S/4HANA. In the realm of e-commerce, we will draw up a development plan for the Company's own micro service platform offering flexibility, scalability, and fault tolerance of the solution. We will also devise a plan to create an API platform for the reliable integration of the Company's internal systems in real time.

E-commerce projects. In 2022, we plan to complete the development of the online store's regional DCs by opening one in St. Petersburg

and launching e-commerce processes at the Urals logistics center in Yekaterinburg. The plan is to develop the functionality of the main online store by streamlining user experience in 2022. All functionality improvements will become available in the Detsky Mir mobile app in full ensuring its transition to Tier 1.

Personalization. We plan to set up a big data team to help develop personalization and make the best offer to each customer.

Marketplace. In 2022, the Marketplace program aimed at improving efficiency and expanding the assortment will

continue. Key projects for 2022 include introducing product information management (PIM), launching delivery from suppliers' warehouses (FBS), order delivery by the supplier (DBS), delivery of one product from several suppliers, and cross-docking for Marketplace goods.

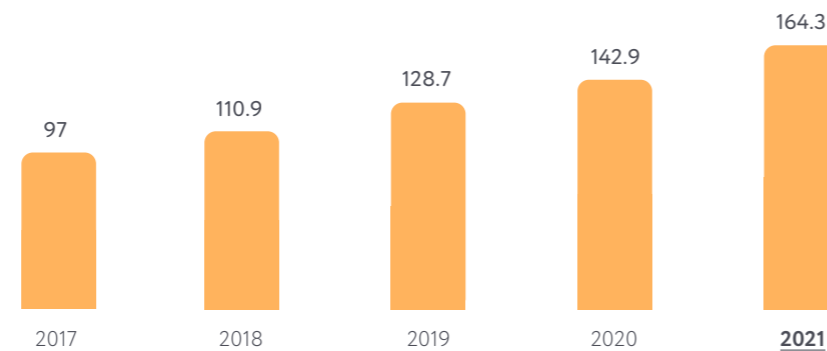
Process optimization in retail and logistics. As a result of process audits in 2022, we plan to improve the automation and efficiency of retail and logistics processes. To follow up on the first audits, a team has already been set up to redesign the mobile application for employees. This will improve user experience of employees, and the app will have broader use cases.

FINANCIAL OVERVIEW

Despite a challenging domestic and global macroeconomic environment in Russia and globally in 2021, further complicated by the coronavirus pandemic, Detsky Mir strengthened its leading position in the children's goods market in Russia and Kazakhstan while continuing to actively develop its business in Belarus.

In 2021, the Group's revenue increased by 15% year-on-year to RUB 164.3 bn. Like-for-like (LFL) sales in Russia, Kazakhstan, and Belarus grew by 5.4% driven by efficient pricing and product offering expansion. In Kazakhstan and Belarus specifically, LFL sales rose by 36% and 20.8% year-on-year, respectively.

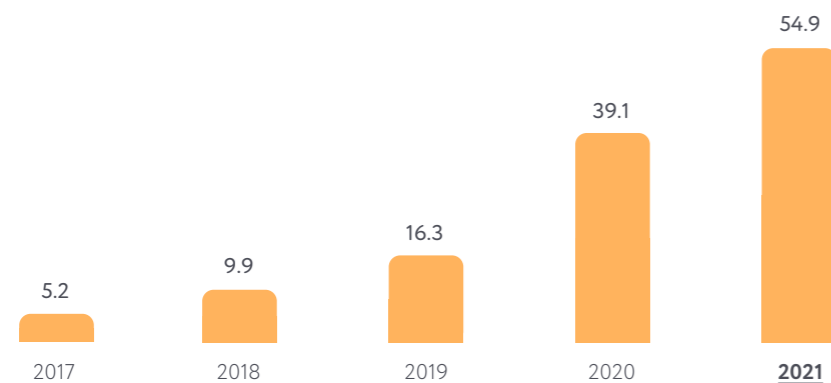
Group revenue, RUB bn



In 2021, Detsky Mir once again demonstrated explosive growth in online sales, with revenue from the online segment surging by 40% year-on-year

to RUB 54.9 bn. Online sales accounted for 30.8% of Detsky Mir's total sales in Russia. In Q4 2021, the share of online sales was 37.4%.

The Group's gross merchandise value (GMV), RUB bn*



Click and collect still accounts for the majority of all digital sales (86.3%). At the same time, the Company continues to actively develop direct delivery methods for online orders.

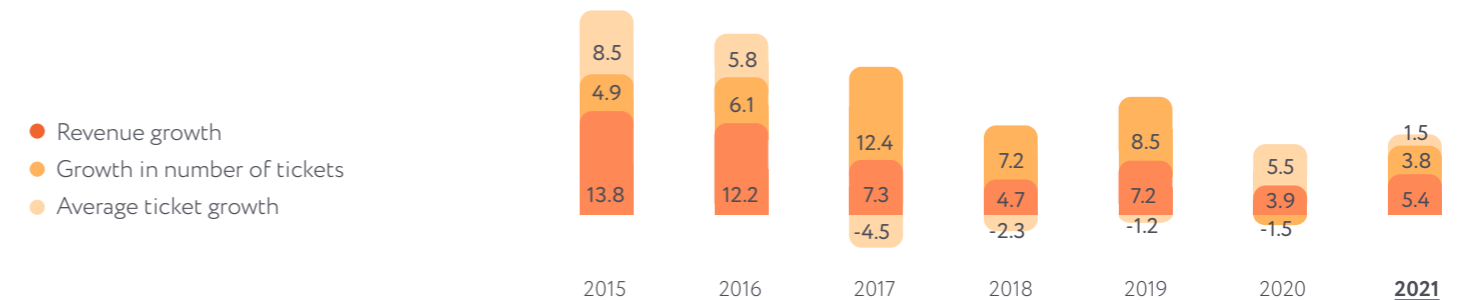
Categories leading by growth rates in online sales in 2021 were Footwear (+65%), Nutrition (+42%), Stationery, Books and Multimedia (+34%), Toys (+27%), and Apparel (+25%). The highest level of purchasing activity was seen in Moscow, St. Petersburg, Nizhny Novgorod, Yekaterinburg, and Perm.

See the Omnichannel Platform section for more details.

Revenue growth in the reporting year was also driven by the opening of 251 stores (an all-time high for the Company), strong

LFL sales growth for Detsky Mir in Russia, Kazakhstan, and Belarus, and increased efficiency at stores that opened in 2020.

LFL sales growth in Detsky Mir stores in Russia and Kazakhstan**



Detsky Mir achieved its annual expansion target for the retail network: most of the openings – 105 stores – took place in Q4 2021. During the reporting year, the Company opened a total of 76 Detsky Mir stores, as well as 102 Detmir Mini stores and 73 Zoozavr stores.

At the end of the reporting year, the Group's retail chain included 1,119 stores: 916 Detsky Mir stores in 445 cities across Russia, Kazakhstan, and Belarus;

110 Detmir Mini stores; and 93 Zoozavr pet supply stores. The total selling space of the Group's stores stood at 981,000 m² (+9.3% year-on-year).

Despite the new lockdown measures, Detsky Mir chain's revenue in Kazakhstan increased by 63% year-on-year to RUB 6.2 bn.

In Belarus, all stores continued to operate as usual. As a result, Detsky Mir posted

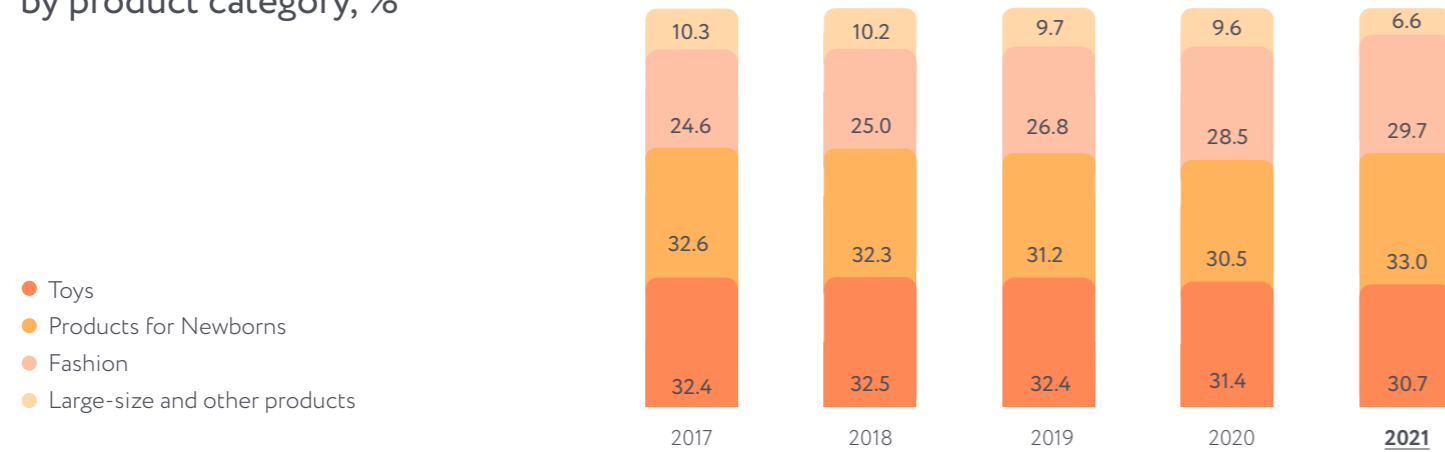
an 88% revenue growth year-on-year to RUB 981 m, driven mainly by new store openings (+8 stores in 2021) and like-for-like sales growth (+20.8% year-on-year).

Products for Newborns were the fastest growing category in Detsky Mir's revenue in 2021, with their share going up 2.5 p.p. to 33%. Fashion increased as well: its share of total sales added 1.2 p.p. year-on-year.

* Here and hereinafter, the segment includes online orders on the www.detmir.ru website, including pickup from Detsky Mir retail stores in Russia.

** Growth in LFL sales in rubles; growth in LFL ticket numbers and the average ticket size are calculated based on the performance of Detsky Mir stores in operation for at least 12 full calendar months preceding the reporting date.

Detsky Mir revenue by product category, %

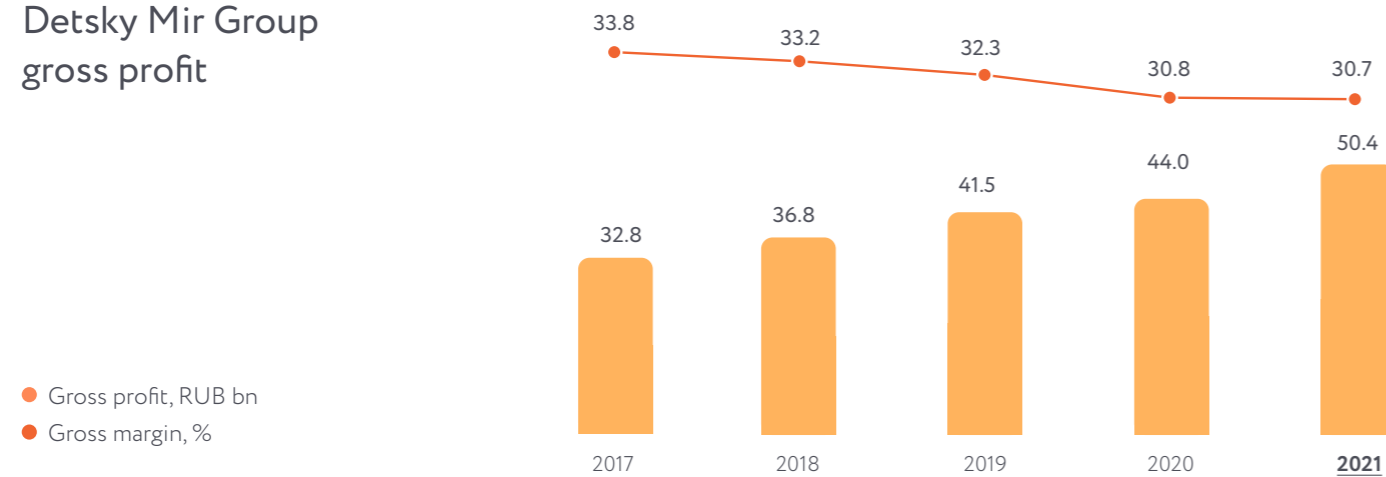


In the reporting year, gross margin was flat at 30.7%. The development of our private labels and the transition to direct

contracts enabled us to offer customers high-demand products at the best market prices while maintaining robust margins.

The share of private labels and direct imports in total sales increased to 46.2% (+1.7 p.p. year-on-year).

Detsky Mir Group gross profit



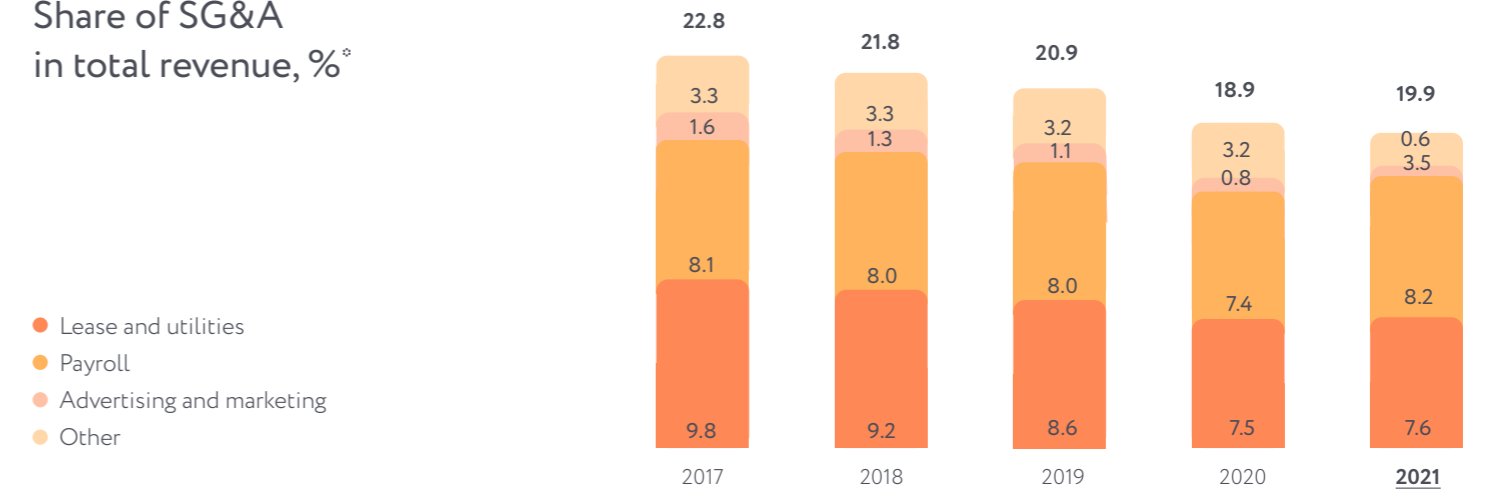
The Company aims to continuously improve operational efficiency by controlling its operating expenses. The reporting year saw a strong rise in rental rates in Moscow, St. Petersburg and Russia in general. Detsky Mir has a competitive advantage over other tenants of commercial real estate as it performs an entertainment function in shopping

centers and generates additional traffic. This helped us successfully renegotiate lease contracts on favorable terms. As a result, at year-end 2021, lease expenses as a percentage of revenues remained almost flat. Payroll expenses as a percentage of revenue increased by 0.8 p.p. year-on-year on the back of rising salaries in the retail sector. Marketing

expenses as a percentage of revenue declined by 0.2 p.p. year-on-year.

Adjusted selling, general, and administrative expenses (SG&A) less depreciation and amortization and LTI program payments as a percentage of revenue in 2021 increased by 1.0 p.p. year-on-year to 19.9%.

Share of SG&A in total revenue, %^o



Detsky Mir increased its operating profit for 2021. The high rate of revenue growth helped the Company grow its adjusted EBITDA^o by 6% year-on-year to RUB 18.0 bn. Adjusted EBITDA margin went down by 0.9 p.p. year-on-year to

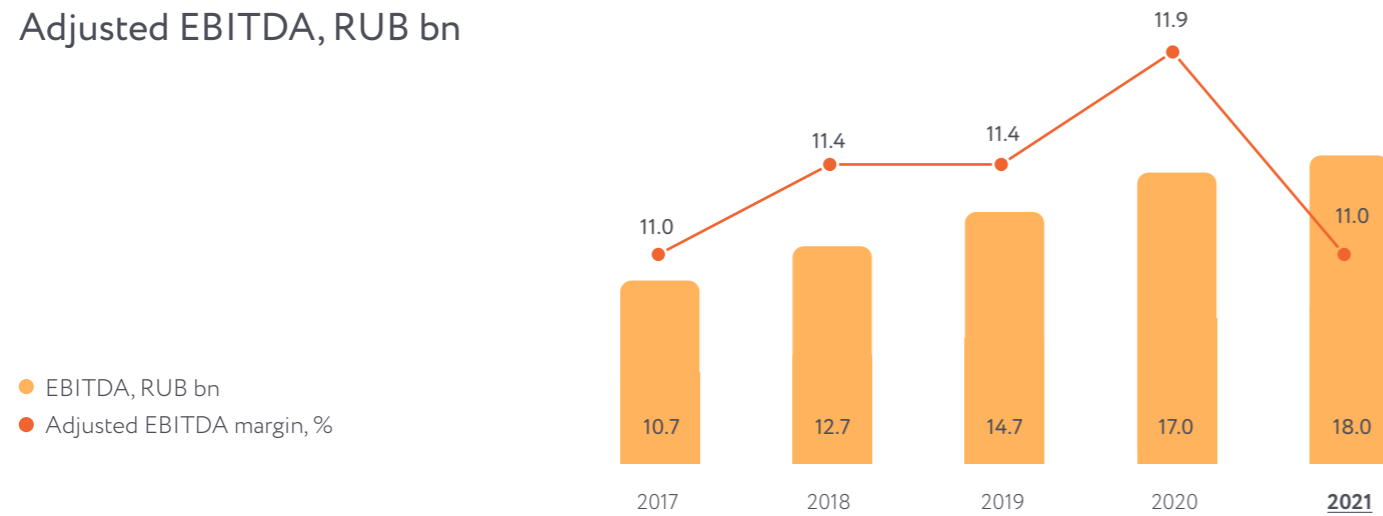
11.0%. EBITDA amounted to RUB 18.8 bn (+15.6% year-on-year).

Net interest expenses as a percentage of revenue decreased by 0.3 p.p. year-on-year due to a decrease in the cost of debt

obligations and low growth rate of debt. As at the end of the reporting year, weighted average borrowing costs were 8.52%.

^o SG&A does not include depreciation and amortization expenses for fixed assets and intangible assets or bonus payments, as well as bonus payments to management under the long-term incentive (LTI) program.

Adjusted EBITDA, RUB bn



At the end of the reporting year, the effective income tax rate was 18.7% compared to 17.5% last year.

Depreciation and amortization expenses as a percentage of revenue decreased by 0.3 p.p. to 1.6%.

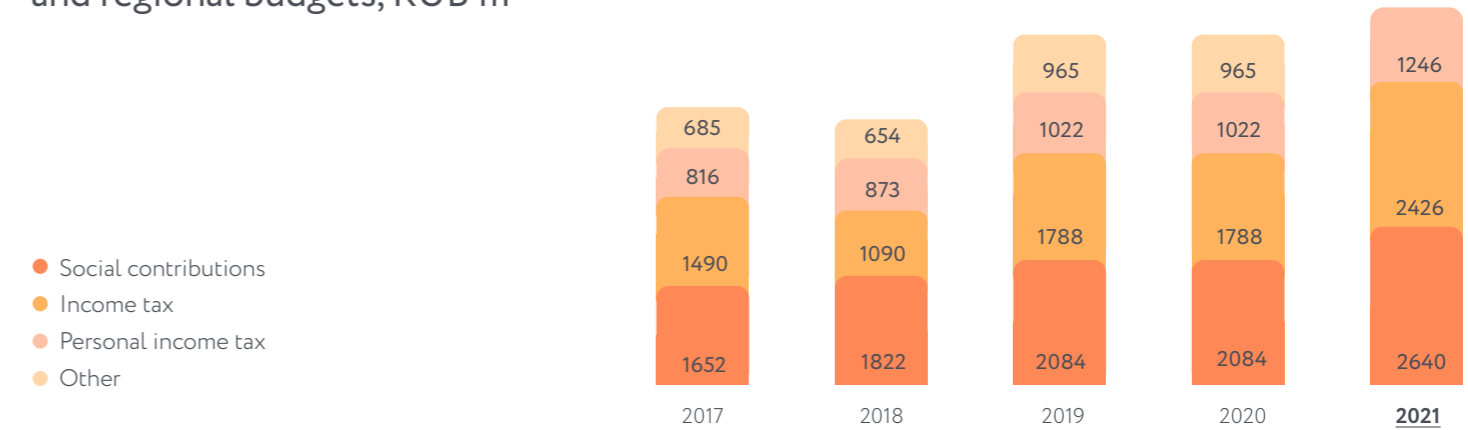
In 2021, FX loss amounted to RUB 393 m vs. RUB 2.1 bn last year. Cash negative FX differences came in at RUB 533 m.

Net profit for the reporting year increased by 44.0% year-on-year to RUB 11.2 bn. Net profit margin was 6.8% (+1.4 p.p. year-on-year).

In 2021, operating cash flow before changes in working capital (adjusted EBITDA) grew by 6.2% year-on-year to RUB 18.0 bn. Investments in working capital amounted to RUB 9.9 bn against RUB 4.2 bn in 2020. Changes in working capital were affected by investments in inventory due to the Company's more active procurement, as well as a decrease in accounts payable to suppliers.

Net interest expenses and income tax in the reporting year increased by 9% to RUB 4.2 bn. In the reporting year, the Company received other operating cash income amounting to RUB 1.8 bn, compared to RUB 1.5 m in 2020.

Tax payments to the national and regional budgets, RUB m^o



As a result, cash from operating activities in 2021 dropped by 45.0% year-on-year to RUB 5.7 bn.



^o Social contributions include the Federal Fund for Compulsory Medical Insurance, Social Insurance Fund, and the Pension Fund in Russia and social security contributions, mandatory pension contributions, and social tax in Kazakhstan. Personal income tax includes personal income tax in Russia and individual income tax in Kazakhstan.

Consolidated cash flow statement highlights

RUB m	IAS 17			IFRS 16		
	2021	2020	Change, y-o-y	2021	2020	Change, y-o-y
Adjusted EBITDA	18,019	16,963	6.2%	28,536	25,718	11.0%
Add / (subtract):						
Additional change in working capital	(9,902)	(4,238)	133.6%	(9,858)	(4,282)	130.2%
Interest and income tax	(4,232)	(3,891)	8.8%	(6,666)	(6,199)	7.5%
Other operating cash flows	1,807	1,517	19.1%	1,781	1,483	20.1%
Cash: operating activities	5,692	10,351	(45.0)%	13,793	16,720	(17.5)%
Cash: investing activities	(5,226)	(2,358)	121.6%	(5,226)	(2,358)	121.6%
Cash: financing activities	2,048	(7,302)	(128.0)%	(6,053)	(13,671)	(55.7)%
Net increase/(decrease) in cash and cash equivalents	2,514	691	263.8%	2,514	691	263.8%
Effect of changes in exchange rates	(533)	(634)	(15.9)%	(533)	(634)	(15.9)%

Cash used in investing activities to purchase fixed assets and intangible assets increased to RUB 5.2 bn (+121.6% year-on-year). Capex growth was caused by a faster pace of store openings compared to the previous year.

Cash flows from financing activities in the reporting period totalled

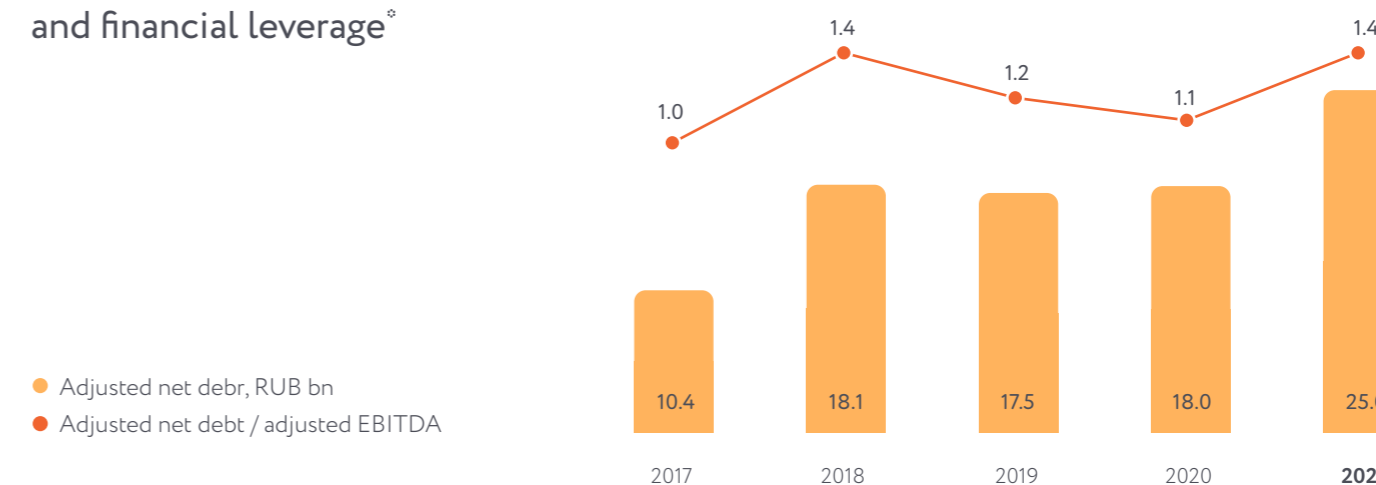
RUB 2 bn compared to a RUB 7.3 bn loss in the previous year.

As at 31 December 2021, the Company's total debt amounted to RUB 28.9 bn, including 47.7% short-term and 52.3% long-term debt. Net debt increased by 39.7% year-on-year to RUB 25.0 bn. The Company's debt obligations are fully denominated in rubles.

As at 31 December 2021, the Company had undrawn lines with leading Russian and international banks totaling RUB 37.5 bn. At year-end, the net debt to adjusted EBITDA ratio was 1.4x.

In 2021, the total amount of dividends distributed was RUB 8.3 bn, which corresponds to a dividend yield of approximately 9%.

Adjusted debt and financial leverage^o



^o Adjusted net debt is the net debt adjusted by the amount of the loan issued to CJSC DM-Finance (a subsidiary of AFK Sistema) in 2013, which was fully repaid on 27 February 2017.

SUSTAINABILITY

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OUR APPROACH TO SUSTAINABILITY

OUR MISSION

Our mission is to create an omnichannel retail chain that ensures optimal conditions for society to make safe, high-quality and long-term investments in the younger generation. Since its foundation, Detsky Mir has been guided by the principle that has become the Company’s motto: “A happy childhood for all!”



The Management Board and the Board of Directors regularly review matters related to responsible business conduct and sustainability. Sustainable development is overseen by the Board of Directors, while sustainability initiatives are led by the Working Group on Sustainability that comprises industry experts and is chaired by the CFO.



OUR APPROACH TO ESG

For more than 70 years, we have worked to ensure that families with children have access to a wide assortment of quality children’s products. In line with the principles of sustainability (ESG) and responsible business conduct, Detsky

Mir lays particular emphasis on corporate governance, the environment, social responsibility, and charity.

The Company’s ESG approach to business is becoming more systematic

and structured. Understanding the strategic importance of these aspects throughout the Company allows us to deliver consistently high growth rates year after year and strengthen our leadership in the children’s goods market.

2021 KEY ACHIEVEMENTS

- Developed and approved the **Sustainability Strategy to 2025** an energy efficiency and waste disposal and recycling program
- Conducted a **debut supplier audit** on compliance with sustainability principles
- Efficient use of resources:** we calculated our GHG emissions and assessed the potential to reduce them, as well as implemented
- Conducted an in-depth analysis of IT system vulnerabilities** as well as to develop long-term partnerships and joint initiatives in the fields of the environment and responsible waste management
- Continued to participate in **international associations and initiatives**, including BCI (Better Cotton Initiative) and ZDHC (Zero Discharge of Hazardous Chemicals),
- Maintained the **Working Group on Sustainability** – a single coordination council for the Company’s sustainable development activities

2022 TARGETS

Sustainability priorities and activities for 2022 have been defined in accordance with the Company’s Sustainability Strategy to 2025.

- Increase the share of private labels with **recyclable packaging** in the Apparel and Footwear as well as FMCG categories
- Lower the intensity of **Scope 1 and 2 GHG emissions and reduce energy consumption in own operations**
- Maintain a high level of **personal data security** for Detsky Mir’s customers
- Continue sending all consumption waste from distribution centers, including cardboard, pallets and film, for **recycling**, and increase the **recycling rate**
- **Increase the share of cotton products with Better Cotton Initiative (BCI) certification** procured for the Company’s own apparel and footwear collection
- Develop a course and provide **training on changes in supplier selection and engagement** for all current and new procurement function employees, as well as conduct regular **sustainability workshops for suppliers** and **implement an ESG risk map** broken down by supplier category
- **Increase the share of polyester products made from recycled materials** procured for the Company’s own apparel and footwear collection
- Increase internal and external funding for Detsky Mir’s **charitable initiatives** targeting children in need and stray animals
- Increase the volume of recyclable materials collected as part of the **apparel and footwear recycling project** and involve more stores in this initiative
- Involve more employees in the **Company’s volunteering programs**
- Engage suppliers that adhere to the Company’s list of prohibited chemicals when manufacturing products intended for Detsky Mir’s stores
- Conduct ethics, social, and/or environmental audits for all suppliers of the Company’s private labels

STAKEHOLDER ENGAGEMENT

Our achievements would have been impossible without the evolving dialogue with key stakeholders, which is a core focus for Detsky Mir. Key stakeholders include customers, employees, investors, suppliers, industry organizations, and local communities.

Constant and open dialogue with all key stakeholders gives us 360-degree visibility of our business and allows us to fully reflect all risks and opportunities

in our strategy and daily operational decision-making while maintaining our long-term sustainable growth trajectory for the benefit of all stakeholders.



Key stakeholder engagement

Stakeholder group	Our goals	How we interact
Suppliers	<p>Ensuring a timely and stable supply of high-quality products</p> <p>Expanding cooperation with local manufacturers in the regions of operation</p> <p>Maintaining trusting and respectful relationships with business partners</p> <p>Ensuring consumer health and safety</p> <p>Improving operational efficiency, reducing waste and product losses</p> <p>Delivering goods to consumers as efficiently as possible</p>	<p>Joint projects for assortment planning and merchandising</p> <p>Industry conferences</p> <p>Supplier exhibitions</p>
Employees	<p>Supporting professional growth and social well-being</p> <p>Developing a corporate culture conducive to the Company's strategic goals</p> <p>Talking to trade unions</p> <p>Increasing employee motivation and fostering professional development</p> <p>Maintaining a strong reputation among existing and potential employees</p>	<p>Professional knowledge assessment</p> <p>Intranet</p> <p>WebTutor learning portal</p> <p>Engagement rate assessment</p> <p>Hotline</p>
Customers	<p>Satisfying customer needs and providing a friendly shopping experience</p> <p>Raising loyalty and increasing customer spend through targeted offers</p> <p>Receiving feedback and boosting efficiency based on collected data</p> <p>Developing the business in response to changing demand</p>	<p>Satisfaction studies</p> <p>Focus groups with consumers</p> <p>Feedback system</p> <p>Distribution of information about promotions and special offers via SMS and email</p>

Stakeholder group	Our goals	How we interact
Industry organizations	<p>Sharing experience with experts and understanding market development prospects</p>	<p>Industry conferences</p> <p>Round tables</p>
Local communities	<p>Understanding and meeting the needs of local communities and responding to social and environmental issues</p> <p>Caring for the health and well-being people living within the Company's footprint</p> <p>Building constructive relationships with local governments</p> <p>Monitoring regulatory changes that may affect the Company's business</p>	<p>Strengthening the Company's leadership in the Russian children's goods market by supporting charity and social programs</p> <p>Corporate volunteering programs</p>
Shareholders and investors	<p>Maintaining investment community awareness of Detsky Mir's operations, strategy, financial and operational indicators, as well as important events</p> <p>Continuously improving corporate governance systems</p> <p>Increasing the Company's value over the long term</p> <p>Demonstrating commitment to the principles of openness</p>	<p>Continuous updating of the Company's strategy in accordance with market trends</p> <p>Compliance with the highest standards of transparency and information disclosure</p> <p>Roadshows</p> <p>Investor meetings during conferences</p> <p>Conference calls</p> <p>Group meetings with analysts and investors</p>

SUSTAINABILITY ACCOLADES

The reporting year saw the Detsky Mir Charitable Foundation win the Russia's Best Social Projects 2021 award in the Projects for Supporting Socially Vulnerable Groups category.

