

BUSINESS ETHICS CODE



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FOREWORD BY THE DIRECTOR

Melon Fashion Group is a place where everyone may be themselves, feel that they are free and appreciated. But one should remember that actions and decisions of any employee are what forms the image and the goodwill of the company, and our general take on ethics and fair practices is a reflection of our corporate culture.

Trust, respect and integrity are the cornerstone of how we do our business and how we interact with each other, our shareholders, business partners and clients. It is the base on which we build all internal and external operations of the company.

The Code of Ethics of Melon Fashion embodies our ethical principles in a single document and establishes a common standards system governing our day-to-day operations. It is not merely a set of rules. It is an important reference point which helps us make correct day-to-day decisions in accordance with our values.

The success and the future of the company depend on the extent to which each employee is ready to follow our views and traditions, building a trustworthy and transparent relationship.

CEO OF JSC "MELON FASHION GROUP"
URZHUMTSEV M.M.

1. GENERAL PROVISIONS AND TASKS OF THE CODE

1.1 Melon Fashion Group JSC (hereinafter referred to as the "Company", or "We") – is group of companies operating in the field of fashion retail. In our work, we follow the principles of fair practices, transparency and integrity. We believe that Business Ethics a fundamental tool in the conduct of our business.

1.2 The Business Ethics Code (hereinafter referred to as the "Code") has been drafted to inform all those concerned on the high standards of corporate Business Ethics of the Company. We realize the risks to which the business and the goodwill of the Company may be exposed by unfair and unethical activities.

1.3 The Code was drafted in accordance with statutory requirements, recommendations of the local and international regulatory bodies of the countries of operation of the Company, regulations of international law and standards of global business practices, as well as other Regulatory Documents. In addition to this Code, internal Regulatory Documents detailing certain provisions thereof, are applied In the Company.

1.4 This Code applies to all Employees and Key Management of the Company, irrespective of their job titles, as well as to third parties who deal with the Company or act in its name or to its benefit all over the world. The Code applies within the Company and its controlled entities, regardless of their location.

1.5 Our Code is a set of internal corporate policies applicable in the Company and providing the basis for our business.

2. MAIN PRINCIPLES AND VALUES OF THE COMPANY

2.1 Our main goal is "Being in the forefront of fashion retail". We are offering not just high-quality products and services for our clients, but we also help them choose a conscious approach to fashion.

2.2 To achieve our goal, we rely on our culture, basing on the following principles:

Freedom

We believe that talents are revealed in freedom and are worthy of it. Therefore, we have no dress code, no excess bureaucracy and no strict working hours.

Every one of us is the master of his own area. As long as our problems are effectively solved, we are free to choose the tactics and to make decisions as we see fit.

We appreciate the trust and we understand that freedom is impossible where damage is caused to the company, a law is broken or ethical standards are neglected.

Business

It is important to us to be a creative part of the economy. Our task is to understand and satisfy the public demand. When we receive profit, it means that we are doing our job well.

Business success makes our Company attractive and helps us develop: make our product more available, create more jobs, contribute to the industry and do good deeds. When we make decisions, first of all we contemplate how it would benefit our business.

Common sense

We approach daily routines from a critical standpoint, continuously monitoring their applicability.

When we make decisions, we come to the point, we distinguish cause and effect, we consider the risks.

The meaningfulness of each our action helps us change for the better.

Start-Up spirit

We grow, but we stay flexible, brave and swift.

We focus on the goal, and if something suddenly changes, we adapt to the new rules.

We do our best to avoid "never-ending" projects, therefore sluggishness and unsubstantiated formalities are inadmissible.

Laconism

Our goal is to find the most effective, short and simple way to the solution of the problem.

Therefore, we drop the "excessive" in any matters: we use swift communication methods, we do not drag out discussions, we choose live dialogue instead of dragged correspondences.

We are governed by the "Zero Principle" works: we create documents only if we cannot do without them (for example, for concerted actions of many people or to comply with the laws).

Openness

We welcome free exchange of ideas. We do not sweep aside any thoughts that might seem strange at first sight.

We do not suppress problems and we do not avoid difficult topics. We cultivate the open discussion format, but we always stay friendly.

Each of us can rely that his opinion, ideas and offers will be heard, irrespective of job title.

Sustainability

The consumption volumes today are a challenge for the planet, which are harder and harder to cope with. We have determined that our development must be conscious, and our relations with nature should be harmonious.

Wherever we can minimize our environmental impact - we do it. An entire sustainability programme is applied by our Brands and in our headquarters.

We urge to forgo disposable items and to give unclaimed garments a second life. This may be done in our stores and office.