Detsky Mir Group won in the Social Responsibility category of the Retail Week Awards 2021, an annual event for showcasing the most outstanding achievements in the retail industry.

SUSTAINABILITY STRATEGY

As a multivertical digital retailer that leads the Russian and Kazakh children’s goods markets and has a prominent position in Belarus, **Detsky Mir has a varied and significant impact.**

Being a company built on social responsibility, Detsky Mir runs a number of charity and environmental projects each year, and also encourages volunteering among employees. The Company’s mission is not only to have the widest assortment of children’s products, but also to improve the quality of life for children and entire families, and to take care of the environment for the sake of future generations.

In 2021, Detsky Mir developed and approved a Sustainability Strategy.

As Detsky Mir becomes a major online player, we have identified an additional area for monitoring and continuous quality improvement: **cybersecurity and personal data protection.**

It sets out our key priorities and focus areas in the context of the [UN SDGs](#), as well as KPIs and a high-level road map to achieve those.

The sustainable development priorities and focus areas were defined based on an analysis of **the Company’s external and internal environments**, which included a comparison of strategies being implemented by our Russian and foreign peers, interviews with key data owners, and a review of the annual report and other corporate documents of Detsky Mir.

When working out KPIs and setting their baseline and target values, we were guided by key data owners’ input on the current KPI values and suggested targets. We critically evaluated and finalized these data to arrive

at ambitious and reasonable KPIs that are in line with the market. All the KPIs were approved by the data owners and the CEO.

We analyzed the sustainability activities Detsky Mir is conducting and planning in order to achieve the KPIs. Following the analysis, we put forward additional high-level initiatives corresponding to the retail sector’s best practices. This resulted in a high-level road map, which was endorsed and improved with recommendations by all the key data owners.

RESPONSIBLE PRODUCT SOURCING



SOCIAL AND CHARITY PROJECTS



OUR EMPLOYEES



ENVIRONMENTAL PROTECTION



RESPONSIBLE PRODUCT SOURCING

Building a responsible supply chain is essential to ensuring the safety and high quality of children’s products, which is our top sustainability priority. For over 70 years, we have been a reliable partner for numerous generations of families.

Today we manage a supply chain with more than 1,000 suppliers worldwide. 75% of the products offered at Detsky Mir are produced by foreign companies, largely in China, India, Vietnam, and Bangladesh.

STRATEGIC DEVELOPMENT AREAS FOR RESPONSIBLE PRODUCT SOURCING

- Responsible production of the goods we purchase
- Procurement based on environmental protection and safety principles
- Developing local manufacturing of children’s products

In 2021, we conducted a sustainability audit of suppliers based on a methodology developed jointly with the Vitality Leaf ecological union. As a result of the audit, we developed recommendations on ways suppliers can improve their sustainable development practices.

In 2022, the Company plans to develop a course and provide training on changes in supplier selection and engagement arising from Detsky Mir’s newly introduced Sustainability Strategy for all current and new procurement function

employees, as well as conduct regular sustainability workshops for suppliers and implement an ESG risk map with a breakdown by supplier category.

SUPPLIER ADHERENCE TO SUSTAINABILITY PRINCIPLES

Providing quality products to our customers means paying attention to the safety and social and environmental impact of our goods and the materials used to manufacture them.

Compliance with both the [Company’s Supplier Code of Conduct](#) and local laws is a prerequisite for working with Detsky Mir.

For us, a responsible supply chain means partnering with suppliers that:

- Provide decent, safe and fair working conditions for their employees, and do not allow the use of child labor
- Reduce the impact of their activities on the environment
- Demonstrate strong commitment to business ethics



PRODUCT SAFETY AND QUALITY

Detsky Mir monitors the quality and safety of goods at all stages of their life cycle, which include supplier selection, order fulfillment, shelf stocking, and customer feedback. The Company's policies and systems comply with all Russian, Kazakh, and Belarusian regulatory requirements, and also take into account best international experience in the retail sector.

An efficient and well-governed safety and quality control process makes it possible for Detsky Mir to prevent defective products from reaching stores, as they are detected at the very beginning of certification during laboratory tests.

In partnership with the world's largest manufacturers of children's products, Detsky Mir also makes certain that

each product has a test report and an ISO certificate confirming its compliance with the regulatory requirements of the country of origin, as well as the legislation of the countries of the Eurasian Customs Union.

Detsky Mir manages the certification process for its private labels. Certificates of conformity for each Detsky Mir product can be checked on the website of the [Russian Federal Service for Accreditation](#).

In the context of the growth rates of Detsky Mir's business (see the Strategic Report section), the Company has been able to keep the number of customer complaints about the quality of goods to a minimum.

In the reporting period, the Company received a total of nine instructions on improving the compliance of its goods from the Federal Service for Supervision of Consumer Rights and Human Wellbeing (Rospotrebnadzor).

If a consumer discovers a defect after buying a product and submits a claim, the Company checks the documentation for the product in detail and takes all measures to ensure that products of inadequate quality no longer appear on the shelves of its stores.

Additional product tests are performed as required. If laboratory tests uncover a manufacturing defect, the damaged product is replaced with a new one, or it is refunded to the buyer.

RESPONSIBLE USE OF CHEMICALS

Detsky Mir supports the responsible use of chemicals in the production of the goods it sells in accordance with the laws of Russia, Kazakhstan, and Belarus.

In addition to regulatory compliance, the Company has developed a chemicals [policy](#) to systematically assess risks and identify priorities in this area.

In accordance with this policy, Company suppliers are obliged to adhere to the approved list of prohibited chemicals when manufacturing products purchased by the Company.

Prior to shipment, suppliers should check a substantial portion of each consignment for chemicals to ensure that any concentration levels remain below safe limits.

Each of our product specification documents includes chemical requirements, and depending on the level of risk additional testing is performed. As at the end of 2021, 100% of the Company's suppliers had received product certificates and were not using any of the prohibited chemicals.

In the event of non-compliance with our policies and rules, we require that violations be eliminated immediately. Detsky Mir also provides training to help manufacturers improve their chemical management processes, as well as analyze risks and acknowledge the importance of taking proper precautions.

In the reporting year, Detsky Mir became the first Russian contributor to the Zero Discharge of Hazardous Chemicals (ZDHC) international initiative.

This initiative aims to use safer chemicals in production and eliminate prohibited chemicals based on the ZDHC Manufacturing Restricted Substance List ([ZDHC MRSL](#)). Participants in the initiative support the Roadmap to Zero program by developing a plan to phase out such chemicals.

At the end of 2021, the shares of products in the Apparel and Footwear categories sourced from suppliers participating in the ZDHC initiative stood at 71% and 44%, respectively.

Results for 2021 and targets for 2022 in the Apparel category:

- The BCI share in 2022 orders went up to 19%.
- The share of recycled polyester in 2022 orders increased to 40%.
- The first ever purchase of recycled cotton products (230 million items across 30 SKUs).
- Detsky Mir Group minimized the use of hangers made from virgin plastics; the share of hangers made from recycled plastic exceeded 80% as at the end of 2021, with plans to take it to 100% in 2022.

In 2022, the initiative will be expanded to cover the Footwear category:

- Our plans include increasing the share of shoes containing recycled elements from 2% in 2021 to 17%.
- Launching a footwear collection featuring BCI cotton-containing shoes with a planned share of 6% of the total annual volumes.
- Increasing to 100% the share of hangers made from recycled plastics in the Footwear category.



PURCHASE OF GOODS MADE FROM ENVIRONMENTALLY FRIENDLY OR RECYCLED MATERIALS

The use of organic cotton represents another opportunity to offer customers high-quality, sustainable products. At the end of 2020, the Company decided to focus procurement in the Apparel category on goods made from responsibly sourced materials, specifically cotton.

Such cotton typically includes organic and recycled cotton, as well as cotton produced under the Better Cotton Initiative (BCI). Organic cotton is grown without the use of chemicals, pesticides, or fertilizers; material obtained from this cotton is processed without using aggressive bleaches or dyes.

In the reporting year, we placed the first orders for clothes made from recycled cotton. By the end of 2022, the share of products made from organic, recycled, and BCI cottons in the total amount of purchased cotton products is expected to reach around 19%.

In 2021, we continued the trade-in project launched in 2020, which saw Detsky Mir send in almost three tons of clothing and shoes for recycling.

The campaign was expanded to cover 107 Detsky Mir stores in Moscow and the Moscow Region.

Each customer can hand in clean unneeded clothing and shoes for recycling: they just deposit the bag at an information desk and receive a 15% discount voucher for a new item in the Apparel and/or Footwear category in return. Over the course of the campaign, we have prevented landfilling of more than seven tons of textile and footwear waste.

In 2021, we minimized the number of hangers produced from non-recycled plastics, replacing them with green hangers from recycled polymers.

In the reporting year, we developed a policy to minimize non-recyclable packaging for the Consumer Goods category.

For 2022, Detsky Mir plans the following:

In the Apparel category:

- Take the share of products made from organic and BCI cottons to 19% of the total amount of purchased cotton products
- Increase the share of recycled polyester in 2022 orders to 40%
- Increase the share of recycled plastic to 100%

In the Footwear category:

- Increase the share of shoes containing elements from recycled materials to 17%
- Launch a footwear collection featuring BCI cotton-containing shoes with a planned share of 6% of the total annual volumes
- Increase to 100% the share of hangers from recycled plastics used for footwear

DEVELOPING LOCAL MANUFACTURING OF CHILDREN’S PRODUCTS

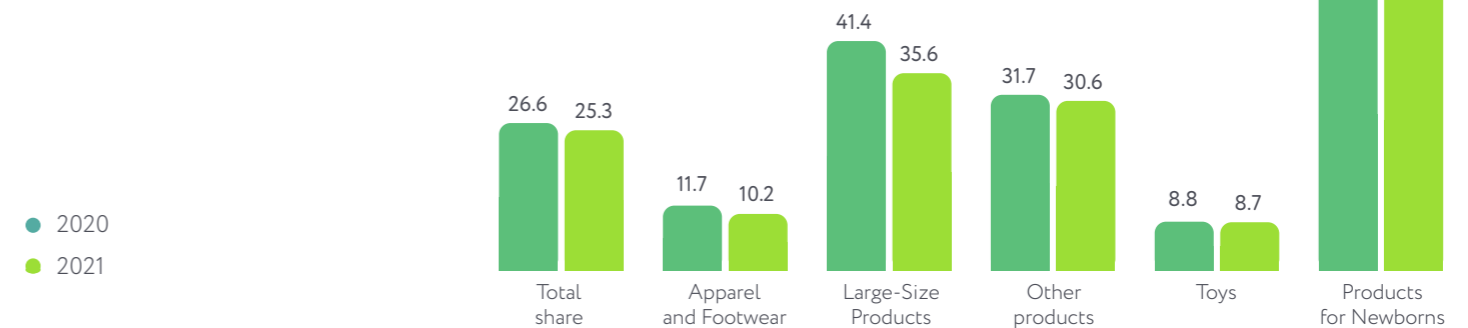
In 2021, the Company carried on with its program to support local manufacturers of children’s products, i.e., goods produced in Russia, Kazakhstan, and Belarus.

As at the end of the reporting year, children’s goods manufactured

in countries where the Company operates as a share of total sales was 25.3%. The largest share of goods manufactured in Russia, Kazakhstan, and Belarus was recorded in the Products for Newborns (nutrition, diapers, and cosmetics) and Large-Size Products categories, at 54.4% and 35.6%,

respectively. The share of locally manufactured goods in total sales of the categories Apparel and Footwear and Toys is approximately 10%. These goods are mainly produced in Southeast Asia due to a lack of manufacturing capacity in the countries where the Company operates.

Share of sales of locally manufactured children’s goods, %



OUR EMPLOYEES

HR MANAGEMENT

Ever since it was founded, Detsky Mir has devoted special attention to HR management. The Company aspires to form a professional team where each member strives to deliver top-notch performance. All Detsky Mir employees are united by the goal of making a meaningful contribution to the growth of the Company and benefiting its customers.

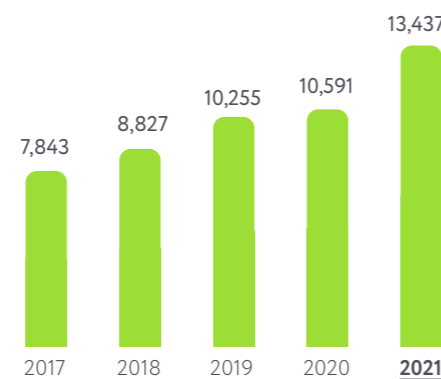
The number of employees required to seamlessly operate a single Detsky Mir store decreased from 26 in 2020 to 16 in 2021.

This surge in labor productivity was enabled by the automation of business processes, introduction of state-of-the-art software, and reduction in time spent on operations, as well as in their labor intensity.

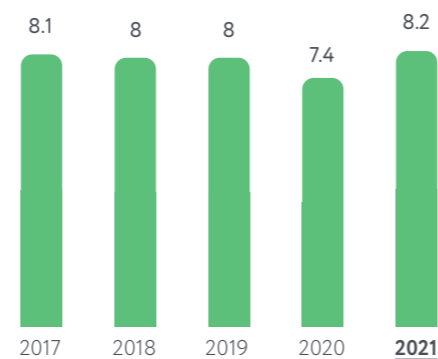
STRATEGIC DEVELOPMENT AREAS IN HR

- Providing equal opportunities for all employees
- Ensuring safe working conditions
- Expanding employee training and development programs

Total payroll costs*, RUB m



Share of total payroll costs in revenue**, %

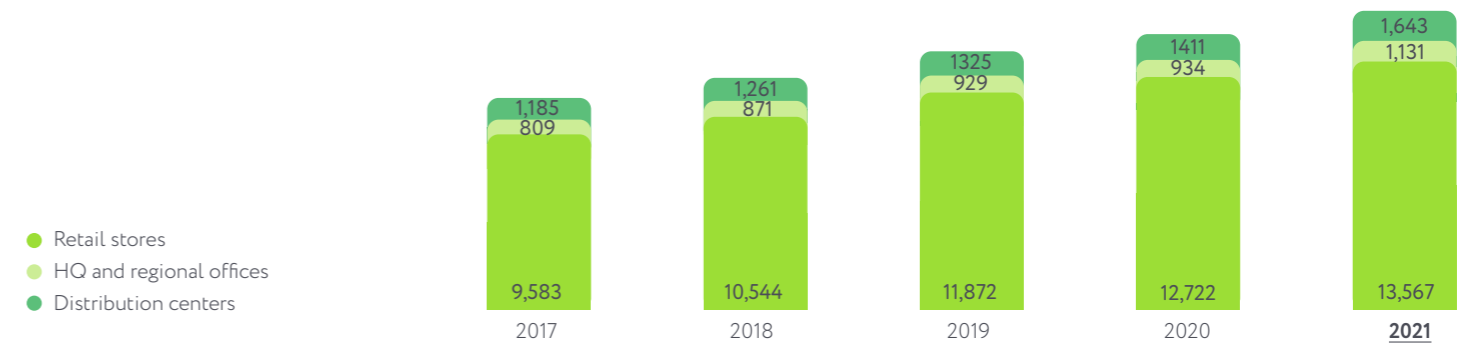


HEADCOUNT

The average headcount of the Detsky Mir team in 2021 exceeded 16,000 people. Each year, our retail chain continues

to expand in Russia, Kazakhstan, and Belarus, giving decent employment opportunities to more and more people.

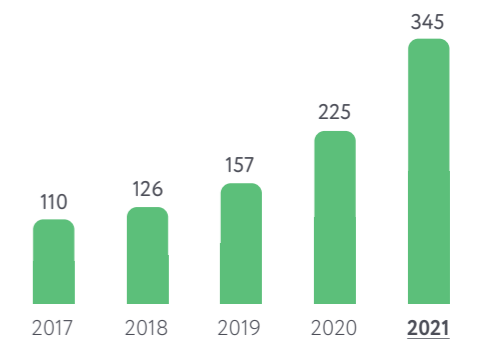
Average headcount



The average headcount increased by 8.4% year-on-year during the reporting period. As the number of retail stores has grown, the number of management personnel has increased only slightly – this trend is typical for both the central and regional offices of Detsky Mir.

In 2021, the IT Department saw the largest headcount growth due to the accelerated development of the online business. The staff numbers increased by 53.3% year-on-year to 345 people in 2021. Own IT development and increased IT staffing will be a focus of future work in this area.

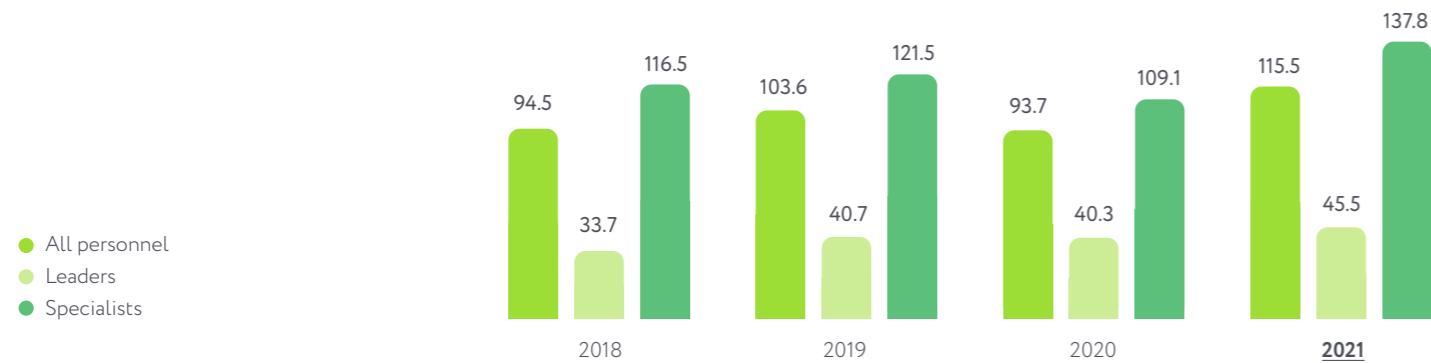
Total number of IT Department employees



* Total payroll costs include payroll, insurance premiums, training and staffing, healthcare, outsourcing, and other expenses. The total payroll costs are adjusted for bonus payments to management under the long-term incentive (LTI) plan.

** Share of total payroll costs in revenues is adjusted for bonus payments to management under our LTI plan.

Annual staff turnover, %



In 2021, total employee turnover grew by 28.7 p.p. vs. 2020 due to the pandemic-related drop in the turnover rate in 2020. However, the decreased turnover of 2020 had a delayed effect into 2021. Border shutdowns in 2020 led to higher salaries in 2021. The Company took measures to stabilize the situation. The increase in turnover did not affect performance, and we were able to maintain adequate staffing levels.

The turnover rate in the Leadership category has historically been at a lower level relative to store employee turnover, coming in at around 45% in 2021. This category includes the CEO, CEO-1, department heads, regional office directors, regional managers, territory managers, as well as store directors and their assistants.

The high turnover rate of store employees (“Specialists”) is due to the nature of the industry. It should be noted that our level of staffing (the ratio of the actual number of employees to the stipulated number of employees) was maintained at 93–95%.

The following measures are being taken to reduce turnover:

- Implementing adaptation plans and staff training
- Conducting an analysis of reasons for employment termination, with results submitted to managers in the retail chain (including store managers) for developing measures to eliminate negative factors relevant to the region

- Monitoring wages in regions of operation, with comparable dynamics of wage changes being maintained
- Goals to reduce turnover set for a number of managers, with plans to further expand the number of managers with the same mission
- Holding contests to find top performers
- Supplements to wages and salaries for seniority being accrued for a number of employees
- Providing opportunities for further career growth at Detsky Mir

Employee distribution by regional office and country in 2021, %



Employee distribution by age and gender in 2021, %



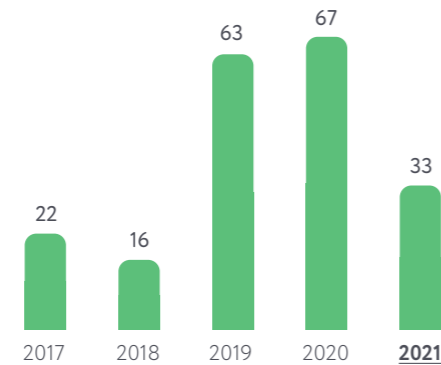
Data for the reporting period show that the average age of Detsky Mir employees is 30. At the same time, approximately 94% of employees have not reached the age of 50, which is in line with industry standards in the countries where the Company operates.

More than 81% of employees are women, and for managerial positions the figure is 80%. Analytical data are provided by payroll, taking into account employees on maternity leave and parental leave.

In 2017–2021, Detsky Mir Group created more than 9,000 jobs in Russia (+2,800 jobs in 2021).

We welcome people with disabilities – their work places are specifically equipped to help them perform their best.

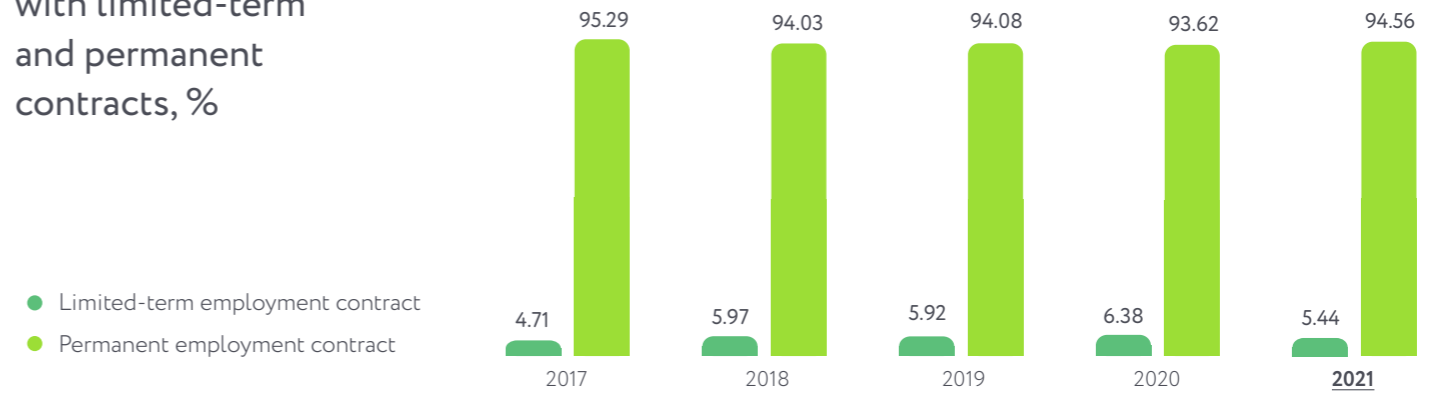
Number of employees with disabilities



The fall in the number of employees with disabilities had to do with tighter competition on the Russian labor market and gradual stabilisation of the economy, trade, and the financial sector. That said, the Company still maintains job quotas for this category of employees and keeps looking to fill them.

Detsky Mir does not undertake any activities related to setting up harmful and/or dangerous working conditions. Working conditions at the Company have been classified as 2.0.

Share of employees with limited-term and permanent contracts, %



Our remuneration system seeks to engage employees in delivering Detsky Mir’s goals. An important part of motivating our people is the availability of clear, specific goals for each reporting period and the Company’s willingness to reward the team for contributing to the achievement of the common goals.

Each category of employees has their own incentives reflecting their job profiles based on a number of KPIs. The KPI set may vary depending on the employee category. The Company uses both financial and functional KPIs (project activities, supervisor’s assessment, disciplinary issues or lack thereof).

INCENTIVES AND REMUNERATION

Ensuring a high level of motivation and decent pay for employees is the pivotal principles of our HR policy.

We have various remuneration systems (time-based, time plus bonus, time plus piecework), which are used at divisions based on the nature of their operations. All employees receive an official salary

in accordance with their employment contract, as well as additional payments for performing the duties of different positions and working overtime and/or at night, weekends, and holidays.

The remuneration system considers not only individual productivity, but also the entire Company’s financial performance for the year.

We systematically benchmark our employee remuneration against the labor market and revise the remuneration system and income targets on a regular basis.

Central office employees are eligible for a quarterly or annual bonus depending on personal performance against financial and functional KPIs.

ANNUAL REMUNERATION OF MANAGEMENT

In 2021, the Board of Directors increased the share of financial indicators in the variable component of the management's remuneration.

		CEO	Management Board and employees reporting directly to the CEO	Department heads
Fixed		50%	50–80%	60–85%
Variable	Total	50%	20–50%	15–40%
	<i>including financial KPIs^o</i>	30%	5–20%	4–14%
	<i>including functional KPIs^{oo}</i>	20%	15–30%	10–26%

Retail employees are eligible for a monthly performance bonus set as a percentage of their store's actual sales. The size of the performance bonus

payable to each store's administrative and managerial staff also reflects their performance against KPIs. Experienced employees coaching new

recruits (interns) on the basic skills of the job are paid an additional bonus for mentoring.

The rise in the share of part-time employees is explained by a more flexible approach to work schedules and forms of employment. Part-time employees enjoy all the same rights as full-time ones.

We subscribe to a policy of equal opportunity and promote equal treatment of all employees regardless of gender. Detsky Mir guarantees its employees fair pay based on their qualifications, skills, effort, and labour quantity and quality.

Disclosure of remuneration depending on gender:

2021

Female-to-male payroll ratio across all positions

0.903

Female-to-male payroll ratio for executive positions (CEO, CEO-1)

0.955

Female-to-male payroll ratio for line management positions (below CEO and CEO-1)

1.005

Female-to-male payroll ratio across non-management positions

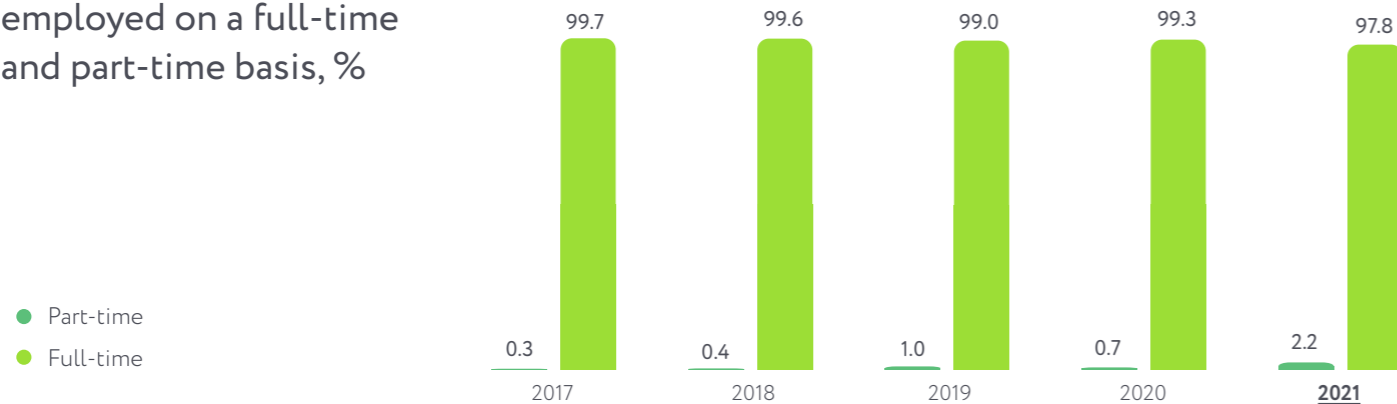
0.896

In 2021, work continued on developing the bonus system with a view to incentivizing store employees

to increase labor productivity, boosting customer satisfaction, and achieving other goals. KPIs

were changed for a number of positions, and motivational competitions were held.

Share of employees employed on a full-time and part-time basis, %



Remuneration of retail staff at Detsky Mir, %



^o Financial KPIs: OIBDA, net profit, revenue.
^{oo} Functional KPIs: role-specific operational KPIs.

At the end of 2021, a pilot project was launched to make changes to the employee incentive system at stores in 10 cities with the aim of increasing the transparency of the system and streamlining it, as well as reducing staff turnover. Once the results of the project are analyzed, the new motivation system is planned to be rolled out across the entire chain.

To increase the availability of goods and services, small stores under

the Detmir Mini brand were launched, with a separate incentive system for employees tailored to the specific nature of their work.

To support the development of our pet supplies business line, an updated employee incentive system was piloted at Zozavr stores in 2021. Based on the results of the pilots, a single incentive system is planned for launch in 2022 that will incorporate incentives related to the sales of private-label goods.

We review remuneration levels across the Group once a year based on the market average and individual performance of each employee.

We have a long-term incentive plan for key employees (of which there are 41 in total, including the CEO), whose aim is to increase Detsky Mir's market capitalization (for more details, see the Management Board section).

Employees are also provided with various benefits and guarantees under the Labor Codes of Russia, Kazakhstan, and Belarus, which significantly improves the well-being of our staff.

- Annual paid vacation
- Additional paid vacation

- Educational leave
- Maternity and parental leave
- Benefits and guarantees for working mothers with three or more children, as well as for single mothers

- Benefits and guarantees for employees with disabled children
- Benefits and guarantees for employees with disabilities
- Guarantees regarding medical examinations, etc

SOCIAL GUARANTEES

Our sophisticated corporate benefits system remains a key motivator. Alongside free corporate training, we provide our employees with a number of benefits:

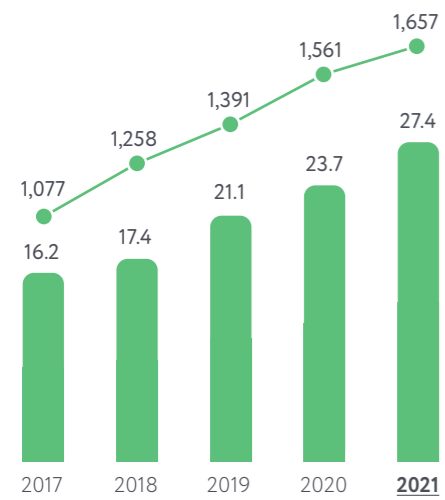
- Discounts at our retail stores and corporate discounts offered by our partners from the very first day of employment at Detsky Mir
- Free rides home by Company transport or to convenient public transit nodes for those working at stores that close at 11 pm and that are located far from public transport stops

- Corporate shuttles to work as well as free meals locally for distribution center employees
- Events for employees' children
- Mobile services for business purposes at the Company's expense
- Opportunities to undertake full-time classroom training or online education courses
- Awards for top-performing office employees, territorial managers, and store teams

- Motivational contests among territorial managers, store managers, and a number of positions at distribution centers
- Work from home opportunities for office employees
- Membership in our voluntary health insurance (VHI) program following six months of work at Detsky Mir for all employees of the central and regional offices, store managers, and distribution center managers



Voluntary health insurance

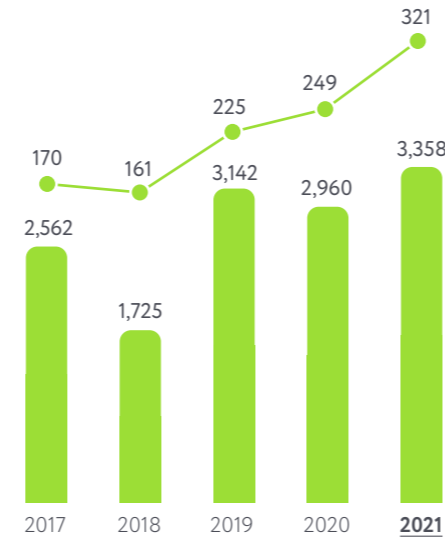


● VHI financing, RUB m
 ●- Number of employees covered by VHI

Our efficient cost management system enables the Company to keep VHI costs per employee at the average level of previous years while maintaining the scope of the medical services included in the VHI program.

Our policy also provides for financial assistance to employees experiencing difficulties, including those who have suffered complications arising from COVID-19.

Financial assistance for employees



● Financial aid size, RUB '000
 ●- Number of employees covered by financial aid

Number of promotions in 2021

Promotions	Russia	Kazakhstan	Belarus
From sales assistant / cashier to deputy store manager	463	44	25
From online sales manager to deputy store manager	452	16	
From deputy store manager to store manager	225	9	6
From store manager to territory manager	2	0	1
From sales manager to senior sales manager	350	14	6
From senior sales manager to store manager	16		

Central office employees undergo an annual performance assessment against their approved KPIs.

EMPLOYEE PERFORMANCE ASSESSMENTS

We see individual performance as an important tool for promoting our corporate culture and enhancing our business processes.

We assess the professional knowledge of our retail employees twice a year. Based on the assessment results, an employee is assigned one of the two categories:

- Specialist – has passed the professional knowledge assessment
- Expert – has reached target KPIs and achieved outstanding results in the professional knowledge assessment

Expert employees are prioritized for inclusion in Detsky Mir’s talent pool and further consideration as candidates to fill vacant managerial positions in retail.

EMPLOYEE ENGAGEMENT ASSESSMENT

We assess employee engagement on a regular basis for all divisions: Offices, Distribution Centers, and Retail. The most recent assessment was undertaken in 2018 in collaboration with AXES. That assessment showed an employee engagement index of 66%,

which exceeded the 2017 average in Russia by 3%. The previous survey was conducted in 2017, and showed an employee engagement index of 52%.

No study was done in 2019, as the Company was implementing a new method to obtain relevant feedback from customers, namely net promoter score (NPS) – a consumer loyalty index. After these methods were implemented, it was decided to use

them internally to study employee engagement, among other things. In 2020, no assessment was conducted due to the coronavirus pandemic.

In 2021, the Company held a large-scale engagement assessment that covered 14,604 employees. The overall employee engagement index came in at 83.6%, which is 1.3% above the industry average. The assessment was done based on the Happy Job methodology.

CORPORATE CULTURE

We do our best to ensure that employees of the central office, retail stores, and distribution centers feel like one team working toward common goals.

To support team spirit among our employees, we regularly hold sports, volunteering, and charitable events, as well as corporate cleanup days and the Labor Landing initiative. We also celebrate national, corporate, and personal holidays within our teams.

We promote healthy lifestyles among our employees, including through sports events and competitions, and offer professional training opportunities to employees participating in industry and cross-sectoral sports events. We also lease training rooms for them and provide the players with team uniforms. Our employees can take advantage of corporate benefits and discounts at major fitness centers.

Twice a year (on the eve of 1 September and the New Year), we hold our Labor Landing initiative, where all employees of the central office – from the CEO to line managers – work for one day at a Detsky Mir retail store as a sales assistant or a distribution center operator.

The initiative gives office employees an opportunity to see the inner workings of a Detsky Mir store, assess the real

workload on personnel, identify bottlenecks in existing business processes, and propose solutions, as well as assess the effectiveness of innovations. Throughout the workday, store employees also have an opportunity to informally communicate with management and share their concerns.

Our New Year corporate event for central office employees and heads of regional offices includes an awards ceremony for employees who made an outstanding contribution to the success of our business^o.

The co-financing program at Detsky Mir lets each employee to donate a portion of his or her salary to our Charitable Foundation. The proceeds are used to help underprivileged children of employees experiencing difficulties (see the Social and Charitable Activities section for more details).

In 2022, we plan to take part in the following employer competitions:

- Forbes' 50 Best Employers in Russia 2022
- HeadHunter's Rating of Employers
- SuperJob's Attractive Employer

RESULTS OF BEST EMPLOYER COMPETITIONS

Detsky Mir won silver on Russia's Best Employers List by Forbes and KPMG.

In the third ranking of the country's top employers, which rated 104 companies, Forbes and KPMG focused on corporate ESG practices. The list was put together by a professional group of judges that included rating agency specialists, ecologists, and sustainability experts.

Based on a study conducted by the [Superjob.ru](https://www.superjob.ru) portal among employers, Detsky Mir was awarded the status of Attractive Employer-2021. The study notes not only robust recruitment activities and a great response from job seekers, but also fair remuneration. The Attractive Employer badge, which has been awarded to Detsky Mir for several years, serves as a guarantee of decent working conditions for applicants.

TRAINING AND DEVELOPMENT

The Company achieves its strategic goals thanks to the personal contribution of each employee. Our investment in human capital is driving ongoing improvements in the Group's operational and financial performance.

One of our achievements in the training and development of our people is our system of continuous professional development, which relies heavily on online learning.

We pay special attention to building core skills and upskilling for our retail employees, which is key to improving service and driving sales growth.

We organize regular, free-of-charge upskilling courses for each category of our retail employees based on a compulsory training matrix. The matrix includes training courses both on technical skills for line employees (such as SAP Goods Movement) and managerial skills improvement for administrative staff (such as Basic Manager Skills and Staff Recruitment, Development, and Retention).

The Training Center, which is a structural unit of the Group, provides training and professional development for retail store employees and territory managers. Central office employees are trained

on different topics by external service providers. Training is provided in line with individual development plans or upon the request of heads of functional units and guarantees continuous professional education.

In addition to the Anti-Corruption Requirements and Procedures and Information Security training programs we developed and launched in 2020, in 2021 we kicked off Personal Data Protection and Antitrust Law programs.

With the exception of line personnel in retail stores and distribution centers – salespeople, movers, pickers, etc. – all full-time employees, including new hires, will take part in these programs.

Types of training provided for central office staff:

- Short-term training (one-day or two-day courses)
- Short-term refresher courses on specific subjects such as finance, law, IT, and HR management
- Professional certifications (for employees of the IT and Internal Control Departments)

Our continuous training of employees and regular assessment of their professional knowledge align with our employee categorization concept (in effect since 2014). The proportion of employees who have received training (percentage trained) is a significant performance metric for stores, regional offices, and the Company as a whole.

Number of retail employee training hours



^o This event was not held in 2021 due to the COVID-19 pandemic.

EMPLOYEE PERFORMANCE ASSESSMENTS

We see individual performance as an important tool for promoting our corporate culture and enhancing our business processes.

- Specialist – has passed the professional knowledge assessment
- Expert – has reached target KPIs and achieved outstanding results in the professional knowledge assessment

Expert employees are prioritized for inclusion in Detsky Mir’s talent pool and further consideration as candidates to fill vacant managerial positions in retail.

We assess the professional knowledge of our retail employees twice a year. Based on the assessment results, an employee is assigned one of the two categories:

OCCUPATIONAL HEALTH AND SAFETY

Occupational health and safety is a key area of focus for Detsky Mir Group. Comfortable and safe working conditions are crucial for successful recruitment and retention of skilled employees. Our occupational health and safety system at Detsky Mir is fully in line with applicable legislation in Russia, Kazakhstan, and Belarus.

Managers and specialists in charge of occupational health and safety are appointed by the CEO after completing a 40-hour training program. The training is mainly provided in-house at Detsky Mir’s licensed Training Center.

In line with labor legislation requirements, all our employees are given

an occupational health and safety briefing when they are first hired and then on an ongoing basis. Distribution center operators receive additional training in electrical safety. Occupational health and safety briefings are held for Detsky Mir’s employees and contractors alike.

Employees responsible for occupational health and safety

Central office	Retail	Distribution centers
Heads of business units and departments	Store directors and their deputies	Shift leaders Heads of distribution centers and their deputies

Detsky Mir Group exercises the following types of control over compliance with mandatory occupational safety requirements:

- general control;
- vertical functional control;
- ongoing control.

Control over compliance with mandatory occupational health and safety requirements at Detsky Mir’s business units falls within the remit of the Human Resources and Occupational Safety Department and is exercised by means of scheduled and unscheduled audits. If any breaches are identified, recommendations are made to remedy them, with a follow-up audit conducted later.

Even though the nature of our activities is not associated with any hazardous technology, we make it a point to minimize the potential risk of accidents and occupational diseases.

Key measures and initiatives minimizing injury rates at offices, retail stores, and distribution centers include:

- Assessing workplace conditions (covered by the Social Insurance Fund);
- Training workers in occupational health and safety (training sessions, briefings, internships in occupational health and safety, etc.);
- Monitoring employees’ health (medical examinations);
- Providing employees with personal protective equipment, washing and/or sterilizing agents;
- Monitoring compliance with occupational health and safety requirements;

- Managing professional risks;
- Enhancing internal occupational health and safety regulations approved by Detsky Mir Group.

Thanks to these measures, no occupational diseases occurred during the reporting period.

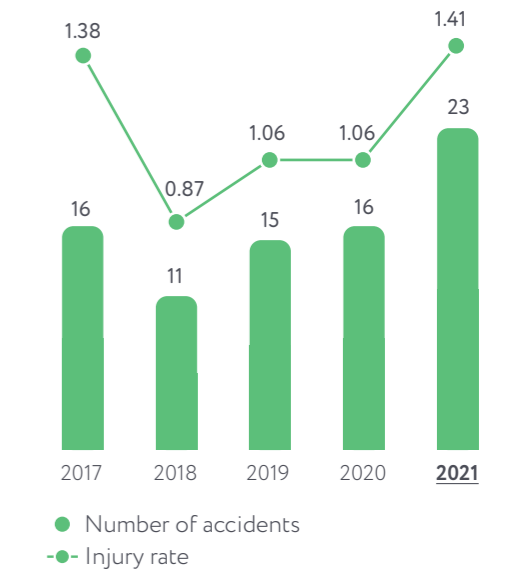
The upward injury rate was driven by the overall business growth, as well as measures taken to prevent the concealment of accidents. In particular, we developed and implemented a standard for accident notification and introduced a new occupational health and safety training program, which covers the procedure for investigating accidents.

In 2021, occupational health and safety costs totaled RUB 41 m.

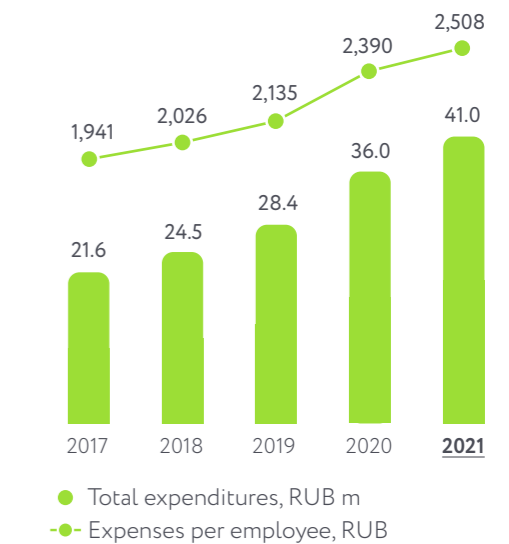
To curb the spread of COVID-19, we implemented measures in line with regulations in Russia, Kazakhstan, and Belarus, as well as additional initiatives to ensure the safety of employees and customers.

In particular, we purchased personal protective equipment (masks and gloves), disinfectants, hand sanitizers, and antibacterial recirculators for air disinfection.

Injuries at Detsky Mir Group



Investments in occupational health and safety



CYBERSECURITY AND PERSONAL DATA PROTECTION

INFORMATION SECURITY

In an era of advanced digital technologies, it is crucial to protect personal information of employees, partners, and customers. Our activities in this area are governed by our Personal Data Processing Policy and Personal Data Security Requirements, which define customer and employee personal information that we collect, as well as the purpose of its collection, the scope of application, and conditions for any data transfer to third parties.

We have established physical, electronic, contractual, and managerial security measures to ensure security and confidentiality of customer and employee personal information.

The Company uses the following information security systems:

- Firewalls to filter and block unwanted traffic
- Remote user access with two-factor authentication
- VPNs for secure data transfer over public networks
- Traffic monitoring system
- Antivirus protection of workstations and servers
- PKI Certification Center
- Spam protection
- Network access identification and control
- Monitoring systems for IT infrastructure
- Installation and control of security updates
- Protection against DDoS attacks
- Web Application Firewall (WAF) protection system

PERSONAL DATA PROCESSING AND PROTECTION

When hiring employees, the Company ensures that they all sign consent forms regarding the processing, storage, and distribution of personal data. Employees are also required to familiarize themselves with the regulations on personal data, commercial secrets and other Company bylaws, and sign a respective statement.

Employees' personal data is stored and processed in 1C: Payroll and HR Management. Personal files of employees are kept in fireproof iron filing cabinets in a separate room with a key lock. It is only accessible to HR staff who are responsible for processing and storing personal data.

To search for new employees, the Company uses superjob.ru, hh.ru, worki.ru, and avito.ru. The procedure is the same for all these services: by registering on the site, candidates agree to provide data in a form that is accessible to employers and agree to having their personal data processed.

Detsky Mir also operates customers' personal data collected when they complete an application form to join the bonus program, as well as when they register on the detmir.ru website or in the Detmir mobile app. Data is stored by certified contractors, which comply with the required level of protection.

Due to the specific nature of its business, the Company also has access to personal

data of minors. Collection, storage and any use of children's personal data is subject to the consent of their legal representatives.

By registering in the Detsky Mir bonus program and by taking part in competitions, legal representatives of minors give full consent to the processing of their own personal data and personal data of minors contained in the Company's application form, as well as to the transfer of data from Detsky Mir to third parties for processing purposes. The consent is valid until its written revocation, which can be sent to: 6, 3rd Nizhnelikhoborskiy Proezd, bldg. 3, Moscow, 127238, Russia.

PERSONAL DATA MANAGEMENT

Data subjects may manage personal data (information) they provide to the Company at their own discretion. According to the bonus program, only its participants have the right to change personal data provided during registration.

To change personal data, a participant has to once again complete an application form on the detmir.ru website. Access to the relevant functionality is only

available when entering the bonus card number or a phone linked to it and requires an SMS confirmation. If it is impossible to confirm the phone number via an SMS, the participant has to contact the Unified Help Desk (8 800 250 0000) to change the phone number.

Bonus program participants can revoke their consent to the processing of their personal data at any time and request

that the previously provided data be destroyed by sending a revocation of consent to the following address: 6, 3rd Nizhnelikhoborskiy Proezd, bldg. 3, Moscow, 127238, Russia.

In the reporting year, the Company did not face any administrative liability due to personal data violations.

TRAINING EMPLOYEES ON RESPONSIBLE USE OF PERSONAL AND CORPORATE DATA

In late 2020, we developed training programs for employees dedicated to the responsible use of personal and corporate data, Personal Data Protection and Information Security.

The programs aim to familiarize employees with the Personal Data Processing Policy and the Personal Data Security Requirements, as well as to foster a responsible approach to personal information.

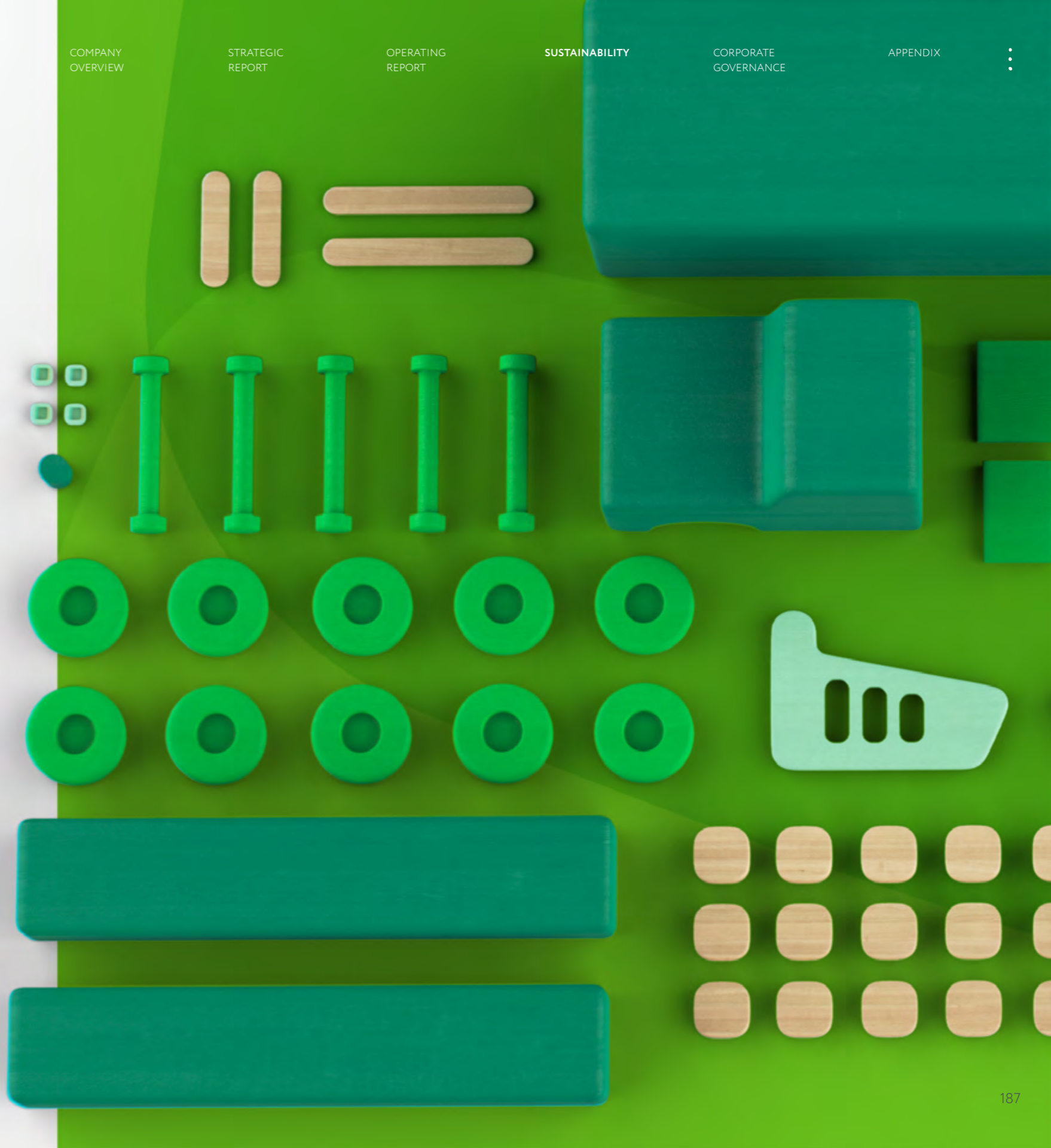
We developed online courses for each of the above topics, which new and existing employees complete in line with their job requirements.

PREPARING TO IMPLEMENT AN INFORMATION SECURITY MANAGEMENT SYSTEM

In 2021, the Company made the first step towards implementing an information security management system. We conducted a study of IT system vulnerabilities through external penetration testing, checks of wireless network security, and analysis of the web and mobile apps. The test exercise confirmed that the Company's IT systems boast a high level of reliability and security.

IT systems pen testing was established as a regular procedure.

In 2022, we plan to significantly strengthen our information security team and consider implementing an information security management system in line with ISO/IEC 27001.



ENVIRONMENTAL PROTECTION

Detsky Mir Group prioritizes environmental protection, responsible use of natural resources, and recycling of packaging and waste. We believe that the world our children are going to live in tomorrow is shaped by how we treat the environment today.

STRATEGIC DEVELOPMENT AREAS IN ENVIRONMENTAL PROTECTION:

- Reducing greenhouse gas emissions
- Using recyclable individual packaging
- Increasing volumes of collected recyclable materials and recycled waste

We pay close attention to environmental protection and are implementing a number of projects aimed at reducing our impacts and introducing best sustainability practices into our business processes. This approach has enabled us to significantly reduce not only the amount of energy consumed, but also the emissions produced.

The Company has begun developing its own environmental safety policy that will govern our impact on the environment and use of natural resources.

FUNDAMENTAL PRINCIPLES OF OUR ENVIRONMENTAL POLICY:

- Compliance with the environmental legislation of Russia, Kazakhstan, and Belarus
- Raising employees' environmental awareness through training programs
- Implementing special environmental projects (campaigns)
- Responsible use of natural resources
- Analysis and disclosure of environmental information
- Continuous improvement of the environmental management system
- Minimizing environmental impact

KEY ENVIRONMENTAL PROTECTION ACHIEVEMENTS IN 2021:

- Prepared a third report on greenhouse gas emissions (Scopes 1, 2, and 3)
- Held environmental campaigns in the office and retail stores: collection drives to recycle clothing and footwear, used household appliances and batteries, and wastepaper
- Improved energy efficiency at distribution centers and stores
- Improved transport efficiency
- Set environmental requirements for logistics companies' transport and fuel use

REDUCING GREENHOUSE GAS EMISSIONS

As a retail operator that manages logistics and transport infrastructure and works with a large number of industrial manufacturers, Detsky Mir understands its responsibility to protect the environment and combat climate change.

Detsky Mir works with suppliers and customers to reduce its environmental impact. It also competently manages its own business processes to consume resources responsibly and achieve a phased reduction in greenhouse gas emissions. We believe that in the long run, our progressive approach will make us a carbon-neutral company.

The Company maintains a record of direct greenhouse gas emissions (Scope 1) that are associated with fuel and gas consumption for its own electricity generation.

Detsky Mir also collects data to calculate indirect emissions (Scope 2), which are associated with the consumption of purchased heat and electricity. Distribution centers, retail stores, and office buildings are the primary sites used by the Company to calculate the figures for Scopes 1 and 2.

The Company is completely transitioning all business processes related to goods

transport and production to third-party companies that provide such services, so they are not included in the calculation of the figures above. Nevertheless, we remain mindful of our carbon footprint when choosing contractors and establishing relationships with them.

In 2020, we took the first steps to calculate other indirect greenhouse gas emissions (Scope 3). These include all emissions that occur in the production chain and are not related to emissions from Scopes 1 and 2. The calculation presented in the report is based on data on the volume of fuel consumed by transport companies that provide logistics services to Detsky Mir.

Detsky Mir pays considerable attention to reducing greenhouse gas emissions from the use of fuel and electricity at its distribution centers and stores.

To do this, we use:

- LED lights
- Motion sensors to turn off lights and save energy
- Bimetallic heating radiators
- Insulating glass windows to improve energy efficiency

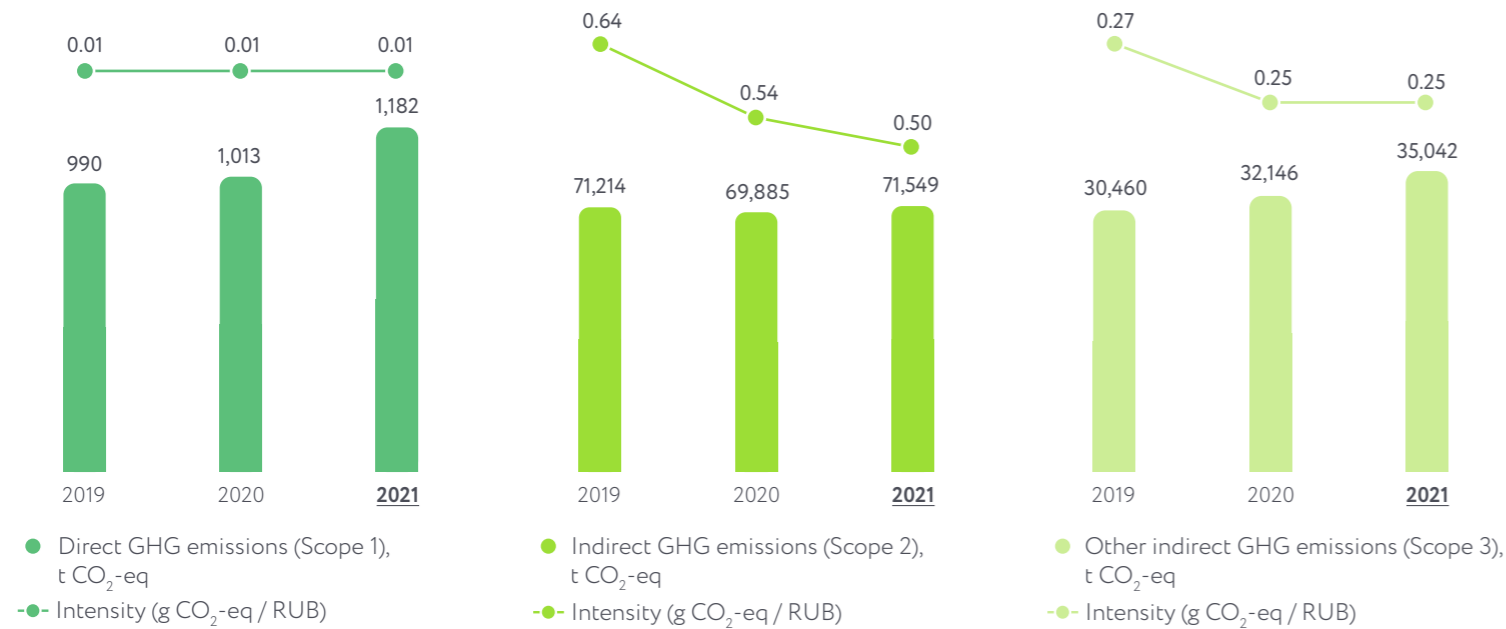
- Floor-to-ceiling windows to reduce the use of artificial lighting during daytime hours
- Weather-dependent modes for boiler rooms to automatically regulate heat levels
- Signs that read "Turn off lights when leaving the room" to inform employees

Optimizing logistics is a key step in our efforts to reduce CO₂ emissions. For example, Detsky Mir uses an automatic routing system to reduce mileage, which allows for the number of vehicles used to be optimized and reduces delivery time. In Q1 2022, we launched a new nationwide distribution center in the Urals to efficiently distribute logistics flows and reduce shipment distances.

Rational use of hydrocarbon-based fuels plays a big role in reducing CO₂ emissions. Detsky Mir uses the following types of fuel: gasoline, diesel fuel, and natural gas.

Gasoline and diesel fuel are used to operate Company vehicles. Diesel fuel is also used for generators in the event of a power outage. Natural gas is used to generate energy at distribution centers.

Detsky Mir Group greenhouse gas emissions (Scopes 1, 2, and 3)



RESPONSIBLE RESOURCE CONSUMPTION

By regularly introducing state-of-the-art technologies and solutions, Detsky Mir aims to progressively reduce resource consumption. These solutions not only cut operating costs, but also reduce our impact on the environment.

The Detsky Mir retail concept involves the use of modern energy-saving solutions that improve selling spaces by making them more comfortable for visitors and staff while at the same time significantly cutting down on energy consumption.

In 2021, we managed to keep electricity consumption at around the same level as the previous year. At the same time, specific consumption decreased from 0.85 in 2020 to 0.83 in 2021.

Detsky Mir Group’s electricity consumption

	2019		2020		2021	
	RUB m	MWh	RUB m	MWh	RUB m	MWh
Electricity, MWh	678	107,960	724.2	109,728	764.8	118,097
Share in revenue, % / (specific indicator per RUB)	0.61%	0.97	0.56%	0.85	0.54%	0.83

Third nationwide distribution center in Yekaterinburg with high energy efficiency

In early 2022, PNK Group will commission an advanced distribution complex for Detsky Mir with an A++ energy efficiency rating. Among other things, the complex will have an energy-saving continuous heating circuit going from basement panels to the roof, which will increase the building’s energy efficiency. PNK Group builds facilities that meet FM Global international fire safety standards.

Since 2014, the Company has been equipping stores with LED lighting systems. By 2020, all stores in the chain and Company office buildings had switched to LED lighting systems.

All Company distribution centers (Bekasovo 1 and Bekasovo 2) and the regional distribution center in Rostov-on-Don are equipped with energy-efficient equipment and a lighting system that uses motion sensors. These sites have been assigned the highest energy efficiency rating of A++.

Because the Company’s activities are inextricably linked with the use of real estate – logistics infrastructure facilities, selling space, etc. – Detsky Mir uses thermal energy and gas to heat them. We take measures to use thermal energy and gas efficiently and utilize

a state-of-the-art automated system to maintain records of the consumption of these energy sources. This system collects and analyses data remotely from metering devices and allows for consumption volumes to be controlled. To reduce the volume of heat consumption, the Company prevents losses by quickly remedying device malfunctions.

In 2021, Detsky Mir increased its heat consumption by 13.0% year-on-year on the back of an increase in the number of facilities.

Detsky Mir Group's heat consumption

	2019		2020		2021	
	RUB m	GJ	RUB m	GJ	RUB m	GJ
Heat, GJ	175.6	20,955	161.3	19,243	191.4	21,746
Share in revenue, % / (specific indicator per RUB)	0.16%	0.19	0.13%	0.15	0.13%	0.15

The Company uses natural gas to generate its own heat at distribution centers. Natural gas consumption in 2021 amounted to 852,000 m³.

Detsky Mir Group's natural gas use

	2019		2020		2021	
	RUB m	RUB m	RUB m	'000 m ³	RUB m	'000 m ³
Natural gas supply, '000 m ³	4.6	4.7	4.7	713	4.59	852
Share in revenue, % / (specific indicator per RUB)	0.004%	0.004%	0.004%	0.01	0.004%	0.01

In 2021, the Company's consumption of fuel (mainly diesel fuel) increased by 9% year-on-year to 12,742,000 L. At the same time, specific consumption remained flat.

Detsky Mir Group's fuel consumption (gasoline and diesel fuel)*

	2019		2020		2021	
	RUB m	'000 L	RUB m	'000 L	RUB m	'000 L
Fuel, '000 L	509.3	11,071	553.5	11,702	598	12,742
Share in revenue, % / (specific indicator per RUB)	0.46%	0.1	0.43%	0.1	0.42%	0.1

* Including the volume of fuel consumption by external transport companies that provide logistics services.

Guided by environmental protection principles, the Company has developed standards with respect to requirements for carriers of its goods, which must be adhered to by all transport service providers when doing business with Detsky Mir. Compliance with these standards comes in addition to compliance with all applicable laws and regulations.

Adherence to these requirements and local laws is a prerequisite for working with Detsky Mir. For us, a responsible supply chain means partnering with suppliers that:

- Monitor the quality of the fuel used in their operations
- Minimize the use of hazardous (toxic) substances
- Safely operate their fleet

- Respect the environment and climate change issues
- Monitor the safety of waste generated by their operations
- Comply with technical rules and regulations

In 2022, a new standard contract form will be introduced for all carriers that will feature all-encompassing relevant requirements for transport service providers.

Water consumption at the Company's facilities (office, retail stores, and distribution centers) is minimal. Detsky Mir aims to optimize water consumption through the use of state-of-the-art technological solutions and metering devices. The water utility and wells (at distribution centers) are the main sources of water intake.

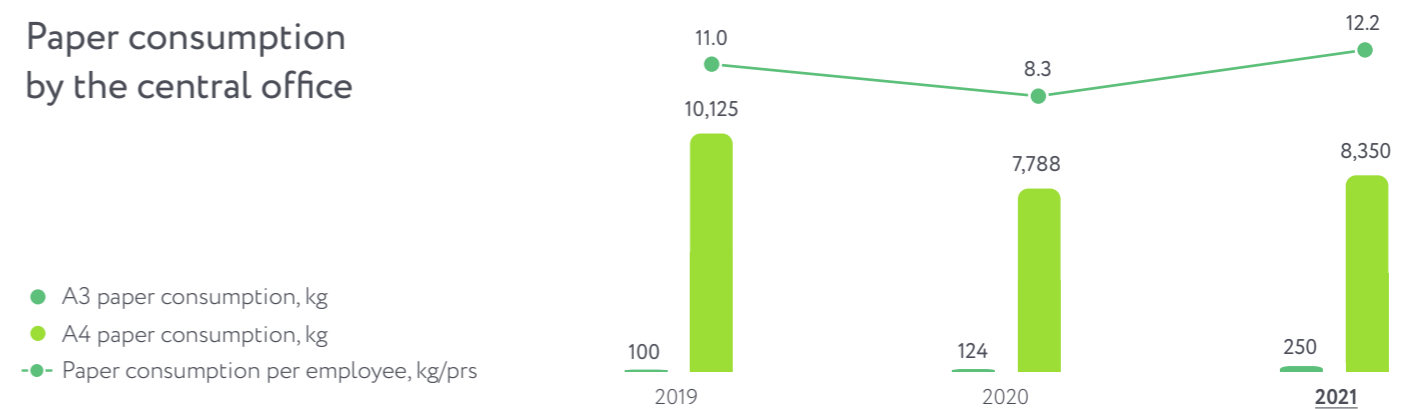
The entire volume of water received from the water utility is used and returned back to the sewage system.

Detsky Mir Group's water consumption

	2019	2020	2021
	'000 L	'000 L	'000 L
Water supply, '000 L	6	6.02	6.21

Automation of the Company's business processes has led not only to an increase in operating efficiency, but also to a reduction in the consumption of resources such as office paper. For example, the introduction of an electronic invoice format made it possible to abandon paper invoices.

Paper consumption by the central office



ENVIRONMENTALLY FRIENDLY CONSUMER PACKAGING AND REUSABLE BAGS

Detsky Mir Group is the first operator in the children's goods segment in Russia to have introduced environmentally friendly and reusable bags.

Today, the chain's retail stores and the Detsky Mir online store offer customers reusable soft bags and bags made of a green material that does not harm the environment during decomposition and is easy to dispose of. Launching the sale of eco-bags

was the next logical step in a series of environmental initiatives.

The Bringing Joy to Children eco-bag is made of environmentally friendly nonwoven material – unlaminated spunbond – that is easily recyclable and decomposes completely in three years without harming the environment. The bag has a voluminous bottom, without side inserts. Its carrying capacity is 10 kg, and its material density is 70 g/m².

Part of the proceeds from the bag's sales go to the Detsky Mir Charitable Foundation.

In 2021, total sales of cloth bags and eco-bags amounted to 840,057 units (compared with 464,644 in 2020). During the reporting year, eco-packaging was most popular in the Moscow and Northwest regions.

COLLECTION AND PROCESSING OF RECYCLABLE MATERIALS

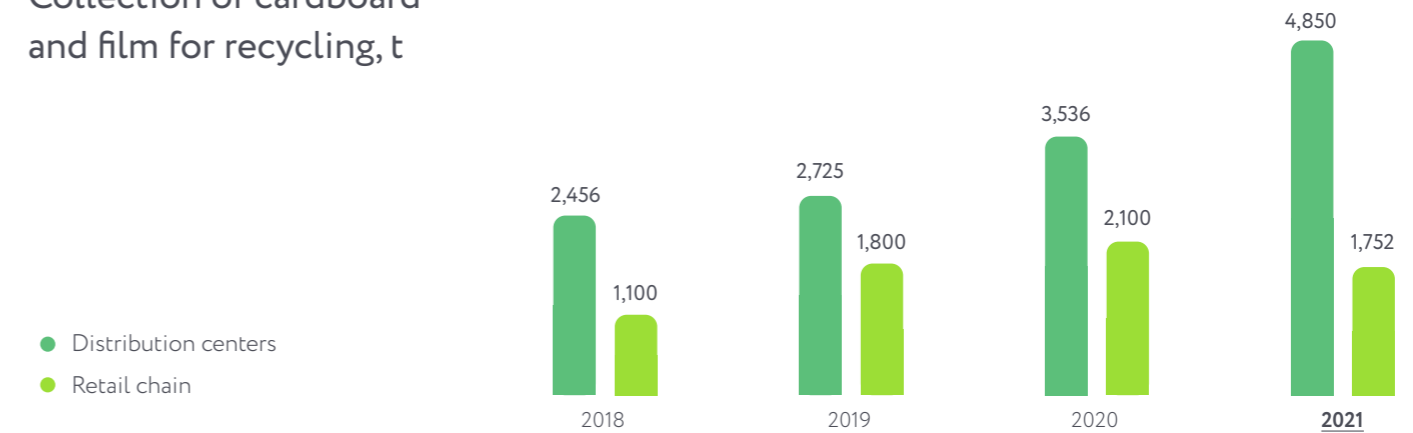
Cardboard, polyethylene film, and pallets account for a substantial part of the waste generated at our distribution centers and stores. This kind of waste is well suited for recycling. For example, cardboard is used to make chipboard, which is considered the most promising recycled packaging material globally.

We have set ourselves the task of reducing our environmental impact, so the introduction of packaging recycling projects was a logical step on this path.

Since 2014, the Company has been collecting wastepaper and polyethylene packaging films at its distribution centers; they are sorted separately and transferred to a specialized organization for further recycling. In 2021, about 4,483 t of cardboard and 367 t of film were collected at the Company's distribution centers.



Collection of cardboard and film for recycling, t



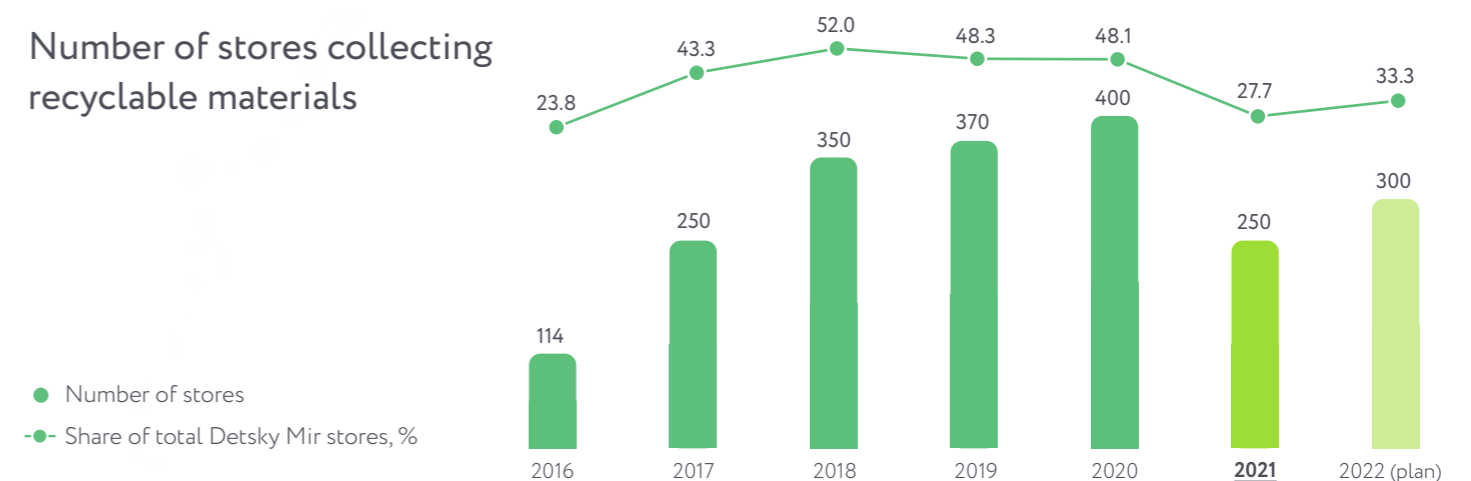
In 2015, the Company introduced pilot projects for separate collection of waste for recycling at retail facilities. At the end of 2021, 400 retail stores took part in the project. In the future,

Detsky Mir is planning to increase this number to 500.

In 2021, 1,752 t of cardboard and film was handed in for recycling at retail

stores. This allowed the Company to reduce the amount of waste transferred to the contracted organization, which, in turn, reduced operating expenses.

Number of stores collecting recyclable materials



GREEN WORLD PROJECT

Green World is Detsky Mir’s internal project that aims to advance the Company’s sustainable development goals.

The project’s goal is to raise employee awareness about the issues of environmental protection and to foster responsible consumption habits.

In 2021, a number of eco-initiatives were implemented at the Company’s headquarters as part of the project.



GREEN WORLD PROGRAM’S AREAS OF FOCUS:

CLEAN-UP DAY

In order to raise their colleagues’ awareness about environmental pollution, on 8 October 2021 central office staff took part in an environmental clean-up initiative that was organized by the Sobirator project. The clean-up day was held in the Krasnogorsk forest park. Over 120 Detsky Mir employees participated, having gathered and handed in for recycling more than 500 kg of garbage.

HELP FOR HOMELESS ANIMALS

To help colleagues learn more about the problem of homeless animals and their cruel treatment, on 28 March and 18 September 2021 central office staff visited Odintsovsky District shelters. They spent time with the animals and donated over 500 kg of pet food and essential items they had collected to the shelters.

COLLECTION OF CLOTHING AND FOOTWEAR FOR RECYCLING

In 2021, central office employees and Detsky Mir customers took part in an eco-campaign called New Life for Unneeded Clothes and Shoes with Benefits for You, which focused on protecting the environment and reducing waste generated as part of footwear and textile production. In October 2021, Detsky Mir ramped up the campaign to cover 107 stores in Moscow and the Moscow Region. Over 4,000 participants gathered and handed in for recycling almost three tons of textile and footwear waste.

COLLECTION OF BATTERIES AND USED ACCUMULATORS

Together with GP, we worked on a project to collect batteries and accumulators by installing special boxes for used batteries in all areas with multifunction printers at the central office. In 2021, we filled 10 boxes with a total weight of over 200 kg. To draw employees’ attention to this initiative, on 17 May 2021, a campaign was carried out called “Turn in Batteries – Get an Apple!”, which collected 10 kg of used power supplies.

COLLECTION OF WASTEPAPER FOR RECYCLING

Wastepaper collection boxes are installed on all floors of the central office in the areas with multifunction printers. Throughout the year, employees receive newsletters about the benefits and the need to collect wastepaper, as well as about the rules for collecting it. Throughout 2021, collected wastepaper was sent to a collection point, and the proceeds were transferred to the Save the Forest fund. In total, more than 6 t of wastepaper was sent for recycling. Staff from the central office and project volunteers joined together to plant 525 trees.

COLLECTION OF USED HOUSEHOLD APPLIANCES

In 2021, central office employees continued an initiative to collect small used household appliances for recycling, organized jointly with the Sobirator project. The volume of non-working household appliances and electrical appliances collected for recycling at the end of 2021 amounted to more than 400 kg.

DISPOSAL OF COFFEE MACHINES CAPSULES

Containers to collect coffee machine capsules are installed on all floors of the central office in the kitchenette areas. Collection and delivery of capsules was done throughout the year. In 2021, 30 kg of capsules were sent in for recycling.

SEPARATE WASTE COLLECTION

Containers are installed in the kitchenette areas for the separate collection of consumer waste on all floors of the central office. This waste includes plastic, glass, and metal. In the office courtyard, there is a separate container for the Ecoline company, which takes out the collected waste for further recycling. In 2021, more than 500 kg of recyclable materials were collected and transferred for further processing.

KIND CAPS

In 2021, the Kind Caps project continued at the Company’s central office. During the year, more than 30 kg of caps were collected and sent for recycling. To raise awareness about the campaign, we hosted a special drive at the Company’s central office on 23 September 2021, resulting in 8 kg of caps collected in just one hour.

COLLECTION OF PLASTIC CARDS, TOOTHBRUSHES AND CDS

We ran a plastics collection drive at the Company’s central office from 28 January to 5 February. Over that time, 11 kg of plastic products were collected, all of which was sent to Sobirator’s eco-centre for further transport and processing.



SOCIAL AND CHARITY PROJECTS

An important sustainability activity for Detsky Mir Group is helping families with children, children experiencing hardship, and homeless animals.

By implementing social and charitable projects, the Company strives to improve families' access to socially important categories of goods, living conditions in children's social institutions, and the level of socialization and creative potential of children, as well as help homeless animals.

Support for families with children

Each year, Detsky Mir Group carries out important social projects with support from the government. The Company's social activity is underpinned by minimal retail markups for socially important categories of goods, including products for newborns.



STRATEGIC AREAS OF DEVELOPMENT REGARDING CHARITABLE ASSISTANCE FOR CHILDREN AND HOMELESS ANIMALS

- Developing corporate philanthropy
- Developing social programs for children and homeless animals
- Developing corporate volunteering

Support for the UNICEF Children's Rights and Business Principles initiative

Principle	Our actions
1. Meet the business' responsibility to respect children's rights and commit to supporting the human rights of children	The Company supports the UN Convention on the Rights of the Child, ratified by the Russian Federation.
2. Contribute to the elimination of child labor, including in all business activities and business relationships	The Company does not tolerate the use of child labor in any activities.
3. Provide decent work for young workers, parents, and caregivers	The Company's HR policy covers the most significant aspects of labor relations, such as workplace safety, decent pay, and social guarantees (including parental leave and flexible hours for young mothers).
4. Ensure the protection and safety of children in all business activities and facilities	The Company is committed to ensuring the safety of children visiting Detsky Mir stores. Its new store concept provides for wider aisles for customers' convenience, and all interactive areas have been developed through partnership with leading global manufacturers and meet all safety requirements.
5. Ensure that products and services are safe, and seek to support children's rights through them	The safety and quality of children's products are a top priority for the Company. All products have appropriate certificates. Detsky Mir monitors the quality and safety of its products throughout their life cycle.
6. Use marketing and advertising that respect and support children's rights	The Company manages its marketing communications responsibly, making sure they fully comply with all legal requirements and do not violate children's rights.
7. Respect and support children's rights in relation to the environment and to land acquisition and use	The Company seeks to reduce its impact on the environment as well as instill in children an understanding of nature's importance and the need to protect it.
8. Respect and support children's rights in security arrangements	The Company respects children's rights in all security procedures across its activities.
9. Help protect children affected by emergencies	As part of its charitable activities, the Company provides support to children affected by emergencies.
10. Reinforce community and government efforts to protect and fulfill children's rights	Charity and volunteer programs helping disadvantaged children make up a significant part of the Company's activities. These programs also help draw public attention to children's issues.

DETSKY MIR GROUP'S CHARITABLE ACTIVITIES CONTRIBUTE TO:

- Children's moral development and awareness of the significance and role of families in society;
- Protection of childhood, motherhood, and fatherhood;
- Wellness and health protection activities for children and the wider public;
- Promotion of sports and healthy lifestyles;
- Launch of new projects in education, science, culture, art, and personal development;
- Social support for low-income families with children and integration of children and adults with special needs into society;
- Foster care and broader activities addressing the issue of children without parental care;
- Socialization of children leaving childcare institutions to support their financial independence, personal development, and career planning, including through holding career guidance events introducing children to in-demand professions.

Detsky Mir encourages its employees to get involved in social and charitable projects, thereby ensuring their active engagement. Increasing corporate volunteering is one of the Company's objectives as set out in its Sustainability Strategy.

Detsky Mir Group's social activities are carried out through the Detsky Mir Charitable Foundation – bf.detmir.ru, which was established in 2004 and operates in accordance with its [Articles of Association](#) and PJSC Detsky Mir's [Charity Policy](#).

Funding sources for charitable activities include funds allocated from the Company's budget, as well as voluntary donations received by the Detsky Mir Charitable Foundation.

SOURCES OF DONATIONS

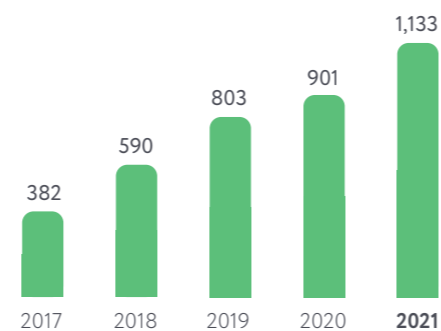
- Transfers to the Foundation's settlement account
- Co-financing
- Online donations on the Foundation's website
- Fundraising boxes
- Donations made upon payment for purchases in the detmir.ru online store and in the mobile app
- Donations made by the Company's partners

The total value of goods donated to charitable causes in 2021 amounted to RUB 1,087 m. In addition, the Detsky Mir Charitable Foundation received RUB 45.6 m in donations, a quarter of which was made by the Company.

At the end of 2021, the total volume of Detsky Mir's own investments and outside investment raised to finance social programs aimed at helping children and homeless animals amounted to RUB 1,132 m.

Detsky Mir Group takes care of more than 500,000 disadvantaged children residing at 980 children's homes in Russia, Kazakhstan, and Belarus. On top of that, we provide support to 25 Russian animal shelters.

Total volume of the Company's and other investments aimed at providing charitable assistance to children and homeless animals, RUB m



PRIORITY AREAS OF CHARITABLE ACTIVITIES

- Providing assistance to childcare institutions
- Helping children by covering the costs of expensive medical treatment and rehabilitation, supporting their families and children's healthcare institutions
- Supporting children's festivals and celebrations, providing assistance to gifted children
- Providing career guidance and assistance in social and domestic adaptation for distressed children
- Promoting a healthy lifestyle and holding sports events

PARTICIPATE! AND COMFORT IN SHELTER CHARITY CAMPAIGNS

The Participate! charity campaign goes back more than 15 years. Together with its customers, Detsky Mir collects goods for orphans and children left without parental care, children living in childcare

institutions, children from low-income families, and children with special needs.

Customers can donate goods by leaving them in designated boxes next to cash desks. These gifts can be toys, play

sets, clothes, shoes, stationery, goods for outdoor activities, etc. In 2021, more than 300 cities across Russia, Kazakhstan, and Belarus took part in the campaign, which ended up collecting children's goods worth a total of RUB 1,052 m.

Participate! campaign highlights

Item	2017	2018	2019	2020	2021
Number of participating stores	572	702	756	868	989
Number of beneficiaries	650	774	962	1,268	970
Value of gifts collected through the campaign, RUB m	352	553	757	751	1,052

COMFORT IN SHELTER

In 2020, the Detsky Mir Charitable Foundation launched a charity campaign called Comfort in Shelter, which is aimed at helping homeless animals. In 2021, 59 Zoozavr stores took part in the campaign. Each store has special containers to collect donations for homeless animals, which are then given to 24 organizations that support shelters. The initiative raised more than RUB 4.5 m worth of food, hygiene products, toys, pads and other essentials.

TOGETHER WE CAN DO MORE

Each year, the Detsky Mir Charitable Foundation transfers humanitarian supplies to childcare and medical institutions in Russia's regions, as well as donates large quantities of children's goods to charitable organizations. In 2021, shipments totaling RUB 23.6 m were sent to institutions and organizations in the Rostov, Orenburg, Kursk, Leningrad, and Novosibirsk regions, as well as Bashkortostan and St. Petersburg. Big batches of animal food and products worth a total of RUB 6.1 m were transferred to the largest animal shelters in Moscow, the Moscow Region, Rostov Region, and Krasnodar Territory.

In addition, the project included support for non-profit organizations and social, educational and medical institutions, which received children's goods for their charitable events and initiatives for the young ones. In 2021, at the request of 41 organizations the Foundation provided RUB 5.6 m worth of clothes, toys, and stationery.

SUPPORT PROJECT

The Support project aims to help children with serious health conditions. Using funds from the Company, as well as funds and donations from philanthropists, the Detsky Mir Foundation buys implants, endoprostheses, and other smart devices necessary for high-tech surgical procedures that are not covered by the state budget. Children are relieved of pain and disorders that afflict them and are able to enjoy life to the fullest, walking, playing, running, and doing sports. In 2021, RUB 21.8 m was spent to help 16 children.

OUR CHILDREN PROJECT

This project aims to provide targeted assistance to low-income families with disabled children, orphans, and children left without parental care. The Company runs a co-financing program enabling any employee to donate part of their salary to the Detsky Mir Charitable Foundation for treatment of children with serious health conditions. In 2021, the project provided RUB 3.66 m in assistance to 16 children. The co-financing program raised RUB 2.2 m in donations from employees of Detsky Mir Group.



ARISHKA'S GALLERY AUCTION

In April 2021, the headquarters of the Company played host to the Arishka's Gallery charity auction. With the Company's employees as the bidders, it offered works by artists from Novosibirsk's mART studio, including by Yulia Butakova – the mother of one of the kids supported by the Foundation, who sadly passed in 2020. A total of RUB 100,000 was raised from the sold lots, with the money going to the Foundation to finance children's treatment and rehabilitation as part of the Our Children program.

ART WITHOUT BORDERS PROGRAM

The program is aimed at unlocking the younger generation's creative potential and developing their morality and sensibility. In 2021, the Detsky Mir Charitable Foundation supported film forums held by the Detsky KinoMay Foundation in Smolensk and Nizhny Novgorod. Approximately RUB 2 m was allocated for projects under the Art Without Borders program in 2021.

VOLUNTEER PUPPET THEATER

At the end of 2014, the Detsky Mir volunteer puppet theater was created, with the Company's employees as the actors. The theater troupe performs at charity events, orphanages and foster homes, hospitals, and state social support institutions. The actors give out gifts, take pictures, and communicate with young audiences. Over seven years, more than 8,000 children have seen the performances of the volunteer theater. In 2021, the theater put on a play dedicated to environmental protection. The troupe gave 52 performances in childcare facilities across Moscow and the Moscow, Tula, Nizhny Novgorod, and Vladimir regions, with audiences numbering 1,340 people.

NEW YEAR'S TREE OF WISHES CAMPAIGN

Another of Detsky Mir's traditions is the New Year's Tree of Wishes campaign, which takes place in December at the Company's headquarters. Children from the Smolensk Region's Pochinkovskaya Boarding School wrote letters to Father Frost about their dreams, and the staff of Detsky Mir helped them come true, making it so 97 children received their New Year's greetings.

In 2021, the Detsky Mir Charitable Foundation carried out a rebranding exercise that was facilitated by the Company. Our designers came up with a new brand identity for the Foundation, created a mascot and a sticker pack, and revamped the Foundation's social media accounts.

VOLUNTEER CLEAN-UP DAYS

Yet again, the Company participated in the Detsky Mir Charitable Foundation's annual large-scale territory clean-up and improvement campaign held in April–May. In 2021, volunteer clean-up days were held on the sites of affiliated organizations across 60 Russian cities. The Company's employees came together to help residential childcare communities, foster homes, orphanages and other institutions to plant trees, clean up territories, repair street furniture, paint playgrounds, and whitewash trees. The number of the campaign's participants reached 701 people, and RUB 0.8 m was spent on construction materials and tools for the initiative.

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BOARD OF DIRECTORS' REPORT

PERFORMANCE OF THE BOARD OF DIRECTORS IN ITS NEW CONFIGURATION DURING 2021

The Board of Directors lies at the heart of Detsky Mir's corporate governance, its performance determining the quality of the Company's strategic decisions and management processes and underpinning its commitment to the shareholder rights. By relying on a well-structured collaboration framework and ongoing dialog, the progressive joint efforts of the Board of Directors and senior management contribute to the successful implementation of the Company's ambitious strategy.

In the reporting year, the line-up of the Board of Directors was changed. The Extraordinary General Meeting of Shareholders held on 15 March 2021 elected new members of the Company's Board of Directors, giving a significant

boost to the expertise of this collective governance body. The new members included five independent directors and four representatives of Gulf Investments Limited (Altus Capital), the Company's shareholder, as well as one non-executive director. As a result, the share of independent directors increased to 50%. Maria Gordon, an independent director, was elected Chairwoman of the Board of Directors. The new members boast unique expertise in retail, pet supplies and digital technology. As a member of supervisory boards and boards of directors at major companies in Russia's real and financial sectors, Chairwoman Maria Gordon brings a wealth of corporate governance experience to the team. Her main mission at Detsky Mir is to assist the Board of Directors in adopting best global corporate practices.

In 2021, the Company's Board of Directors held 17 meetings and considered 69 issues. To prepare Board resolution and recommendations on these resolutions, 20 meetings of Board committees were held.

One of the key focus areas for the Board of Directors in 2021 were the development and implementation of a strategy for new growth drivers, including building of new business verticals, digitalization of the existing business processes, further expansion of the Zoozavr pet supplies chain, transformation of the Detsky Mir chain, introduction of innovations and launch of new digital services.

With the number of Zoozavr stores increasing from 20 in late 2020 to 93 as at the end of 2021, we launched our first private labels. The Detsky Mir chain embarked on an ambitious transformation journey to equip its stores with interactive kiosks, dedicated areas for online order storage and pick-up, and play areas for children and their parents. On top of that, Detsky Mir built a team for digital services, which identified five promising fields to pursue before the launch of the first digital product version.

One of the key steps made by the Board of Directors in 2021 was the approval of a new ESG strategy. Another crucial area for the Board was the promotion of the Company's sustainable development and creation of value for a wide range of stakeholders.

In 2021, the Board of Directors also placed a heavy emphasis on staff management by paying particular attention to improvements in the quality of management incentive plans. For example, it significantly expanded the long-term incentive program for key employees and completed

a comprehensive assessment of employee engagement across the Company. In a broader context, the HR management efforts of the Board of Directors focused on strengthening the senior management team, improving its performance, and recruiting new key employees with the most relevant expertise and qualifications required for the implementation of the current strategy centered on the omnichannel business model and process digitalization. Additionally, the Board of Directors works on succession planning and develops the talent pool.

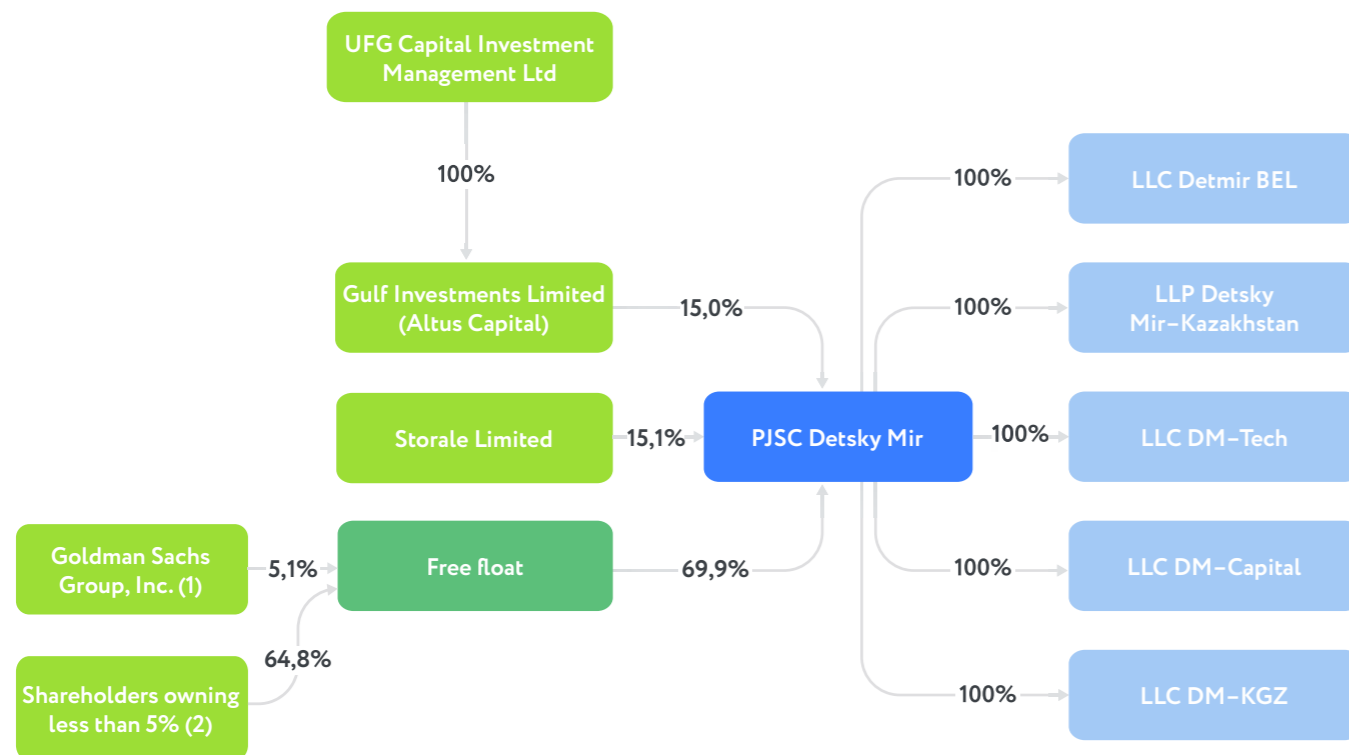
As the Company's growth strategy moves forward at an accelerated pace, the deployment of business verticals, digital transformation, and initiatives to strengthen the Board of Directors need to be complemented by ongoing efforts to bolster the Company's top management team. In August 2021, Andrey Spivak was appointed the Company's Chief Financial Officer and elected to Detsky Mir's Management Board. With extensive experience in building the processes of strategic and operational financial planning, as well as management

financial reporting and analysis (including implementation of relevant IT solutions), Mr Spivak brings to the table a great deal of retail and FMCG expertise. In June 2021, the top management team saw the addition of another new member – Andrey Osokin. Mr Osokin has considerable experience in online commerce, as well as strategic and brand communications for marketplaces and online and omnichannel retailers. At Detsky Mir, Andrey Osokin took up the position of the Marketing Director and member of the Management Board. His responsibilities include implementation of the Company's marketing strategy, management of the Group's brand portfolio, and customer communications.

In February 2022, the Board of Directors approved an open market buyback program for its ordinary shares listed on the Moscow Exchange for a total amount of RUB 3.5 bn. The Company plans to cancel the shares acquired under the program subject to all applicable restrictions and regulations, and does not intend to exercise voting rights in respect of such shares.

CORPORATE GOVERNANCE FRAMEWORK

Detsky Mir Group's corporate structure as at 31 December 2021



Notes:
 (1) Right to indirectly manage a certain number of votes granted by voting shares
 (2) Including quasi-treasury shares and shares held by the management and directors

CORPORATE GOVERNANCE MODEL

Detsky Mir focuses on building an effective corporate governance framework that enables the Company to operate transparently and efficiently. In matters of corporate governance, the Company is guided by Russian legislation, recommendations of the Bank of Russia, and global best practices.

In 2021, the number of independent members on the Board of Director was increased to five, by virtue of which an independent director was appointed Chairman of the Board of Directors, and the membership of the Audit Committee and Nomination and Remuneration Committee

was made completely independent in line with best practices. Furthermore, to attract highly qualified independent directors to the Company's Board of Directors, shareholders resolved to increase the remuneration of the Supervisory Board members. In accordance with the Bank of Russia recommendations, the Company's Articles of Association were amended as regards the abolishing of the Internal Audit Commission.

In 2021, the Company adopted BoardMaps – board meeting management software. This information system will ensure effective interaction

of the directors amid an unstable epidemiological environment; provide remote access to the Company's documents, materials for the past and upcoming meetings, and discussion history; enable prompt approval and amendment of documents provided to the directors prior to meetings; and make remote decision-making and deliberation as part of the meetings of the Supervisory Board and its committees more efficient.

In 2022, we plan to arrange an independent evaluation of the Company's Board of Directors.



BASIC CORPORATE GOVERNANCE PRINCIPLES

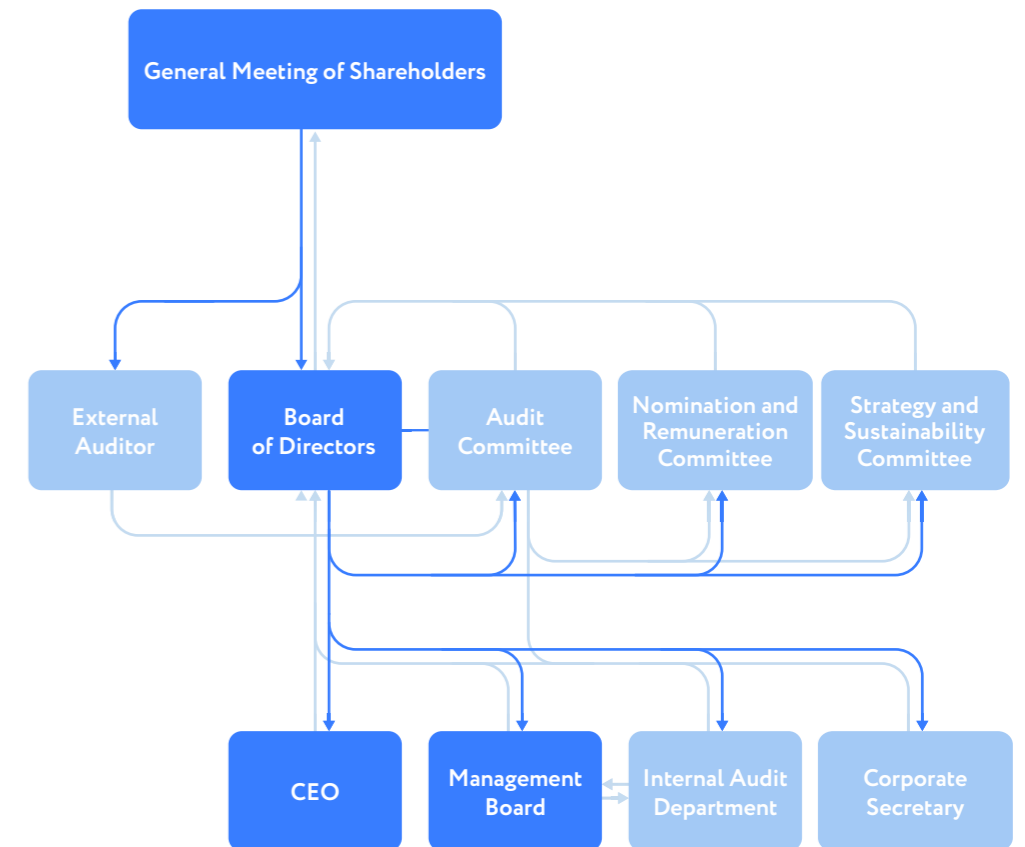
- Strategic management of the Company
- Effective protection of shareholder rights
- Effective control over executive bodies by the Board of Directors
- Equal and fair treatment of all shareholders regardless of the size of their share in the share capital and national affiliation
- Accountability of the Board of Directors to shareholders
- Timely and accurate disclosure of information on all material

issues related to the Company, including the Company's financial position, operating performance, and management



Structure of corporate governance bodies

— Appointment, election
 — Reports and recommendations



GENERAL MEETING OF SHAREHOLDERS

The General Meeting of Shareholders is Detsky Mir's supreme governance body, which operates in compliance with the Law on Joint-Stock Companies, the Company's Articles of Association, internal documents approved by the General Meeting of Shareholders, and Russian laws.

Shareholders exercise their right to manage the Company by proposing agenda items for the General Meeting of Shareholders, nominating candidates to corporate governance bodies, and by voting at the General Meeting of Shareholders. The remit of the General Meeting of Shareholders includes key management issues such as profit distribution, election of the Board of Directors and setting remuneration for Board members, approval of documents regulating the activities of governance bodies (General Meeting of Shareholders, Board of Directors, Internal Audit Commission), amendments to the Articles of Association, reorganization and liquidation of the Company, and approval of the Company's auditor.

INFORMING SHAREHOLDERS ABOUT THE GENERAL MEETING OF SHAREHOLDERS

In accordance with the Company's Articles of Association, the notice of the General Meeting of Shareholders and information on resolutions adopted by the General Meeting are posted on the Company's official website at ir.detmir.ru/en/.

The owners of shares whose rights are recorded in the name of a nominee holder or foreign nominee holder receive information on the General Meeting of Shareholders and its resolutions via the National Settlement Depository's corporate actions reporting system.

HOLDING THE GENERAL MEETING OF SHAREHOLDERS

The Annual General Meeting of Shareholders is convened each year in the form of joint presence. Apart from that, extraordinary General Meetings of Shareholders may be held. The form

of an extraordinary General Meeting depends on the agenda.

Regardless of its form, voting at the meeting is carried out using ballots. In 2021, due to the pandemic-related measures, two of the three General Meetings of Shareholders of PJSC Detsky Mir were held in absentia.

ELECTRONIC SERVICES FOR SHAREHOLDERS

On 18 May 2018, the General Meeting of Shareholders approved a new version of Detsky Mir's Articles of Association, which enabled the use of information and communication technologies for remote participation in the General Meeting of Shareholders, discussion of agenda items in absentia, and decision-making in the form of electronic voting. The e-voting service for General Meetings of Shareholders is provided by the Company's registrar, JSC Reestr. The service web page is available at aoreestr.ru.

GENERAL MEETINGS OF SHAREHOLDERS IN 2021

Three General Meetings of Shareholders took place in 2021:

Extraordinary General Meeting of Shareholders

12 March 2021

(joint presence)

Meeting quorum – 74.86%

Number of eligible shareholders – 167,388

193 shareholders voted, including:

24 – using e-voting service on the registrar's website

169 – via the NSD's corporate actions reporting system

Matters resolved at the EGM:

1. Early termination of the powers of the Board of Directors' members.
2. Election of the Board of Directors.
3. Approval of an internal document.

Annual General Meeting of Shareholders

30 June 2021

(absentee voting)

Meeting quorum – 75.6%

Number of eligible shareholders – 195,925

207 shareholders voted, including:

21 – using e-voting service on the registrar's website

186 – via the NSD's corporate actions reporting system

Matters resolved at the AGM:

1. Approval of Detsky Mir's 2020 annual report.
2. Approval of Detsky Mir's annual financial statements for 2020, including the profit and loss statement.
3. Distribution of profits and losses of PJSC Detsky Mir (including the payment of dividends) based on the 2020 financial year reporting results.
4. Election of the Board of Directors.
5. Approval of a new version of the Company's Articles of Association.
6. Approval of the Company's auditor.
7. Approval of an internal document.

Item 6 voting results: No election of the Internal Audit Commission was held as the participants voted in favour of Item 5 and approved a new version of the Company's Articles of Association, which provides for the Company to have no Internal Audit Commission.

Extraordinary General Meeting of Shareholders

Extraordinary General Meeting of Shareholders

15 December 2021

(absentee voting)

Meeting quorum – 58.99%

Number of eligible shareholders – 314,513

207 shareholders voted, including:

48 – using e-voting service on the registrar’s website

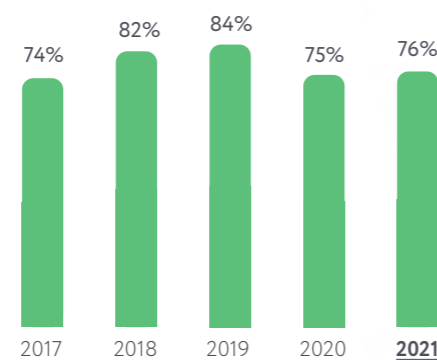
159 – via the NSD’s corporate actions reporting system

Matter resolved at the EGM:

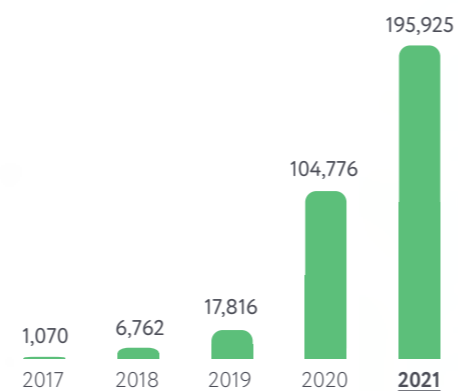
Payment of dividends based on the Company’s results for the first nine months of 2021.

Detsky Mir’s registrar is JSC Reestr (address: 20 Bolshoy Balkansky Lane, bldg. 1, Moscow 129090, Russian Federation, license to register securities holders No. 045-13960-000001).

AGM quorum, %



Number of shareholders eligible to vote at Detsky Mir AGM



BOARD OF DIRECTORS

The Board of Directors is responsible for the Company's strategic direction. It defines the core principles and approaches to risk management and the internal control system, oversees the activities of the Company's executive bodies, and performs other key functions.

THE BOARD OF DIRECTORS PERFORMS THE FOLLOWING KEY FUNCTIONS:

- Establishes the Company's key long-term targets and approves its strategy
- Oversees implementation of the Company's strategy
- Approves KPIs and assesses their execution
- Makes decisions regarding the appointment and dismissal of members of executive bodies
- Determines the Company's policy on remuneration for and/or reimbursement of expenses (compensation) of members of executive bodies and other key executives
- Defines principles of, and approaches to, risk management and internal control
- Oversees the timeliness and completeness of information disclosure by the Company and ensures that shareholders have unhindered access to Company documents

- Oversees corporate governance and supports decision-making with regard to material corporate events

The Board of Directors is accountable to shareholders. The activities of the Board of Directors are regulated by the Law on Joint-Stock Companies, the Company's Articles of Association, internal documents, decisions of the General Meeting of Shareholders, and Russian legislation.

COMPOSITION OF THE BOARD OF DIRECTORS

The Board of Directors is a professional governance body able to make objective independent judgments and decisions that align with the interests of the Company and its shareholders. Members of the Board of Directors are elected at the General Meeting of Shareholders by cumulative voting. To ensure transparency, shareholders are provided with information on candidates' age, education,

and professional experience, as well as who proposed each candidate.

The Board of Directors includes individuals with a broad range and depth of knowledge and the experience necessary to make informed decisions. As at 31 December 2021, the Board of Directors included five independent directors and five nonexecutive directors.

Independent directors have an appropriate level of professionalism, experience and independence to form their own positions, and are able to make objective and unbiased judgments while remaining independent of the influence of the Company's executive bodies, groups of shareholders, or other stakeholders. The criteria used to assess director independence is determined by the Moscow Exchange's listing rules.

In the reporting year, the composition of the Board of Directors changed as follows:

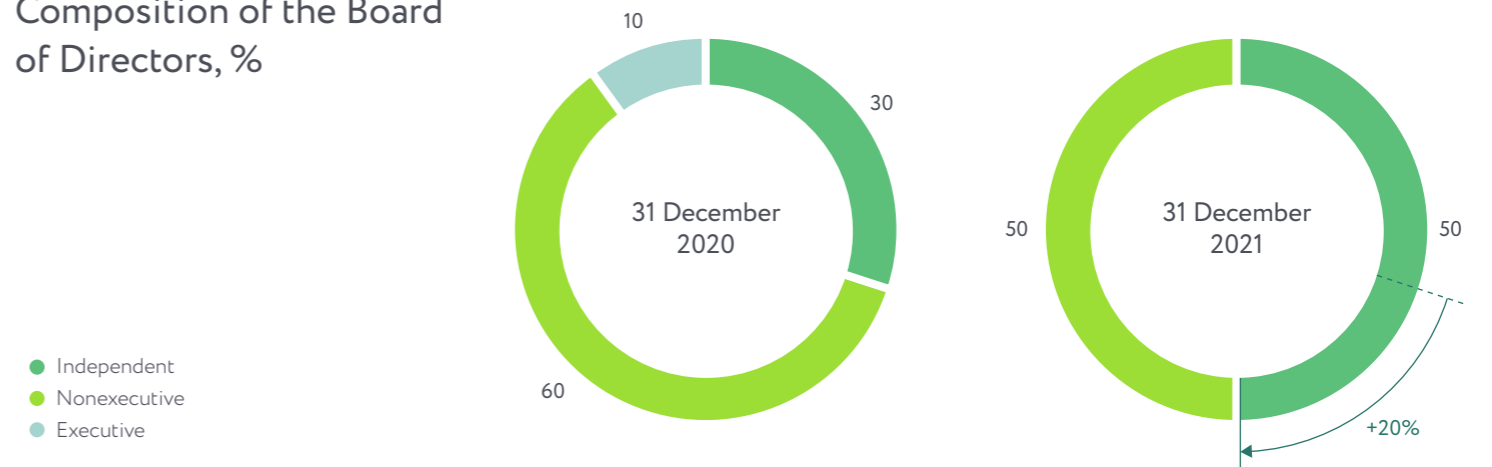
Composition at the beginning of the reporting year	Composition at the end of the reporting year
1. Evgeniy Madorskiy – Chairman of the Board of Directors (nonexecutive)	1. Maria Gordon – Chairwoman of the Board of Directors (independent)
2. Maria Davydova (executive)	2. Andrey Anishchenko (independent)
3. Pavel Boyarinov (independent)	3. Pavel Grachev (nonexecutive)
4. Stanislav Kotomkin (independent)	4. Dmitry Klenov (nonexecutive)
5. Alexander Shevchuk (independent)	5. Vladimir Klimanov (nonexecutive)
6. Tony Maher (nonexecutive)	6. Tony Maher (nonexecutive)
7. Oleg Mamaev (nonexecutive)	7. David Rönnerberg (independent)
8. Olga Ryzhkova (nonexecutive)	8. Mikhail Stiskin (nonexecutive)
9. Vladimir Travkov (nonexecutive)	9. Michael Foss (independent)
10. Anna Shakirova (nonexecutive)	10. Alexander Shevchuk (independent)

Key competencies of members of the Board of Directors

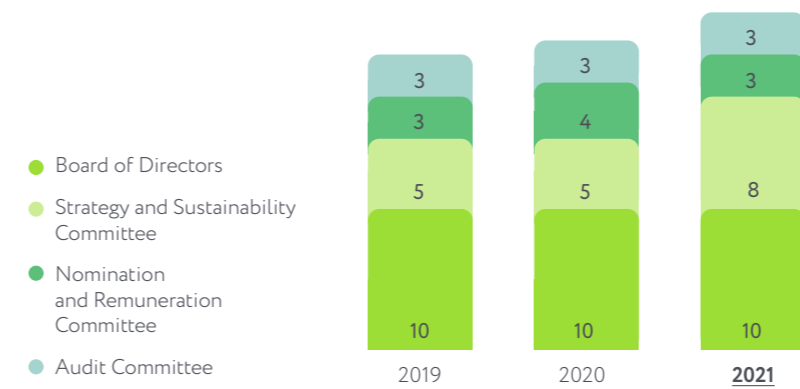
Board composition as at 31 December 2021

Member of the Board of Directors	Strategy	Finance and audit	Children's goods market	Pet supplies market	Online sales	Digital products	Corporate governance	M&A and capital markets	GR/IR
Andrey Anishchenko	X				X	X			
Maria Gordon	X	X					X	X	X
Pavel Grachev	X						X	X	X
Dmitry Klenov	X	X				X	X	X	X
Vladimir Klimanov	X							X	
Tony Maher	X		X				X	X	
David Rönnerberg	X			X	X				
Mikhail Stiskin	X	X					X	X	
Michael Foss	X	X	X	X	X		X	X	X
Alexander Shevchuk	X	X					X	X	X

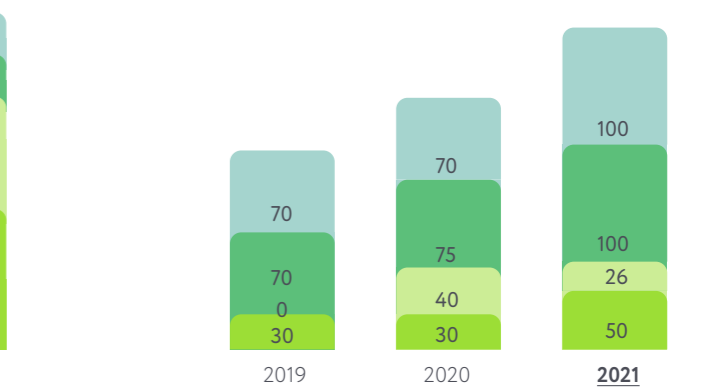
Composition of the Board of Directors, %



Number of members of the Board of Directors and Board committees



Independent directors' representation on the Board of Directors and Board committees, %



Female members on the Board of Directors



INFORMATION ON MEMBERS OF THE BOARD OF DIRECTORS

Information on members of the Board of Directors as at 31 December 2021



Maria Gordon

Chairwoman of the Board of Directors, Chairwoman of the Nomination and Remuneration Committee, member of the Audit Committee, member of the Strategy and Sustainability Committee

Born in 1974

Education:

1995 University of Wisconsin (USA), BA in Political Science
1998 Fletcher School of Law and Diplomacy, Tufts University (USA), Master of Jurisprudence and Diplomacy

Experience:

2015 – March 2022 PJSC Alrosa, member of the Supervisory Board
2016 – March 2022 PJSC Moscow Exchange, member of the Supervisory Board
2017 – March 2022 PJSC Polyus, member of the Supervisory Board
2021 – present PJSC Detsky Mir, member of the Board of Directors

Equity ownership in Detsky Mir: 0%



Pavel Grachev

Deputy Chairman of the Board of Directors, Nonexecutive Director, Chairman of the Strategy and Sustainability Committee

Born in 1973

Education:

1998 St. Petersburg State University, Major in Jurisprudence
1998 University of Trieste (Italy), Major in Jurisprudence

Experience:

2014–2016 JSC Polyus Krasnoyarsk, President
2013–2016 Polyus Gold International Limited, Chief Executive Officer, member of the Board of Directors
2014 – April 2022 PJSC Polyus, Chief Executive Officer, member of the Board of Directors
2015 – February 2022 PJSC Federal Grid Company of the Unified Energy System, member of the Board of Directors
2016 – April 2022 UK Polyus LLC, Chief Executive Officer
2016 – February 2022 PJSC RusHydro, member of the Board of Directors
2021 – present PJSC Detsky Mir, member of the Board of Directors

Equity ownership in Detsky Mir: 0%



Andrey Anishchenko

Independent Director, member of the Nomination and Remuneration Committee, member of the Strategy and Sustainability Committee

Born in 1980

Education:

2003 Moscow State University, Candidate of Physical and Mathematical Sciences

Experience:

2014–2015 Possible LLC, Chief Executive Officer
2017–2020 Skilbox LLC, Managing Director, member of the Board of Directors
2012 – present Grape LLC, member of the Board of Directors
2014 – present Possible LLC, member of the Board of Directors
2021 – present PJSC Detsky Mir, member of the Board of Directors

Equity ownership in Detsky Mir: 0%



Dmitry Klenov

Nonexecutive Director

Born in 1982

Education:

2004 Moscow State Institute of International Relations (University) of the Ministry of Foreign Affairs of Russia, Major in Jurisprudence

Experience:

2013–2019 Dmitry Gennadievich Klenov Law Office, Attorney
 2015 – present UFG WM Holdings Ltd, Director
 2015 – present Altus Capital Management Limited, Director
 2016 – present UFG Investment Services Limited, Director
 2017 – present OJSC Sakhalin Shipping Company, member of the Board of Directors
 2019 – present Family Consultants Moscow Bar Association, Attorney, Chairman of the Bar
 2019 – present PJSC Pharmacy Chain 36.6, member of the Board of Directors
 2021 – present PJSC Detsky Mir, member of the Board of Directors

Equity ownership in Detsky Mir: 0%



Vladimir Klimanov

Nonexecutive Director

Born in 1986

Education:

2008 St. Petersburg State University of Economics, Major in Economics

Experience:

2012–2015 LLC RDIF Management Company, expert
 2015 – present Management Company Polyus LLC, Deputy Director of the M&A Department
 2019 – present Veta Capital Partners LLC, Investment Director
 2021 – present PJSC Detsky Mir, member of the Board of Directors

Equity ownership in Detsky Mir: 0%



Tony Maher

Nonexecutive Director, member of the Strategy and Sustainability Committee

Born in 1956

Education:

1994 Irish Management Institute, Major in Management

Experience:

2018 – present PJSC Detsky Mir, member of the Board of Directors
 2012 – present Da Vinci Capital, Director
 2012 – present Denton Holdings SPC, Director
 2021 – present Steppe Agroholding, member of the Board of Directors

Equity ownership in Detsky Mir: 0%



David Rönnerberg

Independent Director, member of the Strategy and Sustainability Committee

Born in 1977

Education:

2003 Stockholm University, Master of Finance

Experience:

2015–2016 Indiska AB, Chief Executive Officer
 2017 – present Musti Group, Chief Executive Officer
 2021 – present PJSC Detsky Mir, member of the Board of Directors

Equity ownership in Detsky Mir: 0%



Mikhail Stiskin

Nonexecutive Director, member of the Strategy and Sustainability Committee

Born in 1983

Education:

2004 Moscow State Institute of International Relations (University) of the Ministry of Foreign Affairs of Russia, Major in Economics
2006 University of Michigan (USA), Master of Economics

Experience:

2014–2016 Polyus Krasnoyarsk JSC, Senior Vice President for Finance and Strategy
2014–2017 Polyus Gold International Limited, Chief Financial Officer
2014 – present PJSC Polyus, Deputy General Director for Economics and Finance, member of the Board of Directors
2014 – present JSC TaigaEnergoSroy – RusHydro, member of the Board of Directors
2014 – present Lenzoloto Gold Mining Company JSC, Chairman of the Board of Directors
2016 – present UK Polyus LLC, Senior Vice President for Finance and Strategy
2021 – present PJSC Detsky Mir, member of the Board of Directors

Equity ownership in Detsky Mir: 0%



Michael Foss

Independent Director, Chairman of the Audit Committee, member of the Strategy and Sustainability Committee

Born in 1957

Education:

1979 Washington University (USA), Bachelor of Business Administration
1982 University of Michigan (USA), MBA

Experience:

2017–2013 Petco Animal Supplies, Executive Vice President, Chief Financial Officer
2013–2016 Sports Authority (US sporting goods chain), CEO, Chairman of the Board of Directors
2017 – present Independent Pet Partners, Co-Founder, Board Member
2021 – present PJSC Detsky Mir, member of the Board of Directors

Equity ownership in Detsky Mir: 0%



Alexander Shevchuk

Independent Director, member of the Audit Committee, member of the Nomination and Remuneration Committee

Born in 1983

Education:

1996 Financial Academy under the Government of the Russian Federation, Major in Finance

Experience:

2014 – present Association of Professional Investors, Executive Director
2018 – present PJSC Detsky Mir, member of the Board of Directors
2015 – present PJSC IDGC of Center and Volga Region, member of the Board of Directors
2016 – present OJSC IDGC of Urals, member of the Board of Directors
2014 – present PJSC IDGC of Center and Volga Region, member of the Board of Directors

Equity ownership in Detsky Mir: 0%



CHAIRPERSON OF THE BOARD OF DIRECTORS

The Chairperson of the Board of Directors represents the Board and acts on its behalf in relations with the Company’s executive bodies, shareholders, and third parties. The Chairperson should facilitate effective implementation of the functions entrusted to the Board of Directors.

The Chairperson facilitates a constructive atmosphere at meetings and ensures free discussion of agenda issues, takes the necessary measures to provide Board members with the information

they need to make decisions on agenda items in a timely manner, and oversees the implementation of decisions made by the Board of Directors.

THE PRIMARY FUNCTIONS OF THE CHAIRPERSON ARE AS FOLLOWS:

- Planning and organizing the work of the Board of Directors
- Setting the agenda, calling meetings of the Board of Directors and determining their form, ensuring that minutes of meetings are kept
- Ensuring that the members of the Board of Directors are given information on the agenda items for the next meeting
- Ensuring transparent and open discussion of issues considered at Board meetings, taking into account all Board members’ opinions when making decisions, summarizing the results of discussions, and formulating any decisions made
- Chairing the General Meeting of Shareholders

The Chairperson bears personal responsibility to the General Meeting for organizing the activities of the Board of Directors.

CORPORATE SECRETARY

The Corporate Secretary is responsible for ensuring that corporate procedures are implemented, coordinating actions to protect the rights and interests

of shareholders, and supporting the effective work of the Board of Directors.

THE PRIMARY FUNCTIONS OF THE CORPORATE SECRETARY ARE AS FOLLOWS:

- Managing preparations for General Meetings of Shareholders, as well as meetings of the Board of Directors and Board committees
- Disclosing information
- Ensuring that established corporate procedures are implemented or monitored to protect shareholders’ rights and legitimate interests
- Supporting interaction with regulatory agencies, trading platforms, the registrar, and other professional participants in the securities market
- Supporting interaction between the Company and its shareholders and preventing corporate conflicts

The Corporate Secretary reports to and is accountable to the Board of Directors.

Dmitry Bogatov serves as Detsky Mir’s Corporate Secretary.



Dmitry Bogatov

Corporate Secretary,
Secretary of the Board of Directors

Born in 1977

Education:

2001 Military University of the Ministry of Defense, Jurisprudence
2013 Lomonosov Moscow State University, Strategic Management and Innovation

Experience:

2010 – present PJSC Detsky Mir, Corporate Secretary

Equity ownership in Detsky Mir: 0.0%

MEETINGS OF THE BOARD OF DIRECTORS

The Board of Directors holds meetings according to a schedule drawn up for a calendar year.

The first meeting of the Board of Directors is held after the General Meeting of Shareholders at which the Board is elected. The first meeting of the Board elects the Chairperson of the Board of Directors, appoints the Secretary of the Board of Directors, votes on the formation of Board committees, and determines the status of Board members.

The date, time, and format of Board meetings are decided by the Chairperson

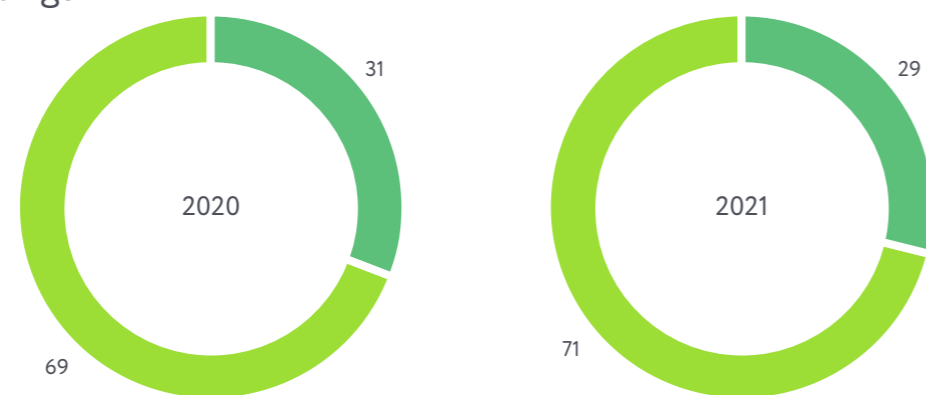
of the Board. Meetings can be held either in person or with absentee voting (in absentia).

In Q2 2021, the Company introduced Board Maps, a board meeting management software tool.

The most significant issues are discussed at in-person meetings, which use telecommunication technologies to allow Board members to discuss agenda items and make decisions in real time. Meetings in absentia are held by submitting ballots. The Board of Directors does not use absentee voting to make decisions on the following issues:

- Determining the Company’s priority areas of focus
- Convening the Annual General Meeting of Shareholders
- Share capital increases
- Preliminary approval of the Annual Report
- Appointment of the CEO and approval of the terms of his or her contract

Directors’ attendance at meetings of the Board of Directors, %



- In person, including via online audio and video conferencing
- In absentia

Directors’ attendance at meetings of the Board of Directors in 2021

Director	In person	In absentia	%
1. Maria Gordon	5/5	8/8	100%
2. Andrey Anishchenko	5/5	8/8	100%
3. Pavel Grachev	5/5	7/8	92%
4. Dmitry Klenov	5/5	5/8	77%
5. Vladimir Klimanov	5/5	8/8	100%
6. Tony Maher	5/5	8/8	100%
7. David Rönnerberg	2/2	4/5	86%
8. Mikhail Stiskin	5/5	8/8	100%
9. Michael Foss	5/5	8/8	100%
10. Alexander Shevchuk	5/5	8/8	100%
11. Evgeniy Madorskiy	0/0	4/4	100%
12. Maria Davydova	0/0	4/4	100%
13. Pavel Boyarinov	0/0	4/4	100%
14. Stanislav Kotomkin	3/3	7/7	100%
15. Oleg Mamaev	0/0	4/4	100%
16. Olga Ryzhkova	0/0	2/4	50%
17. Vladimir Travkov	0/0	4/4	100%
18. Anna Shakirova	0/0	3/4	75%

More than 94% of Board meetings were held with the participation of 90% or more of the Board’s members.

Average engagement of Board members in Board meetings, %

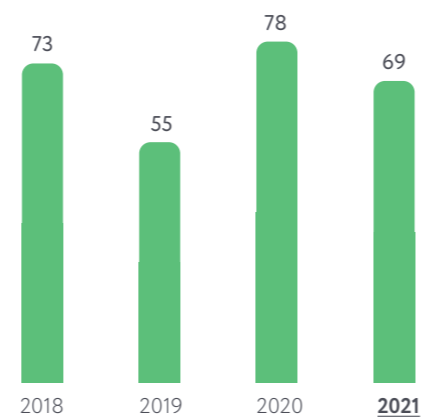


KEY ISSUES REVIEWED BY THE BOARD OF DIRECTORS IN 2021:

1. Adjustment of the Group's Strategy
2. The Company's financial performance for 2020, Q1 2021, H1 2021, and 9M 2021
3. Risk management report for 2020 and for H1 2021
4. Election of members of the Management Board (Sergey Li, Andrey Spivak, and Andrey Osokin)
5. Extension of the term of office of a Management Board member (Vladimir Ilmetov)
6. Approval of KPIs for 2021
7. Recommendations for dividend payments for 2020 and 9M 2021
8. Anti-crisis measures relating to the COVID-19 pandemic
9. Approval of loan agreements with Bank FC Otkritie, Sberbank, Raiffeisenbank, Gazprombank, and Credit Bank of Moscow
10. Organizational issues concerning the work of the Board of Directors: election of the Chairman and Secretary; determination of the status of Board members; formation of Board committees; reviewing the Board's self-assessment results; and approving the Board's work plan for 2022
11. Approval of material transactions with suppliers

12. Approval of the Company's budget for 2022
13. Revision of the approach to remuneration of members of the Board of Directors

Number of issues considered at Board meetings



COMMITTEES OF THE BOARD OF DIRECTORS

Committee	Overview
Audit Committee	<p>The Committee undertakes a preliminary review of issues for consideration at meetings of the Board of Directors concerning audit, control, and preparation of financial statements.</p> <p>Committee decisions are advisory for the Board of Directors.</p> <p>The Committee consists of three members of the Board of Directors. A majority of Committee members must meet the independence criteria determined by the Company's internal documents and applicable Moscow Exchange listing rules. Other Committee members may be members of the Board of Directors who are not the sole executive body and/or members of the collegial executive body of the Company.</p>
Nomination and Remuneration Committee	<p>The Nomination and Remuneration Committee undertakes a preliminary review of issues for consideration at meetings of the Board of Directors concerning personnel appointments to the Company's governance and oversight bodies, as well as the motivation and remuneration system for management, members of oversight bodies and employees.</p> <p>Committee decisions are advisory for the Board of Directors.</p> <p>The Committee consists of four members of the Board of Directors. A majority of Committee members must meet the independence criteria determined by the Company's internal documents and applicable Moscow Exchange listing rules. Other Committee members may be members of the Board of Directors who are not the sole executive body and/or members of the collegial executive body of the Company.</p>
Strategy and Sustainability Committee	<p>The Strategy and Sustainability Committee undertakes a preliminary review and analysis of issues for consideration at meetings of the Board of Directors covering strategy and sustainability (ESG).</p> <p>Committee decisions are advisory for the Board of Directors.</p> <p>The Committee consists of five members of the Board of Directors. Any member of the Board of Directors, including executive directors, can be a member of the Committee. There are no independence requirements for Committee members.</p>

AUDIT COMMITTEE

Michael Foss – Chairman
of the Committee, Independent Director

Maria Gordon – member
of the Committee, Independent Director

Alexander Shevchuk – member
of the Committee, Independent Director

STRATEGY AND SUSTAINABILITY COMMITTEE

Pavel Grachev – Chairman of the
Committee, Nonexecutive Director,
Andrey Anishchenko;

Maria Gordon;
Maria Davydova;
Rönnberg David;

Tony Maher;
Mikhail Stiskin;
Michael Foss;

NOMINATION AND REMUNERATION COMMITTEE

Maria Gordon – Chairwoman
of the Committee, Independent Director

Andrey Anishchenko – member
of the Committee, Independent Director

Alexander Shevchuk – member
of the Committee, Independent Director

Based on the recommendations of the Russian Corporate Governance Code, the Company monitors the quality of its corporate governance every year, including through an assessment of the work of the Board of Directors and its committees. The results of the assessment are reviewed

by the Board of Directors, as a rule at a meeting ahead of the Annual General Meeting of Shareholders, so that they can be incorporated into the work plan for the Board of Directors and its committees. In 2021, the performance of the Board of Directors was assessed by means of a self-assessment.

The results were reviewed at an in-person meeting of the Board of Directors in December 2021. Following consideration of the matter, a resolution was adopted to assess the performance of the Board of Directors in 2022 by engaging an independent consultant.

MANAGEMENT BOARD

Detsky Mir's day-to-day activities are overseen by the Management Board and the CEO. They ensure that the Company achieves its objectives and executes its strategy in order to maintain profitability, competitiveness, and financial and economic stability, as well as observes the rights of shareholders and provides social guarantees to employees.

The remits of the CEO and Management Board include resolution of all issues related to Detsky Mir's day-to-day activities except for issues that fall under the remit of the General Meeting of Shareholders and the Board of Directors.

The CEO and Management Board are guided by Russian legislation, the Company's Articles of Association, and other internal regulations.

The election of the CEO and early termination of his or her term of office fall within the remit of the Board of Directors. The CEO and members of the Management Board are accountable to the Board of Directors and regularly report on the Company's performance.

In 2021, the Management Board held 51 meetings and considered 255 issues (the same number as in 2020).

Detsky Mir Management Board in 2021

on the Management Board since 2020

Maria Volodina (on the Management Board since 2014)

Anna Garmanova (on the Management Board since 2015)

Artem Gubanov (on the Management Board since 2017)

Maria Davydova (on the Management Board since 2015)

Vladimir Ilmetov (on the Management Board since 2015)

Farid Kamalov (on the Management Board since 2014)

Denis Gurov (on the Management Board since 2020)

Tatiana Mudretsova (on the Management Board since 2014, terminated in 2020)

Pavel Pishchikov (on the Management Board since 2017)

Konstantin Frishberg (on the Management Board since 2020)

Anastasiya Yaroshevskaya (on the Management Board since 2016)

Nikolay Ermakov (on the Management Board since 2020)

on the Management Board since 2021

Maria Volodina

Andrey Spivak (on the Management Board since 2021)

Artem Gubanov

Maria Davydova

Vladimir Ilmetov

Sergey Li (on the Management Board since 2021)

Denis Gurov

Andrey Osokin (on the Management Board since 2021)

Pavel Pishchikov

Konstantin Frishberg

Anastasiya Yaroshevskaya

Nikolay Ermakov

MANAGEMENT BOARD MEMBERS



Maria Davydova

Chief Executive Officer, Chairwoman of the Management Board

Born in 1974

Education:

1998 Institute of Humanities, Major in Economics

Experience:

2006–2009 OJSC Arbat Prestige – Gradient, Deputy Director

2009–2011 MDK LLC, Commercial Director

2011–2012 Svyaznoy Market LLC, Director for Children's Goods

2012–2013 Enter LLC, Commercial Director for Home and Recreation Products

2013 – present PJSC Detsky Mir, Chief Executive Officer, member of the Management Board – Deputy Chief Executive Officer for Commercial Activities

2020 – present PJSC Detsky Mir, Chief Executive Officer, member of the Board of Directors

Equity ownership in Detsky Mir: 0.005%*

* Hereinafter, the share of the Company's ordinary shares belonging to the person in question.
° As at 31.12.2021



Anastasiya Yaroshevskaya

HR Director

Born in 1984

Education:

1998 Moscow City University of Psychology and Education

Experience:

2008–2016 Hoff, Deputy HR Director
2016 – present PJSC Detsky Mir, HR Director

Equity ownership in Detsky Mir: 0.004%



Maria Volodina

Commercial Director, Fashion

Born in 1973

Education:

1996 Moscow State Academy of Light Industry

Experience:

2007–2010 Kira Plastinina Style LLC, Product Department Head
2010–2011 SELA Corporation, Head of Assortment Planning
2011 – present PJSC Detsky Mir, Commercial Director, Fashion

Equity ownership in Detsky Mir: 0.007%



Sergey Li

Chief Operating Officer

Born in 1975

Education:

1996 Moscow Technical University of Communications and Informatics

Experience:

2008–2010 M.Video Management LLC, Head of Department,
Head of Division, Managing Director
2021–2022 PJSC Detsky Mir, Chief Operating Officer

Equity ownership in Detsky Mir: 0%



Pavel Pishchikov

Director for E-Commerce

Born in 1976

Education:

1997 Dnipropetrovsk State University

Experience:

2011–2017 Carnaval LLC (Dochki-Sinochki Group),
E-Commerce Director
2017 – present PJSC Detsky Mir, HR Director

Equity ownership in Detsky Mir: 0.0034%



Born in 1958

Education:

1998 Kuibyshev State Technical University

Experience:

2010–2014 Moscow Bank for Reconstruction and Development,
Senior Vice President – Head of Security

2014 – present PJSC Detsky Mir, Security Director

Equity ownership in Detsky Mir: 0.0018%

Vladimir Ilmetov

Corporate Security Director



Born in 1983

Education:

2005 Ulyanovsk State University

Experience:

2011–2013 PJSC Detsky Mir, Executive Project Director

2013–2013 Korablik LLC, Head of Real Estate and Chain Development

2014 – present PJSC Detsky Mir, Director for Real Estate and Development

Equity ownership in Detsky Mir: 0.0194%

Artem Gubanov

Director for Real Estate and Development



Born in 1979

Education:

2001 St. Petersburg State University of Economics

Experience:

2011–2018 CJSC Perekrestok, CFO, Planning and Control Director,
Strategic Planning Director, Strategy Implementation Director,
CFO of the Supermarket Format, and Commercial Director
of the Supermarket Format

2018–2021 JSC Tander, Controlling and Economics Director,
Director of Advanced Analytics, Reporting and Big Data,
Big Data Project Head

2021 – present PJSC Detsky Mir, Chief Financial Officer

Equity ownership in Detsky Mir: 0.0001%

Andrey Spivak

Chief Financial Officer



Born in 1981

Education:

2006 Russian State Social University

Experience:

2013–2020 Dixy Group, Director of Logistics

2020 – present PJSC Detsky Mir, Director of Logistics

Equity ownership in Detsky Mir: 0%

Denis Gurov

Director of Logistics



Nikolay Ermakov

Chief Technical Officer

Born in 1980

Education:

1998 National University of Science and Technology (MISiS), Major in Engineering and Programming

Experience:

2014–2017 Rambler & Co, Director of Software Development
 2017–2018 Gett, Director of Moscow Center Software Development, Gett, General Director of Gett Systems Rus
 2018–2020 X5 Retail Group, Director of Software Development
 2020 – present PJSC Detsky Mir, Chief Technical Officer

Equity ownership in Detsky Mir: 0%



Andrey Osokin

Marketing Director

Born in 1976

Education:

2001 Moscow Aviation Institute

Experience:

2012–2013 Felix LLC, Senior Manager for Internet Projects
 2013 Komfort LLC, Online Store Manager
 2014–2016 Moda LLC, E-Commerce Development Director
 2016 Optic Vision LLC, E-Commerce Development Director
 2016–2018 DirectCatalogService LLC, Marketing Director
 2018–2021 Marketplace LLC, Marketing Director
 2021 – present PJSC Detsky Mir, Marketing Director

Equity ownership in Detsky Mir: 0%



Konstantin Frishberg

Commercial Director for Fast-Moving Consumer Goods

Born in 1978

Education:

1998 Higher School of Economics

Experience:

2015–2015 Wikimart LLC, Commercial Director
 2016 – present PJSC Detsky Mir, Commercial Director for Fast-Moving Consumer Goods, Head of the Commercial Division for Toys

Equity ownership in Detsky Mir: 0.009%



REMUNERATION REPORT

REMUNERATION FOR MEMBERS OF THE BOARD OF DIRECTORS

In 2021, remuneration for members of the Board of Directors is paid to:

- all members of the Board of Directors, with the exception of executive directors (members of the Company's executive bodies)

Payments to members of the Board of Directors can be made in the following forms:

- basic remuneration
- additional remuneration for performing additional duties
- compensation

The basic remuneration for a member of the Board of Directors is paid in cash. In accordance with the Regulation on Remuneration and Compensation, basic remuneration is USD 60,000 (sixty thousand) for the corporate year. Under the Regulation's version dated 30 June 2021, basic remuneration is increased to USD 100,000 (one hundred thousand) for the corporate year.

Basic remuneration is paid in equal monthly instalments based on an extract from the minutes of the Company's General Meeting of Shareholders concerning election of members of the Board. Board members are paid additional remuneration for performing

additional duties related to their work with Board committees.

All members of the Board of Directors have the right to compensation for expenses (travel expenses, rental costs of living quarters, etc.) related to their duties as a member of the Board.

Total compensation paid to Board members in 2021: RUB 0.2 m. Basic remuneration paid to members of the Board of Directors in 2021: RUB 53.0 m. Total remuneration paid to Board members in 2021: RUB 62.1 m.

Remuneration and compensation paid to members of the Board of Directors, RUB m

	2017	2018	2019	2020	2021
Total remuneration	16.0	21	16.8	19.7	62.1
● Basic remuneration	16	18.5	12.9	14.7	53.0
● Additional remuneration	-	2.5	3.9	5.0	9.1
Compensation	2.8	1.3	-	-	0.2

Key amendments to the Regulations on Remuneration and Compensation Paid to the Members of the Company's Board of Directors

Version dated 12 March 2021

Remuneration and compensation are paid from the Company's profit unless the Russian laws are amended or competent government authorities issue clarifications so as to include an express indication of other sources of such payment.

The total amount of remuneration payable to a member of the Board of Directors in forms set out in clause 2.1 hereof may not exceed USD 70,000 (seventy thousand) per year.

The total amount of remuneration payable to the Chairperson of the Board of Directors in forms set out in clause 2.1 hereof may not exceed USD 120,000 (one hundred twenty thousand) per year.

Basic remuneration is USD 60,000 (sixty thousand) for the corporate year. When the powers of a member of the Board of Directors are terminated early, remuneration is payable pro rata to the actual term in office of the member of the Board of Directors during the corporate year.

Version dated 30 June 2021

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Basic remuneration is USD 100,000 (one hundred thousand) for the corporate year. When the powers of a member of the Board of Directors are terminated early, remuneration is payable pro rata to the actual term in office of the member of the Board of Directors during the corporate year.

Version dated 12 March 2021

Board members are paid additional remuneration for performing additional duties related to their work with Board committees. For acting as a member of a Board committee, Board members are paid additional remuneration in the amount of USD 2,500 (two thousand five hundred) for the corporate year.

For acting as the Chairperson of a Board committee, Board members are paid additional remuneration in the amount of USD 5,000 (five thousand) for the corporate year.

For acting as the Chairperson of the Board of Directors, a member of the Board of Directors is paid additional remuneration in the amount of USD 60,000 (sixty thousand) for the corporate year.

Version dated 30 June 2021

Board members are paid additional remuneration for acting as the Chairperson of the Board of Directors and performing additional duties related to their work with Board committees.

For acting as a member of a Board committee, Board members are paid additional remuneration in the amount of USD 2,500 (two thousand five hundred) for the corporate year.

For acting as the Chairperson of a Board committee, Board members are paid additional remuneration in the amount of USD 5,000 (five thousand) for the corporate year. For acting as a member of the Board's Audit Committee, Board members are paid additional remuneration in the amount of USD 10,000 (ten thousand) for the corporate year.

For acting as the Chairperson of the Board's Audit Committee, Board members are paid additional remuneration in the amount of USD 20,000 (twenty thousand) for the corporate year.

For acting as the Chairperson of the Board of Directors, a member of the Board of Directors is paid additional remuneration in the amount of USD 100,000 (one hundred thousand) for the corporate year.

On 30 June 2021, Detsky Mir's General Meeting of Shareholders approved the increase in basic remuneration payable to members of the Board of Directors and additional remuneration for acting as the Chairperson of the Board of Directors and for members and Chairperson of the Audit Committee.



° The Regulation on Remuneration and Compensation Paid to Members of the Company's Board of Directors is available on the website.

CEO AND MANAGEMENT BOARD REMUNERATION

The CEO and members of the Management Board are full-time employees of Detsky Mir. Their compensation consists of a salary and an annual bonus for meeting KPIs set by the Board of Directors (see the Our Employees section for more details).

Salaries are set in line with the Company's salary structure. Other payments – such as additional payments, compensation, and bonuses – are governed by the Regulations on Remuneration and Bonuses for Employees and the Regulations on Material and Technical Support.

In 2021, remuneration for the CEO and Management Board totaled RUB 589.5 m (RUB 202.4 m in salaries and RUB 387.1 m in bonuses), while total compensation amounted to RUB 0.5 m.

Remuneration and other compensation for the CEO and Management Board, RUB m

	2017	2018	2019	2020	2021
Total remuneration paid to the CEO and Management Board members, RUB m	898.2	836.2	1,227.3	1,353.1	589.5
Salary	227.2	409.0	464.2	253.7	202.4
Annual bonuses	96.0	110.9	125.0	92.9	104.8
Long-term incentives	575.1	316.3	638.1	1,006.5	282.4
Compensation	8.1	6.4	7.4	2.8	0.5

CEO annual remuneration structure

Basic remuneration	Bonus	Long-term remuneration program	Expenses reimbursed
Set under the terms of the employment contract.	The incentive program sets a bonus limit equal to the annual salary. Within this limit, portions are paid contingent on fulfillment of Company and personal KPIs.	The amount depends on financial performance, length of participation in the program, and the extent of responsibility for the achievement of results.	<ul style="list-style-type: none"> ● VHI for employees and their family (partner and children) ● VHI for employees ● Accident insurance ● Travel expenses ● Mobile phone expenses ● Transport expenses

Management Board annual remuneration structure

Basic remuneration	Bonus	Long-term remuneration program	Expenses reimbursed
Set under the terms of the employment contract.	The incentive program sets a bonus limit equal to the annual salary. Within this limit, portions are paid contingent on fulfillment of Company and personal KPIs.	The amount depends on financial performance, length of participation in the program, and the extent of responsibility for the achievement of results.	<ul style="list-style-type: none"> ● VHI for employees ● Accident insurance ● Travel expenses ● Mobile phone expenses

KPIS

Central office employees are eligible for a quarterly or annual bonus contingent on the fulfillment of financial (corporate) and functional (individual) KPIs.

In 2021, targets were set for the following corporate indicators:

- Revenue
- OIBDA
- NPS

At the beginning of the year, the Board of Directors approves a list of corporate KPIs and their weighting.

The weighting ratio between corporate and functional KPIs at the CEO-1 level is approved by the Board of Directors.

LTI PLAN FOR KEY EMPLOYEES

In addition to the short-term incentive plan, Detsky Mir runs a long-term incentive (LTI) plan for key senior managers and the CEO. The plan aims to increase the Company's market capitalization.

A new LTI plan has been in effect since February 2020 and runs through February 2023^o.

The first tranche of payments under the LTI plan was made in 2021.

LTI 2020–2023

Goal: further growth of the Company's market capitalization

- Covers the three-year period to February 2023
- Participants – 41 key Company employees
- Budget calculated as 4.6% of the increase in the Company's market capitalization (including dividend payments) over the lifetime of the program
- Payment in cash and/or Company shares (via share purchases on the open market) in the proportion approved by the Board of Directors during 2021–2023

Starting February 2022, another 56 employees were added to the LTI plan.



^o On 2 February 2021, the Board of Directors resolved to add to the LTI plan another 19 employees. The total number now stands at 39 employees.

CONTROL AND AUDIT

INTERNAL CONTROL FRAMEWORK

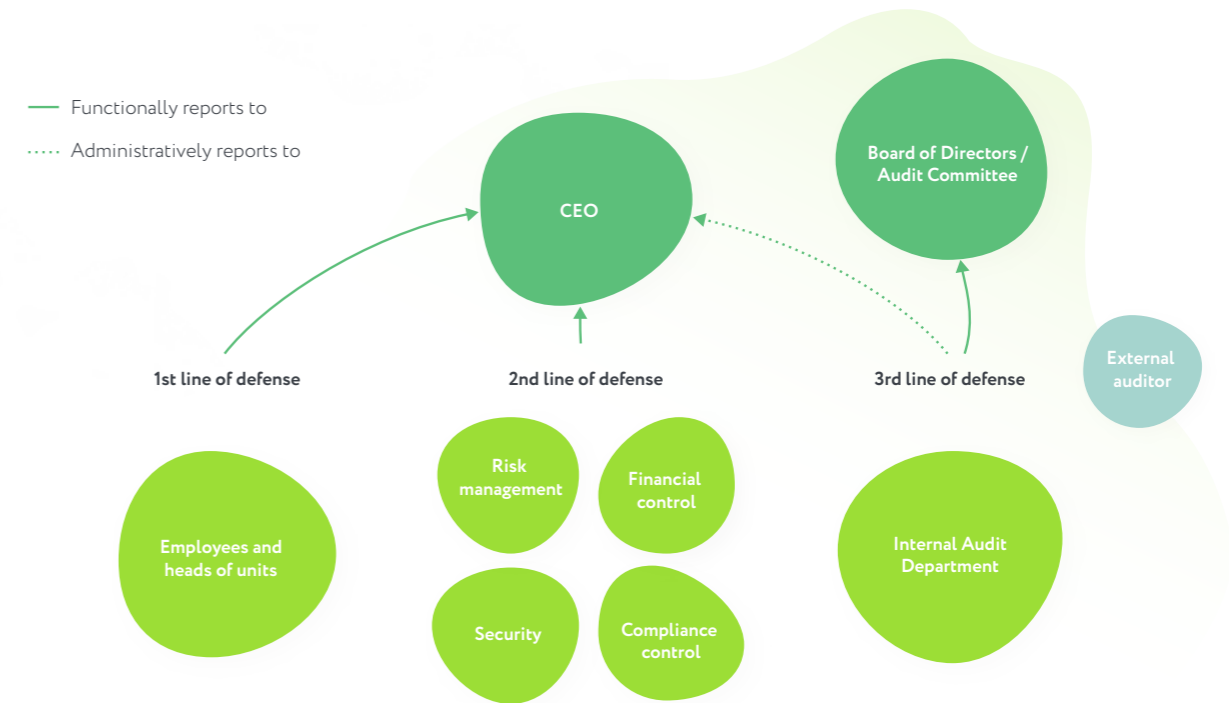
Detsky Mir's Internal Control System (ICS) is a set of organizational measures, methods, procedures, corporate culture standards, and actions taken by the Company in order to achieve an optimal balance between business growth and risks to make sure that the Company is financially stable and conducts its business efficiently, while at the same time securing the safety of its assets, compliance with legislation, charters, and internal Company documents, as well as timely preparation of reliable reports.

Detsky Mir's ICS complies with the generally accepted methodology of the COSO Internal Control – Integrated Framework 2013 and includes the following components:

- Control environment
- Risk assessment
- Control activities
- Information and communication
- Monitoring activities



According to the three lines of defense approach, the process to ensure the effectiveness of the internal control system is carried out at three different levels.



The first line of defense is the responsibility of the business process owners whose activities create and/or manage risks that can contribute to or hinder the achievement of Detsky Mir's objectives. The first line manages risk and also develops and implements controls to respond to those risks.

The second line is used to support management by consolidating experience, improving processes, and monitoring alongside the first line to provide effective risk and control management.

The second line of defense functions separately from the first line but comes under the direction and control of senior management. The second line is essentially a governance and/or oversight function that oversees numerous aspects of risk management.

The third line of defense provides senior management and the Board of Directors with assurance that both the first and second lines of risk management and control measures are in line with expectations of the Board and senior

management. To ensure objectivity and organizational independence, the third line of defense is prohibited from performing management functions. In addition, the third line of defense is directly subordinate to the Board of Directors. This way it is a function providing assurance that an adequate system of controls and risk management is in place. It is not a management function, which is how it differs from the second line of defense.

INTERNAL CONTROL FUNCTION

INTERNAL CONTROL FUNCTIONS ARE DISTRIBUTED WITHIN THE COMPANY AS FOLLOWS:

BOARD OF DIRECTORS

- Monitors and evaluates the activities of the Management Board and senior management
- Approves the Company's financial and business plans, budgets, and investment programs, and regularly reviews progress reports submitted by the CEO, Management Board, and other officers concerning approved plans and decisions
- Regularly reviews and assesses progress against strategies and annual and quarterly budgets, target achievement, and management performance
- Undertakes an assessment of management, financial, political, and other risks affecting the Company's operations, and ensures a functional ICS
- Ensures the Company's compliance with statutory requirements, corporate governance principles, and disclosure of complete and accurate information about the Company

BOARD OF DIRECTORS' AUDIT COMMITTEE

- Provides assistance and control over preparing and auditing financial statements, including assessment of the external auditor's performance
- Assesses the risk management system and compliance with applicable legal requirements for financial reporting, auditing, and planning
- Carries out financial modeling, including previews of draft budgets before submitting them to the Board of Directors
- Approves the work plan of the Internal Audit Department and reviews its annual and semiannual performance reports
- Evaluates related-party and major transactions

CHIEF EXECUTIVE OFFICER

- Coordinates the implementation of decisions made by the General Meeting of Shareholders and the Board of Directors
- Establishes effective ICS and risk management
- Manages activities and effective communication among structural units
- Allocates responsibilities among structural unit heads and monitors their performance
- Oversees budget development and monitors performance
- Safeguards the Company's fixed assets and resources
- Ensures legal compliance of the Company's operations

HEADS OF BUSINESS UNITS AND SENIOR MANAGEMENT

- Divide roles and responsibilities among employees that report to them in accordance with the principle of segregation of duties
- Include functions and responsibilities for implementing control activities in employee job descriptions
- Develop a uniform corporate culture to strengthen the Company's ICS
- Monitor employee compliance with internal regulations
- Implement and monitor control activities
- Report to superiors in a timely manner any irregularities observed in the implementation of control activities

ALL COMPANY EMPLOYEES AS OWNERS OF CONTROLS ARE RESPONSIBLE FOR

- Effectively implementing control and risk management activities in accordance with job descriptions and internal regulations
- Informing immediate superiors in a timely manner of any new risks and cases where control activities can no longer be implemented and/or control or risk management activities require changes
- Completing regular upskilling training in internal control and risk management under an approved training program



INTERNAL AUDIT DEPARTMENT

The Head of the Internal Audit Department (Yury Vikulin, appointed on 20 November 2017) is accountable to the Company's Board of Directors and is appointed and dismissed by the Board of Directors.

The Director of the Internal Audit Department reports functionally to the Company's Board of Directors and administratively to the CEO.

The Department's activities are governed by the Regulations on the Internal Audit Department (approved by Minutes of the Board of Directors No. 16 dated 28 December 2020).

KEY TASKS OF THE INTERNAL AUDIT DEPARTMENT

- Performing systematic checks and audits of business units, processes, areas of business, and projects to form an independent assessment and express an opinion regarding reliability and efficiency
- Participating in audit commissions pursuant to decisions of annual general meetings of members and independently assessing systems of internal control, risk management, and corporate governance
- Advising Company employees on the effectiveness of control, risk management, and corporate governance

THE INTERNAL CONTROL SYSTEM INCLUDES THE FOLLOWING MEASURES

- Analyzing the extent to which the goals of business processes, projects, and business units comply with the goals of the Company, verifying the reliability and integrity of business processes and information systems, including the reliability of procedures to counter criminal actions, abuse, and corruption
- Determining the adequacy of the criteria established by the executive bodies to analyze the extent of fulfillment (achievement) of the established goals
- Evaluating the Company's accounting (financial), statistical, management, and other reporting
- Identifying shortcomings in the internal control system that have prevented (or still prevent) the Company from achieving its goals
- Assessing the results of measures undertaken at all levels to eliminate violations and shortcomings and improve the internal control system
- Checking the effectiveness and appropriateness of resource use
- Verifying the physical security and safeguarding of assets
- Verifying compliance with legislation, the Articles of Association, and internal documents

THE RISK MANAGEMENT SYSTEM INCLUDES THE FOLLOWING MEASURES

- Verifying the sufficiency and maturity of the risk management system's elements (goals and objectives, infrastructure, organization of processes, regulatory and methodological support, interaction of business units within the risk management system, and reporting)
- Verifying the completeness of identification and the accuracy of risk assessment at all levels of its management
- Verifying the effectiveness of control procedures and other risk management measures, including the effective use of resources allocated for these purposes
- Analyzing information on materialized risks (violations revealed by internal audits, failure to achieve established goals, litigation, etc.)

THE CORPORATE GOVERNANCE SYSTEM INCLUDES THE FOLLOWING MEASURES

- Compliance with ethical principles and corporate values
- Compliance with procedures for setting goals and monitoring achievement
- Control over the quality of regulatory support and communication procedures at all levels of management
- Protecting the rights of shareholders and ensuring effective interaction with stakeholders

The Internal Audit Department's priorities, which are aligned with the Company's objectives and take into account available resources and a risk-oriented approach to planning, are set forth in a functional plan approved by the Board of Directors' Audit Committee.

REPORT ON THE ACTIVITIES OF THE INTERNAL AUDIT DEPARTMENT

During 2021, the Internal Audit Department operated in line with the functional plan approved by the Company's Board of Directors.

The performance of the Internal Audit Department for the first half of the year and for 2021 as a whole was reviewed

and approved by the Audit Committee. The Audit Committee gave a positive assessment of the activities of the Internal Audit Department and considers it to be effective. In December 2020, the Audit Committee approved the functional plan of the Internal Audit Department for 2021.

EXTERNAL AUDIT

On 30 June 2020, the AGM approved JSC Deloitte & Touche CIS as the Company's auditor (location: 5 Lesnaya St., Moscow, 125047, Russia), OGRN 1027700425444, certificate of membership in the Self-Regulatory Organization of Auditors of the Sodruzhestvo Association dated 31 January 2020, ORNZ 12006020384.

JSC Deloitte & Touche CIS is a leading audit and consulting firm providing audit, consulting, corporate finance, risk management, and tax and legal consulting services. It is part of the international association of firms Deloitte Touche Tohmatsu LLC, a global leader in professional services that has more than 286,000 employees in over 150 countries.

IN THE REPORTING YEAR, THE AUDITOR CONDUCTED:

- an audit of PJSC Detsky Mir, DM-Tech LLC, DM-Capital LLC, and the Detsky Mir Charitable Foundation for 2020 prepared in accordance with Russian Accounting Standards and conducted in accordance with International Standards on Auditing (ISA);
- an audit of the consolidated financial statements of PJSC Detsky Mir prepared in accordance with IFRS for 2020 and conducted in accordance with ISA;
- a review of the consolidated financial information of PJSC Detsky Mir for the half year ended 30 June 2021, prepared in accordance with IFRS and conducted in accordance with International Standard on Review Engagements 2410;
- special-purpose services to verify the Group's compliance with covenants stipulated by the loan agreement with PJSC VTB Bank;
- agreed procedures regarding annual reports on gross turnover for 2020 under lease contracts.
- Based on the audit results, the auditor of PJSC Detsky Mir expressed an opinion on the reliability of the financial statements of PJSC Detsky Mir for 2020 prepared in accordance with Russian Accounting Standards, and the consolidated financial statements of PJSC Detsky Mir and its subsidiaries for 2020 prepared in line with International Financial Reporting Standards.



BUSINESS ETHICS AND COMPLIANCE

Detsky Mir seeks to ensure that the actions of the Company and its employees comply with the Company's values, business ethics standards, and regulatory requirements.

KEY REGULATORY DOCUMENTS:

- Code of Ethics
- Policy on Managing Conflicts of Interest
- Anti-Fraud Policy
- Procurement Policy
- Policy on Material, Technical, and Information Support to Employees
- Policy on Personal Data Processing
- Rules for Ensuring the Security of Personal Data
- Information Security Policy
- Supplier Code of Conduct
- Requirements to Transportation Service Providers
- Anti-corruption documents listed below
- Antitrust policy
- Rules for Checking Counterparties
- Rules for Personnel Recruitment
- Policy on Managing the Use of Chemicals
- The key regulatory documents are available on the [Company's website](#)

STAKEHOLDERS

- Investment and financial community
- Regional authorities and local communities
- Employees and trade unions
- General public and the mass media
- Business partners
- Customers

HOTLINE

To improve risk management, prevent abuse, and detect possible corruption, fraud, or other violations

in the Company’s activities in a timely manner, the Company launched the Workforce Watch corporate

whistleblowing program. All upheld reports to the hotline were resolved.

Resolution of reports received via the hotline

Subject of report	2019		2020		2021	
	Received	Upheld	Received	Upheld	Received	Upheld
HR management	145	24	126	40	111	20
Retail sales and customer service	2	0	13	2	7	2
Execution of contracts	10	3	30	4	9	3
Property and asset management	7	3	8	2	4	0
Health, safety, and environment (HSE)	5	2	2	1	3	0
Procurement procedures	1	0	3	0	0	0
B2B sales and customer service	1	0	0	0	0	0
Other	6	2	4	0	8	1
Total	177	34	186	49	142	26

CHANNELS AND (ANONYMOUS) MEANS OF REPORTING:

- Email address: report@detmir.ru
- Phone number +7 495 781 0830 (answerphone) or +7 800 250 0000 using the key phrase Workforce Watch

- Mail address: 6, 3rd Nizhnelikhoborskiy Proezd, bldg. 3, Moscow, 127238, Russia, to the attention of the Head of the Legal Department, and/

or the Head of the Internal Audit Department, and/or the Head of the Corporate Security Department marked “Confidential» / «Workforce Watch”

ANTI-CORRUPTION DOCUMENTS:

- Code of Ethics
- Anti-Corruption Policy
- Policy on Managing Conflicts of Interest
- Corporate Code of Conduct hosted at <https://ir.detmir.ru/en/anti-corruption-documents/>

ANTITRUST COMPLIANCE

The Company maintains a policy aimed at compliance with applicable antitrust legislation. This includes monitoring compliance with antitrust legislation in Russia, Kazakhstan, and Belarus; applying procurement procedures when selecting contractors; and control over pricing.

TRANSACTIONS IN SECURITIES BASED ON INSIDER INFORMATION

The Regulations on Insider Information determine procedures for maintaining a List of Insiders; gaining access to insider information; notifying persons included on the List of Insiders about their inclusion on or exclusion from the List; providing the List of Insiders to market operators; receiving, accounting for, and storing notifications from insiders about their transactions with the Company’s securities; and protecting insider information. Information on transactions involving Company securities performed by members of governance bodies is disclosed in accordance with the applicable legislation.

TRAINING

A digital memo for employees on compliance with anti-corruption principles is circulated quarterly. New hires must read the Policy on Managing Conflicts of Interest, Code of Ethics, Anti-Fraud Policy, Standard for the Procedure of Personal Data Processing, Confidentiality and Commercial Secret Policy, and the Rules for Personnel Recruitment.

A priority task for management is communicating the Company’s values to employees, including the policy of zero tolerance for corruption and unlawful practices.

CAPITAL AND SECURITIES

SHARE CAPITAL AND SHAREHOLDER STRUCTURE



The share capital of PJSC Detsky Mir as at 31 December 2021 was RUB 295,600 and consisted of 739,000,000 ordinary registered uncertified shares with a par value of RUB 0.0004 each. The Company did not place any preferred shares.

The state registration number of the issue of ordinary shares is 1-2-00844-A (ticker symbol DSKY; ISIN RU000A0JSQ90), date of state registration 11 February 2014. No additional share issues were placed in 2021.

The total number of entities and individuals included on the last list of those eligible to participate in the General Meeting of Shareholders was 314,513, most of whom are individuals.

SHAREHOLDER CAPITAL

In February 2017, PJSC Detsky Mir conducted an initial public offering (IPO) on the Moscow Exchange (MOEX), the leading Russian platform, under the DSKY ticker symbol. The Company's shares were included in the first level of the MOEX quotation. The securities are traded in the T+2 trading mode.

The shares are included in the main Russian stock indices: IMOEX and RTSI (Moscow Exchange and RTS indices), EPSI (subindex of shares of pension savings assets), MOEXCN (consumer sector index), and RUBMI (broad market index).

All of the Company's issued and outstanding shares are ordinary registered shares of the same par value. Shares of PJSC Detsky Mir give their owners (shareholders) certain rights, including the right to participate in the Company's management, the right to receive a part of the Company's profit in the form of a dividend, and the right to receive a part of the property remaining after the Company's liquidation.

As at 31 December 2021, Detsky Mir's capitalization amounted to RUB 92.1 bn.

On 15 February 2022, the Moscow Exchange started trading in Detsky Mir stock futures with a minimum price increment of RUB 1.

Quotations of PJSC Detsky Mir shares and trading volumes for the reporting year are presented in the Creating Value section.

For information on current quotes and prices of Detsky Mir shares, see moex.com



Detsky Mir share capital structure as at 31 December 2021, %*

Holders	As at 31 December 2021		As at 31 December 2020		Change in the share of share capital, p.p.
	Number of shares	Share of share capital	Number of shares	Share of share capital	
Legal entities, including	677,747,817	91.71%	693,670,193	93.87%	3.3%
● Storale Limited	111,820,000	15.13%	0	0.0%	15.13%
● Gulf Investments Limited	110,850,000	15.0%	184,750,000	25.0%	15.0%
● Goldman Sachs Group, Inc.	37,022,588	5.1%	38,858,098	5.3%	0.25%
● Capital Group Company Inc.	0	0.0%	41,644,226	5.6%	5.6%
● Quasi-treasury shares	3,730,343	0.49%	4,693,245	0.6%	0.11%
Management	274,349	0.03%	419,414	0.05%	0.02%
Other individuals	60,977,834	8.25%	44,910,393	6.07%	2.18%

* Please visit the [Company's website](https://detsky-mir.com) for up-to-date information on the share capital structure.

DIVIDENDS

Dividends form an integral part of the Company's investment case and shareholder returns.

The Company has a Dividend Policy**, developed and approved by the Board of Directors, which clearly sets out the financial (economic) circumstances under which the Company should or should not pay dividends.

Decisions on the payment of dividends (including the amount and form

of payment) are made by the General Meeting of Shareholders based on recommendations by the Board of Directors. The Dividend Policy stipulates payment of at least 50% of consolidated IFRS net profit for the previous year. Historically, the Company has been paying up to 100% of RAS net profit. Dividends are traditionally paid twice a year: an interim payment for nine months and for the full reporting year

(the remainder after the payment of interim dividends).

The following factors may affect the size of dividend payments: the Company's growth prospects, financial position, and financing needs; the general macroeconomic situation and market conditions; as well as other factors, including factors related to taxation and legislation.

** Detsky Mir's Dividend Policy is available on the [Company's website](https://detsky-mir.com)

Dividends declared on the Company's shares for 2017 – 9M 2021

Reporting period for which dividends were accrued	Date of the General Meeting of Shareholders' decision on the payment of dividends	Shareholder register record date	Amount of dividends (RUB per share)	Total amount of dividends (RUB m)	Share of net profit (RAS), %
9M 2021	15.12.2021	26.12.2021	5.20	3,842	60%
2020	30.06.2021	11.07.2021	6.07	4,485	100%
9M 2020	17.12.2020	28.12.2020	5.08	3,754	100%
6M 2020	18.09.2020	29.09.2020	2.50	1,848	45%
2019	30.06.2020	11.07.2020	3.00	2,217	55%
9M 2019	06.12.2019	17.12.2019	5.06	3,739	100%
2018	16.05.2019	27.05.2019	4.45	3,289	100%
9M 2018	15.12.2018	26.12.2018	4.39	3,244	100%
2017	18.05.2018	29.05.2018	3.88	2,867	100%
9M 2017	04.12.2017	15.12.2017	2.97	2,195	100%
2016	28.06.2017	17.07.2017	3.48	2,572	100%
9M 2016	02.12.2016	12.12.2016	4.22	3,119	100%

BONDS

Detsky Mir is a leading Russian issuer of corporate bonds. The Company uses proceeds from bond placements

to refinance its debt portfolio and to finance its investment program.

As at the end of 2021, the Company had three bond issues in circulation.

In circulation	Issue size, RUB m	Coupon rate	Coupon payment dates	Coupon payment, RUB m	Offer date	Maturity
BO-07 Bonds	5,000	8.90%	11 April and 11 October	221.9	13 April 2022	6 April 2026
BO-05 Bonds	3,000	7.25%	7 June and 12 December	108.45	8 December 2022	1 December 2026
BO-06 Bonds	3,000	7.00%	5 May and 4 November	104.7	8 May 2023	29 April 2027

Coupon payments on all of the Company's bonds in the reporting year took place in full and in accordance with the payment schedule.

More information about Detsky Mir bonds is available on the Company's website at ir.detmir.ru

CREDIT RATINGS

In March 2021, the Expert RA rating agency revised Detsky Mir's rating using an updated methodology and upgraded it by one notch to ruAA- with a stable outlook. Previously, the Company had a ruA+ rating with a stable outlook.

Commenting on the upgrade, the agency cited the Company's leading position

in the retail market for children's goods, successful development of an omnichannel business model, high profitability indicators, and a competitive pricing policy that translates into sustainable sales growth.

The Company has a significant amount of undrawn approved credit lines,

as well as access to the public debt capital markets. The Company plans to refinance short-term liabilities, including for a prolonged period of over one year.

Detailed information is available on the website raexpert.ru

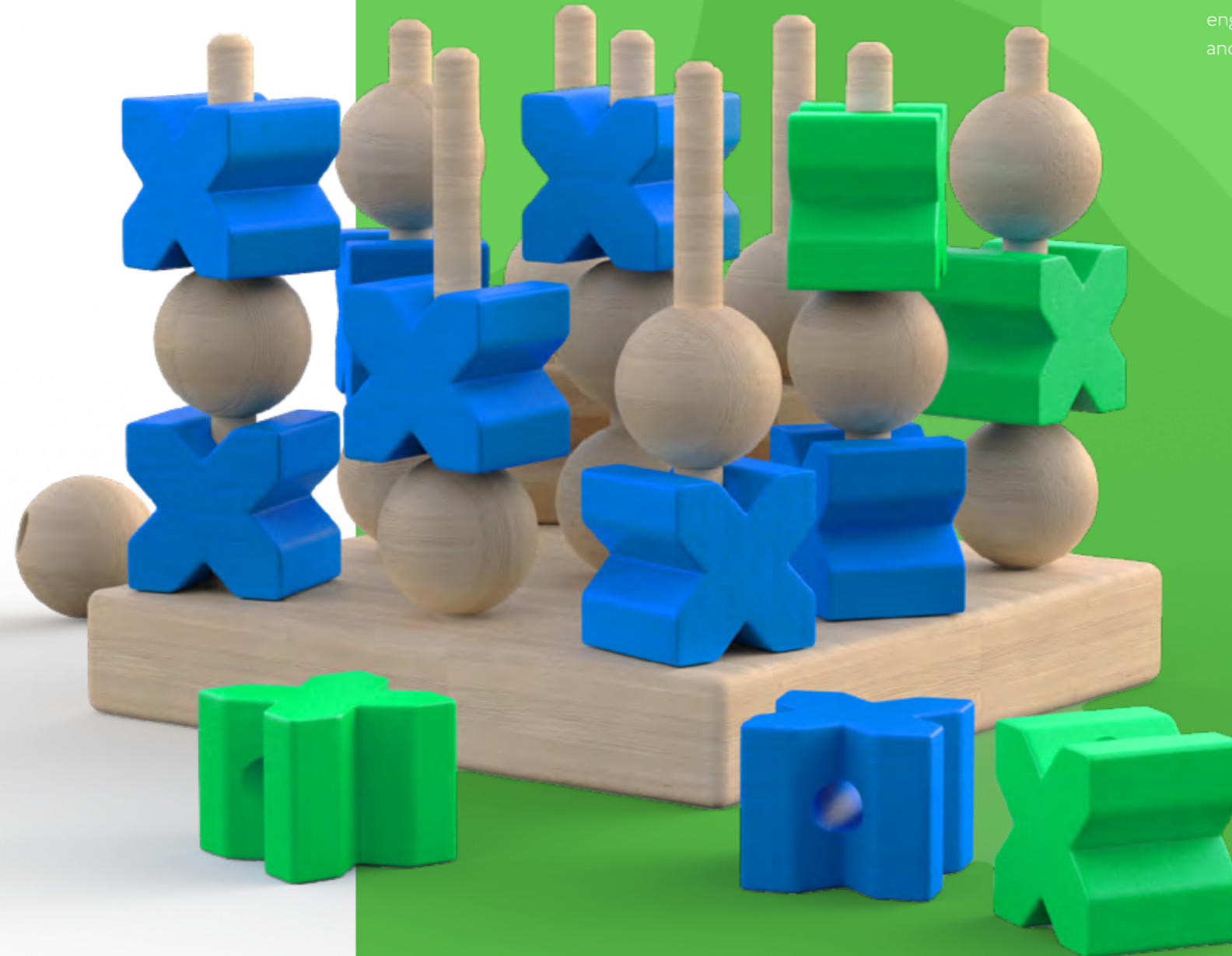
INTERACTION WITH SHAREHOLDERS AND INVESTORS

The Company maintains ongoing dialogue with shareholders and investors to ensure that the market is well informed about the Company's activities. Material information about the Company's activities is promptly disclosed in press releases and regulatory disclosures

(material facts) using authorized information disclosure services in line with Russian legislative requirements. The Company regularly publishes its financial statements under both IFRS and RAS, as well as presentations for investors.

KEY IR ACHIEVEMENTS IN 2021

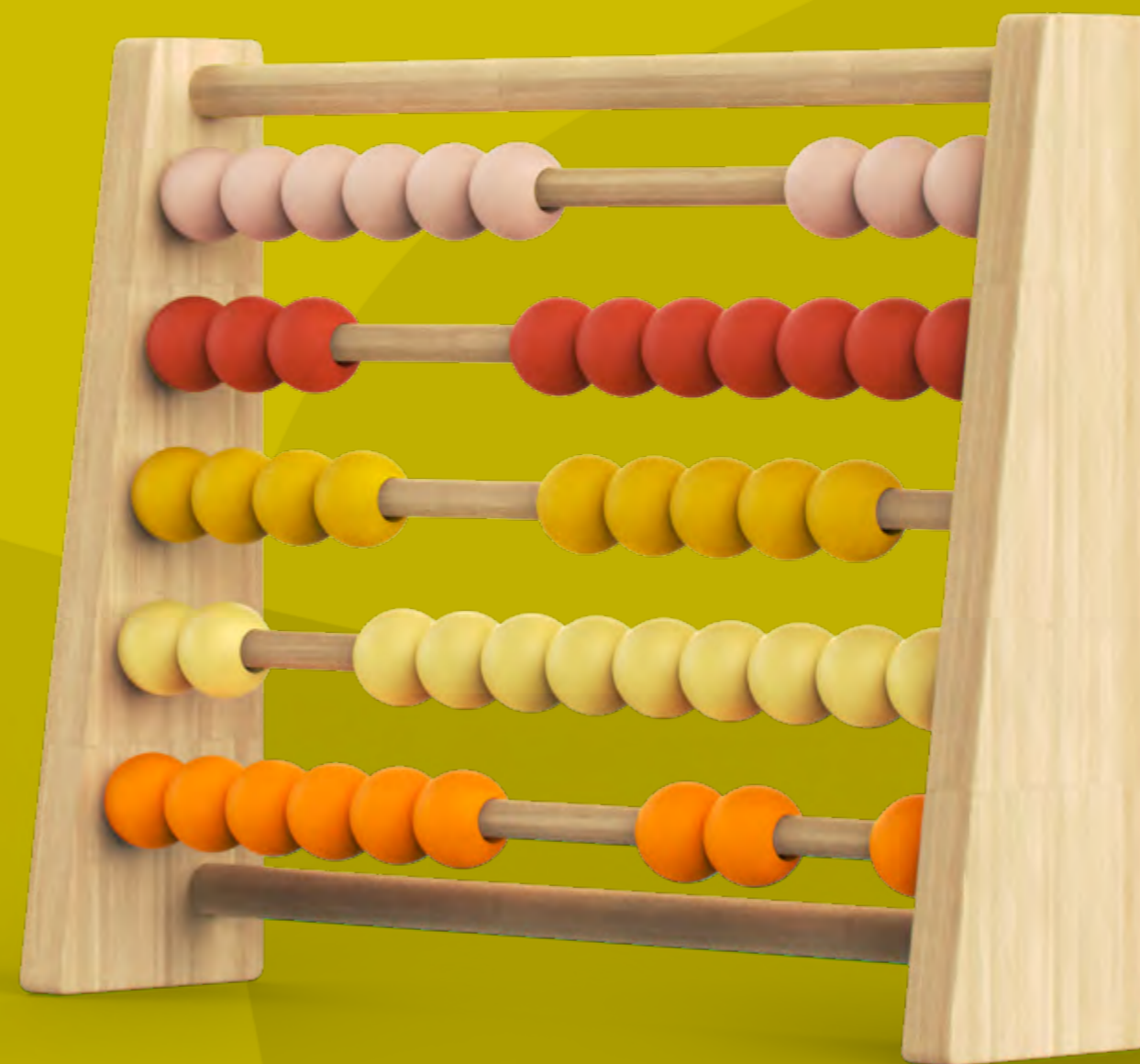
- **10** largest investment banks / brokers (analytical coverage)
- **>350** contacts with Company investors and shareholders
- **>35** investor conferences and roadshows
- **First** place in the Best Corporate by Small Cap IR Russia 2021 category (MOEX and Institutional Investor)
- **Second** place in the overall ranking of management teams in the EMEA consumer sector according to Institutional Investor
- **Third** place in the category of Best CEO in the EMEA consumer sector according to Institutional Investor



Detsky Mir won the Best Corporate by Small Cap IR Russia 2021 category according to Institutional Investor, one of the world's leading financial magazines, and the Moscow Exchange. This IR ranking has long been considered a top international recognition of investor engagement efforts by companies and their management teams.

APPENDIX

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REPORT ON COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

This report concerning compliance with the principles and recommendations of the Corporate Governance Code was reviewed by the Board of Directors at a meeting on “April 2022, Minutes No. 4 dated.

The Board of Directors certifies that this report contains full and reliable information about the Company’s compliance with the principles and recommendations of the Corporate Governance Code in 2021.

No.	Corporate governance principle	Compliance criteria	Compliance <2> status	Reason <3> for noncompliance
1	2	3	4	5
1.1	The company shall ensure fair and equitable treatment of all shareholders in exercising their rights to participate in the governance of the company.			
1.1.1	The company ensures the most favorable conditions for its shareholders to participate in the general meeting, develop an informed position on items on the agenda of the general meeting, coordinate their actions, and voice their opinions on the items considered.	<p>1. The company provides an easy to use communication channel such as a hotline, email or online forum to enable shareholders to communicate their opinion and send in their questions ahead of the general meeting.</p> <p>The said communication channels were put in place by the company and provided to shareholders ahead of each general meeting held during the reporting period.</p>	Full compliance	
1.1.2	The procedure for giving notice of, and providing relevant materials for, the general meeting enables shareholders to properly prepare for attending the general meeting.	<p>1. During the reporting period, the notice of the upcoming general meeting of shareholders was posted (published) on the company’s website at least 30 days prior to the date of the general meeting, unless a longer period was required by law.</p> <p>2. The notice of the upcoming meeting indicates the documents required for admission to the premises.</p> <p>3. Shareholders were given access to information on who proposed the agenda items and nominees to the company’s board of directors and audit commission (if the company’s articles of association provide for the establishment of the latter).</p>	Full compliance	
1.1.3	In preparation for and during the general meeting, shareholders were able to access information related to the meeting, ask questions of executive bodies and members of the board of directors, and communicate with each other in an unobstructed and timely manner.	<p>1. In the reporting period, shareholders were given the opportunity to ask questions of the company’s board of directors, as well as members of its executive bodies, both in preparation for and during the general meeting.</p> <p>2. The board of directors’ position (including any dissenting opinions included in the minutes, if any) regarding each agenda item in general meetings held during the reporting period was included in the materials for the general meeting.</p> <p>3. The company provided shareholders who were entitled to this information with access to the list of persons entitled to participate in the general meeting on the same day as the company itself received this information. This was the case for all general meetings held in the reporting period.</p>	Partial compliance	<p>The comment refers to clause 1 of the evaluation criteria.</p> <p>In the reporting period, shareholders were given the opportunity to ask members of the Company’s executive bodies and Board of Directors questions on the eve of the Annual General Meeting of Shareholders of the Company via email. In connection with measures to combat COVID-19, the Company’s Annual General Meeting of Shareholders was held in the form of absentee voting, which prevented members of the Company’s governance bodies from being present at the meeting.</p>

No.	Corporate governance principle	Compliance criteria	Compliance <2> status	Reason <3> for noncompliance
1	2	3	4	5
1.1.4	The exercise of shareholders' right to demand the convocation of a general meeting, nominate candidates to governance bodies and make proposals for inclusion in the agenda of the general meeting was not made unreasonably difficult.	<p>1. The company's articles of association provide for a deadline for shareholders to make proposals for inclusion in the agenda of the annual general meeting, which is at least 60 days of the end of the respective calendar year.</p> <p>2. In the reporting period, the company did not reject proposals for the agenda or candidates to governance bodies due to misprints or other insignificant flaws in the shareholder's proposal.</p>	Full compliance	
1.1.5	Each shareholder was able to freely exercise his/her voting right in the simplest and most convenient way.	1. The company's articles of association provide for filling out electronic ballots on the website the address of which is specified in the notice of the general meeting of shareholders.	Full compliance	
1.1.6	The general meeting procedure established by the company enables all persons attending the meeting to voice their opinion and ask questions.	<p>1. During general meetings of shareholders held in the reporting period in the form of a meeting (joint presence of shareholders), sufficient time was allocated for reports on and discussion of agenda items, and shareholders were able to voice their opinions and ask questions on the agenda.</p> <p>2. The company invited candidates for governance and oversight bodies and took all necessary steps to ensure their participation in the general meeting of shareholders where their nominations were put to a vote. Candidates for governance and oversight bodies present at the general meeting of shareholders were available to answer questions from shareholders.</p> <p>3. The sole executive body responsible for accounting, chairman and other members of the board of directors' audit committee were available to answer questions from shareholders at the general meetings of shareholders held in the reporting period.</p> <p>4. In the reporting period, the company used telecommunication means to provide shareholders with remote access to general meetings, or the board of directors made a well-grounded decision that no such means were needed (could be used) in the reporting period.</p>	Partial compliance	<p>The comment refers to clauses 1 and 2 of the evaluation criteria.</p> <p>In connection with anti-pandemic (COVID-19) measures, the Company's Annual General Meeting of Shareholders was held with absentee voting, which excluded the presence of candidates for the Company's governance and oversight bodies at the meeting.</p>

No.	Corporate governance principle	Compliance criteria	Compliance <2> status	Reason <3> for noncompliance
1	2	3	4	5
1.2	Shareholders have an equal and fair opportunity to share in the company's profits by receiving dividends.			
1.2.1	The company has developed and introduced a transparent and clear mechanism for determining the dividend amount and for paying dividends.	<p>1. The regulation on the company's dividend policy was approved by the board of directors and is disclosed on the company's website.</p> <p>2. If the dividend policy of the company that prepares consolidated financial statements uses figures of the company's statements to determine the dividend amount, then the respective provisions of the dividend policy take into account the consolidated financial statements.</p> <p>3. Substantiation of the proposed distribution of net profit, including for dividend payout and the company's internal needs, and its assessment for compliance with the company's dividend policy, along with explanations and economic substantiation for such distribution for internal needs, were included in the materials for the general meeting of shareholders the agenda of which included an item on profit distribution (including payout (announcement) of dividends).</p>	Partial compliance	The comment refers to clause 3 of the evaluation criteria. The Issuer traditionally proposes allocating up to 100% of the net profit to dividends, so usually no substantiation of the proposed distribution is required. In Q4 2021, the Board of Directors proposed allocating 60% of the net profit for 9M 2021 to dividends for the said period. Substantiation of this recommendation was made available in the Company's press release on its Q3 2021 performance.
1.2.2	The company shall not pay out dividends if such resolution, while formally remaining in line with statutory restrictions, is not economically feasible and may lead to a false representation of the company's performance.	1. In addition to statutory restrictions, the company's dividend policy defines financial/economic circumstances under which the company shall not pay out dividends.	Full compliance	
1.2.3	The company does not allow the dividend rights of its existing shareholders to be impaired.	1. In the reporting period, the company did not take any actions that would lead to the impairment of the dividend rights of its existing shareholders.	Full compliance	
1.2.4	The company strives to exclude any ways for its shareholders to receive profit (income) from the company through means other than dividends and liquidation value.	1. During the reporting period, other ways for persons controlling the company to receive profit (income) from the company other than dividends (e.g. using transfer pricing, unjustified provision of services by the controlling person to the company at inflated prices, internal loans to the controlling person and/or their controlled persons to replace dividends) were not used.	Full compliance	
1.3	The corporate governance system and its practices ensure that all shareholders owning the same type (class) of shares, including minority and non-resident shareholders, are treated equally by the company.			
1.3.1	The company has established the necessary conditions to ensure that each shareholder receives fair treatment from the company's governance bodies and controlling persons, including conditions to prevent the abuse of minority shareholders by major shareholders.	1. In the reporting period, persons controlling the company did not abuse the rights of the company's shareholders, there were no conflicts between persons controlling the company and the company's shareholders, and whenever there were any, the board of directors paid due attention to them.	Full compliance	
1.3.2	The company does not perform actions which lead or may lead to artificial redistribution of corporate control.	1. Quasi-treasury shares do not exist or did not impact voting in the reporting period.	Full compliance	

No.	Corporate governance principle	Compliance criteria	Compliance <2> status	Reason <3> for noncompliance
1	2	3	4	5
1.4	Shareholders are provided with reliable and effective methods for recording their rights in shares, as well as the opportunity to freely dispose of their shares without any hindrance.			
1.4	Shareholders are provided with reliable and effective methods for recording their rights in shares, as well as the opportunity to freely dispose of their shares without any hindrance.	1. The processes and terms of rendering the services by the company's registrar meet the requirements of the company and its shareholders and ensure the recording of their rights to shares and exercise of the shareholders' rights in the most effective way.	Full compliance	
2.1	The board of directors exercises strategic management of the company, establishes the basic principles of and approaches to risk management and internal control, controls the activities of the company's executive bodies, and performs other key functions.			
2.1.1	The board of directors is responsible for passing resolutions related to the appointment and removal of executive bodies, including as a result of their inadequate performance. The Board of Directors also ensures that the Company's executive bodies act in accordance with the approved growth strategy and along the company's core lines of business.	<p>1. The board of directors has the authority, as stipulated in the articles of association, to appoint and remove members of executive bodies and to set out the terms and conditions of their contracts.</p> <p>2. In the reporting period, the nomination (appointments, HR) committee reviewed the matter of alignment between professional qualifications, competencies and experience of members of the executive bodies and expected needs of the company in line with its approved strategy.</p> <p>3. In the reporting period, the board of directors reviewed the report(s) released by the sole executive body and collective executive body (if any) on the implementation of the company's strategy.</p>	Full compliance	
2.1.2	The board of directors defines the main long-term goals of the Company's operations, assesses and approves its key performance indicators, and key business goals, as well as the strategic and business plans for the company's core lines of business.	1. In the reporting period, the board of directors reviewed in its meetings matters related to the progress of strategy implementation, approval of the company's financial and business plan (budget), and consideration of the implementation criteria and performance (including interim criteria and performance) of the company's strategy and business plans.	Full compliance	
2.1.3	The board of directors determines the principles of and approaches to risk management and internal control.	<p>1. The principles of and approaches to risk management and internal control in the company are set forth by the company's internal documents that define its risk management and internal control policy.</p> <p>2. In the reporting period, the board of directors approved (revised) the acceptable risk exposure (risk appetite) of the company, or the audit committee and/or risk committee (if any) considered whether the matter of revising the company's risk appetite should be submitted to the board of directors for review.</p>	Full compliance	
2.1.4	The board of directors defines the company's remuneration and/or reimbursement (compensation) policy for costs due to members of the board of directors, executive bodies and other key executives of the company.	<p>1. The company has developed and put in place a policy (policies) on remuneration and/or reimbursement (compensation) of costs incurred by members of the board of directors, executive bodies and other key executives of the company, approved by the board of directors.</p> <p>2. In the reporting period, the board of directors reviewed matters related to the said policy (policies).</p>	Full compliance	

No.	Corporate governance principle	Compliance criteria	Compliance <2> status	Reason <3> for noncompliance
1	2	3	4	5
2.1.5	The board of directors plays a key role in preventing, identifying and resolving internal conflicts between the company's bodies, shareholders and employees.	<p>1. The board of directors plays a key role in preventing, identifying and resolving internal conflicts.</p> <p>2. The company has set up a system to identify transactions involving conflicts of interest, and introduced a set of measures to resolve such conflicts.</p>	Full compliance	
2.1.6	The board of directors plays a key role in ensuring the company's transparency, the timeliness and completeness of its disclosures, and the unrestricted access of shareholders to company documents.	<p>1. In its internal documents, the company has designated the persons responsible for the implementation of its information policy.</p>	Full compliance	
2.1.7	The board of directors controls the company's corporate governance practices and plays a key role in its material corporate events.	<p>1. In the reporting period, the board of directors considered the results of self-assessment and/or external assessment of the company's corporate governance practices.</p>	Full compliance	
2.2	The board of directors shall be accountable to the shareholders of the company.			
2.2.1	Information on the performance of the board of directors is disclosed and made available to shareholders.	<p>1. The company's annual report for the reporting period includes information on individual attendance at board of directors and committee meetings.</p> <p>2. The annual report contains key results of assessment (self-assessment) of the board of directors' work in the reporting period.</p>	Full compliance	
2.2.2	The chairman of the board of directors is available to communicate with the company's shareholders.	<p>1. The company has in place a transparent procedure enabling shareholders to forward inquiries to the chairman of the board of directors (and, if applicable, to the senior independent director) and receive feedback.</p>	Full compliance	
2.3	The board of directors shall manage the company in an efficient and competent manner and make fair and independent judgements and decisions in line with the best interests of the company and its shareholders.			
2.3.1	Only persons with an impeccable business and personal reputation, possessing the knowledge and expertise required to both make decisions on issues designated to the board of directors and to perform its functions efficiently, are elected to the board of directors.	<p>1. In the reporting period, the board of directors (or its nomination committee) assessed nominees to the board of directors in terms of having the required experience, knowledge, business reputation, absence of a conflict of interest, etc.</p>	Full compliance	
2.3.2	The company's board of directors is elected using a transparent procedure whereby shareholders are able to receive sufficient information about nominees to get an idea of their personal and professional qualities.	<p>1. Whenever the agenda of the general meeting of shareholders in the reporting period included the election of the board of directors, the company provided shareholders with the biographical details of all nominees to the board of directors, the results of assessment of their professional qualifications, experience and competencies against existing and expected needs of the company as carried out by the board of directors (or its nomination committee), information on whether the nominee meets the independence criteria set forth in Recommendations 102–107 of the Code, as well as information on whether there is the nominee's written consent to be elected to the board of directors.</p>	Full compliance	

No.	Corporate governance principle	Compliance criteria	Compliance <2> status	Reason <3> for noncompliance
1	2	3	4	5
2.3.3	The board of directors is balanced, including in terms of the qualifications of its members, their experience, knowledge and business acumen, and has the trust of shareholders.	1. In the reporting period, the board of directors analyzed its needs in terms of professional qualifications, experience and knowledge and identified competencies that the board of directors required in the short and long term.	Full compliance	
2.3.4	The company has enough directors to organize the board of directors' activities in the most efficient way, and has the ability to establish committees within the board of directors and ensure the company's significant minority shareholders are able to elect and vote for a nominee for the board of directors.	1. In the reporting period, the board of directors considered whether the number of members on the board of directors was in line with the company's needs and with the interests of shareholders.	Full compliance	
2.4	The board of directors shall include a sufficient number of independent directors.			
2.4.1	An independent director is a person of sufficient professionalism, experience and self-reliance to form his/her own opinion, able to make impartial judgements in good faith independent of the company's executive bodies, particular groups of shareholders or other stakeholders. It is important to note that in normal conditions a nominee (elected member of the board of directors) cannot be considered independent if he/she is related to the company, a significant shareholder or contractor, a competitor of the company, or the government.	1. In the reporting period, all independent members of the board of directors met the independence criteria as set out in Recommendations 102–107 of the Code, or were deemed independent by resolution of the board of directors.	Full compliance	
2.4.2	Nominees to the board of directors are assessed for their compliance with certain independence criteria. Independent members of the board of directors are also reviewed regularly against this criteria. In these assessments, substance prevails over form.	1. 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 nominee for the board of directors and presented respective opinions to shareholders. 2. In the reporting period, the board of directors (or the nomination committee of the board of directors) reviewed at least once the independence of the current members of the board of directors (following their election). 3. The company has developed procedures defining the actions to be taken by a member of the board of directors if he/she ceases to be independent, including the obligation to timely notify the board of directors thereof.	Full compliance	
2.4.3	Independent directors constitute at least one third of the elected members of the board of directors.	1. Independent directors constitute at least one third of the members of the board of directors.	Full compliance	

No.	Corporate governance principle	Compliance criteria	Compliance <2> status	Reason <3> for noncompliance
1	2	3	4	5
2.4.4	Independent directors play a key role in preventing internal conflicts in the company and undertaking certain corporate actions.	1. In the reporting period, independent directors (who did not have a conflict of interest) carried out a preliminary assessment of material corporate actions implying a possible conflict of interest, and the results of such assessment were presented to the board of directors.	Partial compliance	Opinions of independent directors on all matters within the Board of Directors' remit are always prioritized, but their assessment of any corporate action is entirely subjective, is not carried out within the framework of any formalized procedure, and is not mandatory. In 2021, independent directors constituted a half of the Board of Directors' members and were able to block any resolution if they believed it to be misaligned with the interests of the shareholders or the Issuer. From our perspective, this approach is more flexible and efficient. In 2022, the Company does not plan to introduce any formal procedures to assess corporate actions.
2.5	The chairman of the board of directors shall facilitate the best performance of duties 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 facilitate interactions with the chairman of the board of directors.	1. The board of directors is chaired by an independent director, or a senior independent director is appointed from among the independent directors. 2. The role, rights and duties of the chairman of the board of directors (and, if applicable, of the senior independent director) are duly set out in the company's internal documents.	Full compliance	
2.5.2	The chairman of the board of directors maintains a constructive environment at meetings, enables the free discussion of agenda items, and supervises the execution of resolutions passed by the board of directors.	1. The performance of the chairman of the board of directors was assessed as part of the procedure for assessing (self-assessing) the performance of the board of directors in the reporting period.	Full compliance	
2.5.3	The chairman of the board of directors takes all necessary steps to ensure the timely provision of information required to make decisions on agenda items to members of the board of directors.	1. The company's internal documents set out the duty of the chairman of the board of directors to take all steps necessary for the timely provision to members of the board of directors of full and accurate information regarding items on the agenda of the board meeting.	Full compliance	

No.	Corporate governance principle	Compliance criteria	Compliance <2> status	Reason <3> for noncompliance
1	2	3	4	5
2.6	Members of the board of directors shall act reasonably and in good faith in the best interests of the company and its shareholders, relying on sufficient information, exercising due care and prudence.			
2.6.1	Members of the board of directors make decisions based on all available information, without conflict of interest, ensuring the equal treatment of the Company's shareholders, and assuming normal business risks.	<p>1. The company's internal documents state that a member of the board of directors shall notify the board of directors if he/she has a conflict of interest with respect to any item on the agenda of the board meeting or the board's committee meeting prior to the discussion of the relevant agenda item.</p> <p>2. The company's internal documents state that a member of the board of directors shall abstain from voting on any item with respect to which he/she has a conflict of interest.</p> <p>3. The company has a procedure in place enabling the board of directors to get professional advice on matters within its remit at the expense of the company.</p>	Full compliance	
2.6.2	The rights and obligations of members of the board of directors are clearly defined and set out in the company's internal documents.	1. The company has adopted and published an internal document clearly defining the rights and obligations of members of the board of directors.	Full compliance	
2.6.3	Members of the board of directors have sufficient time to perform their duties.	<p>1. Individual attendance at board and committee meetings, as well as time devoted to preparation for attending meetings, was reviewed as part of the procedure for assessment (self-assessment) of the performance of the board of directors in the reporting period.</p> <p>2. In accordance with the company's internal documents, members of the board of directors shall inform the board of their intentions to join governance bodies of other organizations (except for entities controlled by the company), or of the relevant appointment made.</p>	Full compliance	
2.6.4	All members of the board of directors have equal access to the company's documents and information. Newly elected members of the board of directors are furnished with sufficient information about the company and the activities of the board of directors as soon as possible.	<p>1. In accordance with the company's internal documents, members of the board of directors are entitled to have access to information and documents required for the performance of their duties regarding the company and entities under its control, and the company's executive bodies must provide relevant information and documents.</p> <p>2. The company has in place a formalized induction program for newly elected members of the board of directors.</p>	Full compliance	
2.7	Meetings of the board of directors, preparation for such meetings and participation of members of the board of directors shall ensure efficient performance by the board of directors.			
2.7.1	Meetings of the board of directors are held as needed, taking into account the scale of operations and goals of the company at any particular time.	1. The board of directors held at least six meetings in the reporting year.	Full compliance	

No.	Corporate governance principle	Compliance criteria	Compliance <2> status	Reason <3> for noncompliance
1	2	3	4	5
2.7.2	The company's internal documents specify a procedure for arranging and holding meetings of the board of directors, enabling members of the board of directors to prepare for these meetings in a proper manner.	<p>1. The company has approved an internal document that describes the procedure for arranging and holding meetings of the board of directors. In particular the document states that as a rule, the notice of the meeting shall be given at least five days prior to the meeting.</p> <p>2. In the reporting period, members of the board of directors not able to be present at the board meeting venue could participate in discussing agenda items and voting remotely via audio or video conferencing.</p>	Full compliance	
2.7.3	The format of meeting of the board of directors is determined depending on the importance of agenda items. The most important matters are dealt with at in-person meetings of the board of directors.	1. The company's articles of association or internal documents state that the most important matters (as per the list set out in Recommendation 168 of the Code) shall be discussed at in-person meetings of the board of directors.	Partial compliance	The Regulation on the Board of Directors of the Company outlines a shorter list of matters to be discussed only at in-person meetings of the Board of Directors. In 2022, the Company intends to expand this list.
2.7.4	Resolutions on the most important matters relating to the company's operations are passed at meetings of the board of directors by a qualified majority or by a majority of all elected members of the board of directors.	1. The company's articles of association state that resolutions on the most important matters, including those set out in Recommendation 170 of the Code, are to be passed at a meeting of the board of directors by a qualified majority of at least three quarters or by a majority of all elected board members.	Noncompliance	In practice, all resolutions of the Board of Directors are passed by a majority of all elected members of the Board of Directors. In 2022, the Company plans to amend the Articles of Association accordingly.
2.8	The board of directors shall establish committees for the preliminary consideration of the most important matters related to the company's operations.			
2.8.1	An audit committee comprising independent directors has been established for the preliminary consideration of matters related to controlling the company's financial and business operations.	<p>1. The board of directors has established an audit committee comprising solely independent directors.</p> <p>2. The company's internal documents set out the tasks of the audit committee, including those listed in Recommendation 172 of the Code.</p> <p>3. At least one member of the audit committee who is an independent director has experience and knowledge of preparing, analyzing, assessing and auditing accounting (financial) statements.</p> <p>4. Meetings of the audit committee were held at least once a quarter during the reporting period.</p>	Full compliance	
2.8.2	For the preliminary consideration of matters related to adopting an efficient and transparent remuneration scheme, a remuneration committee has been established comprising independent directors and headed by an independent director who is not the chairman of the board of directors.	<p>1. The board of directors has established a remuneration committee comprising solely independent directors.</p> <p>2. The remuneration committee is chaired by an independent director who is not the chairman of the board of directors.</p> <p>3. The company's internal documents set out the tasks of the remuneration committee, including those listed in Recommendation 180 of the Code, as well as the conditions (events) upon the occurrence of which the remuneration committee shall consider revising the company's remuneration policy for the board of directors, executive bodies and other key executives.</p>	Partial compliance	The comment refers to clause 2 of the evaluation criteria. The Board of Directors has established a Nomination and Remuneration Committee. The Committee is chaired by an independent director who is not the Chairman of the Board of Directors.

No.	Corporate governance principle	Compliance criteria	Compliance <2> status	Reason <3> for noncompliance
1	2	3	4	5
2.8.3	For the preliminary consideration of matters related to talent management (succession planning) and the professional composition and efficiency of the board of directors, a nomination (appointments, HR) committee has been established predominantly comprising independent directors.	<p>1. The board of directors has established a nomination committee (or its tasks listed in Recommendation 186 of the Code are fulfilled by another committee) predominantly comprising independent directors.</p> <p>2. The company's internal documents set out the tasks of the nomination committee (or the tasks of the committee assuming this function), including those listed in Recommendation 186 of the Code.</p> <p>3. In the reporting period, the nomination committee, independently or jointly with other committees of the board of directors or the company's authorized shareholder relations unit, has engaged with shareholders, not limited to the largest shareholders, with regard to selecting candidates for the company's board of directors to form the board of directors best suiting the company's goals and objectives.</p>	Full compliance	
2.8.4	Taking into account the company's scale of operations and risk level, the company's board of directors has made sure that the composition of its committees is fully in line with the company's business goals. Additional committees were either established or deemed unnecessary (strategy committee, corporate governance committee, ethics committee, risk management committee, budget committee, health, safety and environment committee, etc.).	<p>1. In the reporting period, the board of directors considered whether its structure was consistent with the scope, nature, goals, needs and risk profile of the company and its operations. Additional committees were either established or deemed unnecessary.</p>	Full compliance	
2.8.5	Committees are composed to enable the comprehensive discussions of matters under preliminary consideration, taking into account a full range of opinions.	<p>1. During the reporting period, the audit committee, the remuneration committee and the nomination committee (or another relevant committee with combined functions) were headed by independent directors.</p> <p>2. The company's internal documents (policies) include provisions stipulating that persons who are not members of the audit committee, the nomination committee (or another relevant committee with combined functions) and the remuneration committee may attend committee meetings only by invitation of the chairman of the respective committee.</p>	Full compliance	
2.8.6	Committee chairs inform the board of directors and its chairman about the work of their committees on a regular basis.	<p>1. During the reporting period, committee chairs reported to the board of directors on the work of their committees on a regular basis.</p>	Full compliance	

No.	Corporate governance principle	Compliance criteria	Compliance <2> status	Reason <3> for noncompliance
1	2	3	4	5
2.9	The board of directors shall assess the performance of the board of directors, its committees and members of the board of directors.			
2.9.1	The board of directors' performance assessment seeks to determine the efficiency of the board of directors, its committees and members of the board of directors, conformity of their work with the company's development requirements, as well as stimulating the work of the board of directors and identifying areas for improvement.	<p>1. The company's internal documents define procedures for assessment (self-assessment) of the performance of the board of directors.</p> <p>2. Assessment (self-assessment) of the board of directors' performance carried out in the reporting period included performance assessment of committees, individual members of the board of directors, and the board of directors in general.</p> <p>3. Results of assessment (self-assessment) of the board of directors' performance carried out in the reporting period were reviewed at an in-person meeting of the board.</p>	Partial compliance	The comment refers to clause 1 of the evaluation criteria. Self-assessments were not carried out in relation to individual members of the Board of Directors. Self-assessments focus on the performance of the Board of Directors as a collective governance body, as well as its committees.
2.9.2	The performance of the board of directors, its committees, and its members is assessed regularly, at least once a year. An external organization (adviser) is engaged at least once every three years to carry out an independent assessment of the board of directors' performance.	1. The company engaged an external organization (adviser) to carry out an independent assessment of the board of directors' performance on at least one occasion over the last three reporting periods.	Partial compliance	The Company did not engage advisers to carry out an independent assessment of the Board of Directors' performance. The Board of Directors resolved to carry out an independent assessment in 2022.
3.1	The company's corporate secretary shall facilitate efficient day-to-day interactions with shareholders, coordinate the company's efforts to protect shareholder rights and interests, and support the efficient performance of the board of directors.			
3.1.1	The corporate secretary has the knowledge, experience and qualifications necessary to perform his/her duties, as well as an impeccable reputation and the trust of shareholders.	1. The biographical data of the corporate secretary (including information about age, education, qualifications, experience) as well as information about the positions in the governance bodies of other legal entities held by the corporate secretary at least for the last five years are published on the corporate website and in the company's annual report.	Full compliance	
3.1.2	The corporate secretary is sufficiently independent of the company's executive bodies and has the powers and resources required to perform his/her tasks.	<p>1. The company has adopted and disclosed an internal document – regulations on the corporate secretary.</p> <p>2. The board of directors approves the appointment, dismissal and additional remuneration of the corporate secretary.</p> <p>3. The company's internal documents stipulate the right of the corporate secretary to request and receive company documents and information from governance bodies, structural units and officers of the company.</p>	Full compliance	

No.	Corporate governance principle	Compliance criteria	Compliance <2> status	Reason <3> for noncompliance
1	2	3	4	5
4.1	The remuneration offered by the company shall be sufficient to attract, motivate and retain people with the talents and qualifications required by the company. The remuneration payable to members of the board of directors, executive bodies and other key company executives shall comply with the company's approved remuneration policy.			
4.1.1	The amount of remuneration paid by the company to members of the board of directors, executive bodies and other key executives creates sufficient incentives for them to work efficiently, while enabling the company to engage and retain competent and qualified specialists. At the same time, the company avoids unnecessarily high remuneration, as well as unjustifiably large gaps between remunerations of the above persons and the company's employees.	1. Remuneration of members of the board of directors, executive bodies and other key executives of the company is determined based on the results of benchmarking the company's remuneration levels with those in peer companies.	Full compliance	
4.1.2	The company's remuneration policy is devised by the remuneration committee and approved by the board of directors. The board of directors, assisted by the remuneration committee, ensures control over the introduction and implementation of the company's remuneration policy, revising and amending it as required.	1. During the reporting period, the remuneration committee considered the remuneration policy (policies) and/or the practical aspects of its (their) introduction, evaluated their efficiency and transparency, and presented relevant recommendations to the board of directors with regard to its (their) revision, as required.	Full compliance	
4.1.3	The company's remuneration policy includes transparent mechanisms for determining the amount of remuneration due to members of the board of directors, executive bodies and other key company executives, and regulates all types of payments, benefits and privileges provided to such persons.	1. The company's remuneration policy (policies) includes (include) transparent mechanisms for determining the amount of remuneration due to members of the board of directors, executive bodies and other key company executives, and regulates (regulate) all types of payments, benefits and privileges provided to such persons.	Full compliance	
4.1.4	The company outlines its policy on the reimbursement (compensation) of expenses, detailing a list of reimbursable expenses and specifying the service levels that members of the board of directors, executive bodies and other key company executives can claim. Such policy can make part of the company's remuneration policy.	1. The remuneration policy (policies) defines (define) the rules for reimbursing costs incurred by members of the board of directors, executive bodies and other key company executives.	Full compliance	

No.	Corporate governance principle	Compliance criteria	Compliance <2> status	Reason <3> for noncompliance
1	2	3	4	5
4.2	The remuneration system for members of the board of directors shall ensure that the financial interests of the directors are aligned with the long-term financial interests of the shareholders.			
4.2.1	The company pays fixed annual remuneration to members of the board of directors. The company does not pay remuneration for attending particular meetings of the board of directors or its committees. The company does not apply any form of short-term motivation or additional financial incentive for members of the board of directors.	1. During the reporting period, the company paid remuneration to members of the board of directors in line with the remuneration policy adopted by the company. 2. During the reporting period, the company did not apply any forms of short-term motivation or additional financial incentives for members of the board of directors linked to the company's performance results (indicators). The company did not pay remuneration for attending particular meetings of the board of directors or its committees.	Full compliance	
4.2.2	The long-term ownership of the company's shares helps align the financial interests of members of the board of directors with the long-term interests of shareholders. At the same time, the company does not link the right to dispose of shares to performance targets, and members of the board of directors do not participate in stock option plans.	1. If the company's internal document(s) – the remuneration policy (policies) – stipulates (stipulate) the provision of the company's shares to members of the board of directors, clear rules regarding share ownership by members of the board of directors are to be defined and disclosed to stimulate the long-term ownership of such shares.	Full compliance	
4.2.3	The company does not allocate any extra payments or compensation in the event of the early termination of powers of members of the board of directors resulting from a change in control or any other reasons.	1. The company does not allocate any extra payments or compensation in the event of the early termination of powers of members of the board of directors resulting from a change in control or any other reasons.	Full compliance	
4.3	When determining the amount of remuneration payable to members of executive bodies and other key company executives, the company shall consider the performance and personal contribution of each executive to the company's performance.			
4.3.1	The remuneration payable to members of executive bodies and other key company executives is determined via a reasonable and justified ratio of the fixed and variable parts of remuneration, depending on the company's results and the employee's personal (individual) contribution.	1. In the reporting period, annual performance results approved by the board of directors were used to determine the variable part of remuneration due to executive bodies and other key company executives. 2. During the latest assessment of the remuneration scheme for executive bodies and other key company executives, the board of directors (remuneration committee) made sure that the company applied an efficient ratio of the fixed and variable parts of remuneration. 3. In determining the amount of remuneration payable to executive bodies and other key company executives, the company takes into account the risks it is exposed to in order to avoid creating incentives for making managerial decisions that are excessively risky.	Full compliance	

No.	Corporate governance principle	Compliance criteria	Compliance <2> status	Reason <3> for noncompliance
1	2	3	4	5
4.3.2	The company has in place a long-term incentive program for executive bodies and other key executives based on the company's shares (options and other derivative instruments where the company's shares are the underlying asset).	1. If the company has in place a long-term incentive program for executive bodies and other key executives using the company shares (financial instruments based on the company shares), it must provide for the right to dispose of shares or other related financial instruments to take effect at least three years after such shares or other financial instruments are granted. The right to dispose of such shares or other financial instruments is linked to the company's performance targets.	Full compliance	
4.3.3	The compensation (golden parachute) payable by the company in case of early termination of the powers of members of executive bodies or key executives at the company's initiative, provided they performed no actions in bad faith, may not exceed the double fixed amount of their annual remuneration.	1. In the reporting period, the compensation (golden parachute) payable by the company in case of early termination of the powers of members of executive bodies or key executives at the company's initiative, provided they performed no actions in bad faith, did not exceed the double fixed amount of their annual remuneration.	Full compliance	
5.1	The company shall have an effective risk management and internal control system in place providing reasonable assurance in achieving the company's goals.			
5.1.1	The company's board of directors determines the principles of and approaches to risk management and internal control.	1. Functions of various governance bodies and units of the company in the risk management system and internal control are clearly defined in the company's internal documents / relevant policy approved by the board of directors.	Full compliance	
5.1.2	The company's executive bodies ensure the establishment and continuous operation of an efficient risk management and internal control system.	1. The company's executive bodies ensured the distribution of functions and powers related to risk management and internal control among the heads (managers) of units and departments accountable to them.	Full compliance	
5.1.3	The company's risk management and internal control system ensures an objective, fair and clear representation of the current state of the company and its future prospects, the integrity and transparency of the company's reporting, as well as reasonable and acceptable risk exposure.	1. The company has in place an anti-corruption policy. 2. The company has arranged for safe, confidential and accessible means (hotline) of notifying the board of directors or the board's audit committee about violations of the law, the company's internal procedures and code of ethics.	Full compliance	
5.1.4	The company's board of directors takes the necessary measures to ensure that risk management and internal control are consistent with the principles and approaches determined by the board of directors, and that the system is functioning effectively.	1. In the reporting period, the board of directors (the board's audit committee and/or risk committee (if any)) assessed the efficiency and reliability of the company's risk management and internal control system. 2. In the reporting period, the board of directors reviewed the results of the assessment of the efficiency and reliability of the company's risk management and internal control system. The results of this assessment are included in the company's annual report.	Full compliance	

No.	Corporate governance principle	Compliance criteria	Compliance <2> status	Reason <3> for noncompliance
1	2	3	4	5
5.2	The company shall perform internal audits for regular independent assessment of the efficiency and reliability of the risk management and internal control system and corporate governance practices.			
5.2.1	The company has set up a standalone business unit or engaged an independent external organization to carry out internal audits. The functional and administrative reporting lines of the internal audit unit are separated. The internal audit unit reports functionally to the board of directors.	1. To perform internal audits, the company has set up a standalone internal audit unit functionally reporting to the board of directors, or engaged an independent external organization under the same principle of subordination.	Full compliance	
5.2.2	The internal audit unit assesses the efficiency and reliability of internal control, risk management, and corporate governance systems. The company applies generally accepted standards of internal audit.	1. In the reporting period, the performance of the internal control and risk management system was assessed as part of the internal audit procedure. 2. In the reporting period, internal audit assessed corporate governance practices (individual practices), in particular communication procedures (including those related to internal control and risk management) at all management levels of the company, as well as stakeholder engagement.	Full compliance	
6.1	The company and its business shall be transparent for shareholders, investors, and other stakeholders.			
6.1.1	The company has developed and adopted an information policy ensuring the efficient exchange of information between the company, its shareholders, investors, and other stakeholders.	1. The company's board of directors approved an information policy developed in accordance with the Code's recommendations. 2. The board of directors (or one of its committees) considered matters related to the effectiveness of communication between the company, shareholders, investors, and other stakeholders and feasibility (need) of revising the company's information policy in the reporting period.	Full compliance	
6.1.2	The company discloses information on its corporate governance system and practices, including detailed information on compliance with the principles and recommendations of the Code.	1. The company discloses information on its corporate governance system and general principles of corporate governance applied in the company, in particular, on the corporate website. 2. The company discloses information on the composition of executive bodies and the board of directors, independence of the board members and their membership on the board's committees (as defined in the Code). 3. If the company has a controlling shareholder, the company publishes a memorandum of the controlling shareholder setting out the latter's plans for the company's corporate governance.	Full compliance	

No.	Corporate governance principle	Compliance criteria	Compliance <2> status	Reason <3> for noncompliance
1	2	3	4	5
6.2	The company shall make timely disclosures of complete, updated and reliable information to allow shareholders and investors to make informed decisions.			
6.2.1	The company discloses information based on the principles of regularity, consistency and promptness, as well as availability, reliability, completeness and comparability of disclosed data.	<p>1. The company defines the procedure for coordinating all its structural units and employees that are involved in disclosure or whose activities may result in the need to disclose information.</p> <p>2. If the company's securities are traded in foreign regulated markets, the company ensures concerted and equivalent disclosure of material information in the Russian Federation and in the said markets in the reporting period.</p> <p>3. If foreign shareholders hold a significant portion of the company's shares, the reporting year's information is disclosed not only in Russian but also in one of the most commonly used foreign languages.</p>	Full compliance	
6.2.2	The company avoids a formalistic approach to information disclosure, and discloses significant information about its operations even if such disclosure is not required by law.	<p>1. The company's information policy defines the approaches to identifying information that can have a material impact on the company's valuation and the price of its securities and that is not required to be disclosed by law.</p> <p>2. The company discloses complete information on its capital structure, as stated in Recommendation 290 of the Code, in its annual report and on the official website of the company.</p> <p>3. The company discloses information on controlled legal entities that are material to it, including key areas of their operations, mechanisms for ensuring accountability of controlled legal entities, and powers of the company's board of directors to determine the strategy and assess the performance of controlled legal entities.</p> <p>4. The company discloses a non-financial report – a sustainability report, environmental report, 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 issuer's report and the annual report of a joint-stock company.</p>	Partial compliance	The comment refers to clause 4 of the evaluation criteria. Non-financial information, including factors related to the environment (including environmental factors and factors related to climate change), society (social factors), and corporate governance, are disclosed by the Company in its annual report, the Sustainability section.
6.2.3	One of the most important tools of information exchange with shareholders and other stakeholders, the annual report contains information enabling assessment of the company's performance in the reporting year.	<p>1. The company's annual report contains information on the audit committee's assessment of internal and external audit effectiveness.</p> <p>2. The company's annual report contains information on the environmental and social policies of the company.</p>	Full compliance	

No.	Corporate governance principle	Compliance criteria	Compliance <2> status	Reason <3> for noncompliance
1	2	3	4	5
6.3	The company shall provide information and documents as per the requests of shareholders in compliance with the principles of equal and unhindered access.			
6.3.1	Exercising shareholder rights of access to the company's documents and information is not cumbersome.	<p>1. The company's information policy (internal documents establishing the information policy) establishes non-cumbersome procedure for providing shareholders with easy access to the company's information and internal documents, as requested by shareholders.</p> <p>2. The company's information policy (internal documents establishing the information policy) contains provisions stipulating that if a shareholder requests information on legal entities controlled by the company, the company takes the necessary steps to obtain such information from the relevant legal entities controlled by the company.</p>	Partial compliance	The comment refers to clause 2 of the evaluation criteria. The Issuer's information policy does not contain provisions stipulating that if a shareholder requests information on legal entities controlled by the company, the company takes the necessary steps to obtain such information from the relevant legal entities controlled by the Company. Such an approach is due to the fact that the Company has no controlled entities that are material to it. The Company plans to consider introducing respective amendments in 2022.
6.3.2	When providing information to shareholders, the company ensures a reasonable balance between the interests of particular shareholders and its own interests consisting in preserving the confidentiality of important commercial information that may materially affect its competitiveness.	<p>1. In the reporting period, the company did not reject shareholders' requests for information, or such rejection was justified.</p> <p>2. In cases determined by the company's information policy, shareholders are informed about the confidential nature of the information and undertake to maintain its confidentiality.</p>	Full compliance	
7.1	Actions that significantly impact or may significantly impact the share capital structure or financial standing of the company and its shareholders' positions (material corporate actions) shall be fairly executed to ensure observance of the rights and interests of shareholders and other stakeholders.			
7.1.1	Material corporate actions include restructuring of the company, acquisition of 30% or more of the company's voting shares (takeover), execution by the company of significant transactions, an increase or reduction of the company's authorized capital, listing or delisting of the company's shares, as well as other actions that may lead to material changes in the rights of shareholders or violation of their interests. The company's articles of association specify a list of transactions or other actions classified as material corporate actions that fall within the remit of the company's board of directors.	1. The company's articles of association specify a list of transactions or other actions classified as material corporate actions. Resolutions on material corporate actions fall within the remit of the board of directors. When execution of such corporate actions is expressly referred by law to the remit of the general meeting of shareholders, the board of directors presents relevant recommendations to shareholders.	Noncompliance	The Company's Articles of Association do not define a material corporate action. Members of the Company's Board of Directors take a responsible approach to considering all matters within their remit, regardless of their significance. The Board of Directors seeks to provide shareholders with maximum information on material issues. The Company plans to consider amending the Articles of Association to include a list of transactions and other actions classified as material corporate actions.

No.	Corporate governance principle	Compliance criteria	Compliance <2> status	Reason <3> for noncompliance
1	2	3	4	5
7.1.2	The board of directors plays a key role in making decisions or developing recommendations regarding material corporate actions, relying on the opinions of the company's independent directors.	1. The company has in place a procedure enabling independent directors to express their opinions on material corporate actions prior to approval thereof.	Noncompliance	Any member of the Company's Board of Directors, including independent directors, has the right to freely express his/her position on any matter within the remit of the Board of Directors prior to voting on this matter. The Company's Articles of Association do not define a material corporate action. The Company plans to consider amending the Articles of Association to include a list of transactions and other actions classified as material corporate actions.
7.1.3	When executing material corporate actions affecting the rights and legitimate interests of shareholders, the company ensures equal terms and conditions for all shareholders, and in case of insufficient statutory mechanisms for protecting shareholder rights, takes additional measures to protect the rights and legitimate interests of its shareholders. In doing so, the company is guided by corporate governance principles set out in the Code in addition to formal statutory requirements.	1. Taking into account the specifics of the company's operations, the company's articles of association refer approval of transactions other than those stipulated by the law and deemed material for the company, to the board of directors. 2. In the reporting period, all material corporate actions were subject to approval prior to execution.	Full compliance	While the Company's Articles of Association do not define a material corporate action, the remit of the Board of Directors includes resolutions on matters that the Code recommends classifying as material corporate actions.
7.2	The company shall perform material corporate actions in such a way as to ensure that shareholders receive complete information about such actions in a timely manner, allowing them to influence such actions and guaranteeing adequate protection of their rights when executing such actions.			
7.2.1	Disclosures about material corporate actions include explanations of the grounds, circumstances and consequences of these actions.	1. If during the reporting period the company engaged in material corporate actions, the company disclosed information about these actions in due time and in details, including the grounds, circumstances and consequences of these actions for the shareholders.	Full compliance	
7.2.2	Rules and procedures related to material corporate actions executed by the company are set out in the company's internal documents.	1. The company's internal documents provide for cases and procedure for engaging an appraiser to determine the value of the property disposed of or acquired pursuant to a major transaction or an interested party transaction. 2. The company's internal documents provide for the procedure for engaging an appraiser to assess the value of the company's shares at their repurchase or redemption. 3. If there is no formal interest of a member of the board of directors, the sole executive body, a member of the collegial executive body of the company or a person who is a controlling person of the company or a person entitled to give the company instructions binding on the company, in the company's transactions, but if there is a conflict of interest or other actual interest, the company's internal documents stipulate that such persons may not participate in the voting on the approval of such transaction.	Partial compliance	The comment refers to clause 1 of the evaluation criteria. The Company's internal documents do not provide for cases and procedure for engaging an independent appraiser to determine the value of the property disposed of or acquired pursuant to a major transaction or an interested party transaction. In 2022, the Company plans to consider developing an approach to engaging an appraiser to determine the value of the property disposed of or acquired pursuant to a major transaction or an interested party transaction.

INFORMATION ON MAJOR TRANSACTIONS IN 2021

The Company complies with all legal requirements for the approval of related-party transactions. The Company's Articles of Association stipulate that related-party transactions are subject to approval by the Board of Directors or the General Meeting of Shareholders prior to completion. The terms of related-party transactions are given preliminary consideration by the Audit Committee,

which makes recommendations to the Board of Directors on the approval or disapproval of the transaction under consideration.

If there is a positive recommendation from the Audit Committee, the transaction is submitted for consideration by the Board of Directors. Members of the Board

of Directors who are recognized as related parties to the transaction, as well as the CEO of the Company, do not participate in voting on approval of related-party transactions. Such transactions are approved by a majority vote of non-related-party directors; the number of directors who take part in the voting should be no less than five.

Transaction date	Approval date	Governing body that approved the transaction	Subject of the transaction and its essential terms
21 December 2021	8 September 2021	Board of Directors	<p>Supplementary Agreement to the Loan Agreement on opening a credit line;</p> <p>Parties to the transaction: PJSC Detsky Mir – the Borrower; JSC Gazprombank – the Lender;</p> <p>The Bank provides the Borrower with funds in Russian rubles (the "Loans") in the form of a revolving credit line (the "Credit Line");</p> <p>The deadline for the fulfillment of obligations under the material transaction: the Credit Line is effective until 11 September 2025 inclusive;</p> <p>The transaction price is RUB 22,423,013,698.63 (excluding fines and penalties): the maximum amount of one-time debt under the Loans on any day of the Credit Line's validity period is no more than RUB 14,000,000,000.00 (the "Debt Limit"); the maximum amount of debt on interest is RUB 8,423,013,698.63.</p>

INFORMATION ON RELATED-PARTY TRANSACTIONS IN 2021

Information on related-party transactions of less than 2% of the book value of the Company's assets: no such transactions were made by the Company in 2021.

INFORMATION ON TRANSACTIONS WITH THE COMPANY'S SHARES PERFORMED BY MEMBERS OF GOVERNANCE BODIES IN 2021

During 2021, the following transactions with ordinary registered shares of the Company were performed by members of the Board of Directors and the Management Board:

Name	Transaction date	Transaction type	Number of shares
Stanislav Kotomkin	15 March 2021	sale	8,920
Anna Garmanova	18 March 2021	sale	40,000
Dmitry Klenov	13 April 2021	sale	120,000
Pavel Pishchikov	29 April 2021	sale	22,000
Anna Garmanova	29 April 2021	sale	40,000
Farid Kamalov	5 May 2021	sale	44,710

BOARD'S SELF-ASSESSMENT RESULTS

Question	Score (the column indicates the number of votes)				
	1	2	3	4	I don't know
Is the composition of the Board balanced in terms of the number of seats?		1	6	3	
Is the composition of the Board balanced in terms of the share of independent and nonexecutive directors?		1	5	4	
Is the Board sufficiently diverse (in terms of gender, age and skills)?		2	4	4	
Are independent directors truly independent from other directors?	1		4	5	
Does the Board protect the rights and interests of all shareholder groups?			4	6	
Does the Chairperson of the Board of Directors help foster an environment conducive to a constructive and fruitful discussion?		1	4	5	
Does the Chairperson of the Board of Directors ensure communication with the management?			4	6	
Does the Chairperson of the Board of Directors hold executive discussions (without the CEO and the management) for Board members to exchange opinions?			4	6	
Is the Chairperson of the Board available for communication outside of the boardroom?			5	5	
Should the Board's powers be broadened?			4	5	1
Is the adaptation process for new Board members satisfactory?			7	3	

Question	Score (the column indicates the number of votes)				
	1	2	3	4	I don't know
Does the Company provide sufficient materials / information / research data, etc. on industry trends (both Russian and international)?		3	5	2	
Does the Company provide sufficient materials / information / research data, etc. on its peers?		2	6	2	
Does the Company provide sufficient materials / information / research data, etc. on IT and technology?		4	4	2	
Does the Company provide sufficient materials / information / research data, etc. on risk management?		1	7	2	
Does the Company provide sufficient materials / information / research data, etc. on ESG matters?		2	6	2	
Should the Board engage independent consultants?	1	1	4	3	1
Are Board members provided with adequate opportunities to develop, maintain and refresh their skills and knowledge?		1	5	2	2
Does the Board pay sufficient attention to strategic management?		1	4	5	
Does the Board pay sufficient attention to finance, financial reporting and risk management?			6	4	
Does the Board pay sufficient attention to the development of the offline retail segment?			5	5	

Question	Score (the column indicates the number of votes)				
	1	2	3	4	I don't know
Does the Board pay sufficient attention to the development of the online retail segment and the marketplace?		3	4	3	
Does the Board pay sufficient attention to logistics?		2	6	2	
Does the Board pay sufficient attention to marketing?		2	4	3	
Does the Board pay sufficient attention to IT infrastructure?		2	5	3	
Does the Board pay sufficient attention to HR strategy, senior management incentives, KPIs, and succession planning?		1	7	2	
Does the Board pay sufficient attention to ESG?		2	4	4	
Do you need more time to communicate with the CEO?			3	7	
Do you need more time to communicate with members of the Management Board?		1	3	6	
Should the Board hold more joint-presence meetings?			6	4	
Should the Board add items for consideration to its work plan / agenda?			5	5	
Do Board members need additional materials for Board meetings?			6	4	
Is the way the management liaises with the Board efficient?		2	4	4	
Does the Board need more informal meetings and phone calls to exchange opinions?			6	4	
Do Board members have enough time to prepare for Board meetings?		2	4	4	

Question	Score (the column indicates the number of votes)				
	1	2	3	4	I don't know
Do Board members have enough time to prepare for committee meetings?		1	4	5	
Does the Board need additional post-report discussions?		1	6	3	
Is the Corporate Secretary effective in facilitating the Board's functioning?		1	4	5	
Does the Board receive sufficient information on how the management implements Board decisions?		1	4	5	
Are the Board's meeting minutes sufficiently reflective of Board discussions?		2	5	3	
Does the Audit Committee provide sufficient support in the preliminary examination of relevant issues presented to the Board of Directors?			4	5	1
Does the Strategy and Sustainability Committee provide sufficient support in the preliminary examination of relevant issues presented to the Board of Directors?		1	3	6	
Does the Nomination and Remuneration Committee provide sufficient support in the preliminary examination of relevant issues presented to the Board of Directors?			4	6	
Do the committees cover all areas of interest to the Board?			3	7	

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