2.3 Realizing our responsibility towards Employees, our Business Partners, shareholders and other persons concerned, we pay special attention to the principles of corporate Business Ethics in all fields of our operations, and we believe that it is the only possible way for the expansion of our business and industry in general.

3. COMPANY EMPLOYEES AND LABOUR RELATIONS

Decent working conditions and respect for human rights

3.1 We are proud of our team and we try to create comfortable and safe conditions, a competitive salary level, and to provide comprehensive motivation for everyone.

3.2 We are sure that principles of variety and inclusivity have a beneficial influence on the creative potential of our Employees, uniting people of different ages, religions and nationalities in one goal-oriented team.

3.3 We appreciate the rights and individuality of each member of our team, and we promote favorable and safe working environment, cultural diversity in the team. Violence, persecution and discrimination in any form are considered inadmissible in the Company.

3.4 Each Employee of the Company has equal opportunities to fulfill his performance potential. In our operations, we rely only on personal qualities and professional competence of Employees at all stages of their career in the Company.

3.5 The Company adheres to the principles of observance of labour rights, in accordance with requirements of local regulatory bodies of the countries of operation of the Company, regulations of international law and standards of global business practices, and undertakes to ensure compliance with Regulatory Documents in the field of occupational health and safety requirements, as well as to implement the applicable best practice in the industry.

3.6 The Company supports "accompanied employment" practices for young people with physical disabilities, orphanage and correctional school alumni.

3.7 The basic principles of relationship of the Company and its Employees are set out in the "HR Management Policy" of Melon Fashion Group JSC.

Personal data protection

3.8 The Company adheres to the principles of safety of personal data of its Employees, in order to protect their rights and freedoms, including to protect their rights of privacy, personal and family secret, to ensure observance of requirements of the Russian and international laws in the country of operation.

3.9 Personal information is treated as confidential and we handle with responsibility its storage and non-disclosure.

3.10 The Company fully observes the applicable law and the additional requirements contained in Regulatory Documents regarding collection and protection of personal data in all countries of its operation. Personal data protection regulations are set out in more detail in the "Personal Data Processing Policy" of Melon Fashion Group JSC».

4. DUE CONDUCT OF BUSINESS

Quality of products and goods

4.1 Our reputation directly depends on the trust of consumers in the quality of marketed products. We realize that high-quality products are what distinguishes us from our competitors and it is our duty to maintain it being a respectable and ethical Company.

4.2 We believe that garments must be safe, and we carry out strict quality control of all products. We are certain that the quality of the goods depends on Employees at all stages: beginning from manufacture of raw materials used in our goods and ending with their delivery to our markets and final consumers.

4.3 Annually, we engage independent organizations to carry out testing of our products.

Investors and shareholders

4.4 The Company guarantees observance of rights of investors and shareholders, creates favorable conditions for the participation of its shareholders in Company management, in due time publishes reliable information on its operations and financial standing.

4.5 We maintain an effective dialogue with our investors and shareholders, we seek to meet their expectations, complying with the target financial performance and development of the Company.

Fair competition

4.6 The Company observes competition laws aimed at protection of fair competition in the market.

4.7 We find it inadmissible to enter into unethical and contrary to law agreements with competitors in respect of distribution of markets, clients, in respect of strategy or marketing plans, price or other collusions.

Corruption and bribery control practices

4.8 In its operations, the Company relies on the laws and corporate Business Ethics. We fight any forms of Corruption, avoid Bribes and any ambiguous situations putting our goodwill at risk.

4.9 We adhere to "zero tolerance" principle regarding any forms of Corruption – a total ban for all Employees of the Company and other persons acting on behalf of the Company and/or in its interests, directly or indirectly, personally or through any intermediary, on taking part in Corruption activities, irrespective of business practices in some or other country. Any other actions which may be interpreted by the public as receiving, offering, passing, promising or granting of a Bribe or Commercial Bribery are also strictly prohibited.

4.10 The Company shall never ask its Employees or any third parties to make meritless payments, to give presents, treats or other tangible or intangible values on behalf of the Company in exchange for illegal benefits to be granted to the Company.

4.11 The rules for the prevention of Corruption and Bribery are set out in more detail in the "Anti-Corruption Policy" of Melon Fashion Group JSC».

Conflict of interest

4.12 Employees of the Company must act in good faith and only for the benefit of the Company. At the exercise of official duties, the Employees must avoid real or potential personal interest which might infringe the interests of the Company.

4.13 We expect that Employees will disclose in good faith any situations potentially connected with a Conflict of Interest.

4.14 We support all feasible and necessary measures to reveal, prevent and settle any arising Conflicts of Interest.

Business Partners

4.15 In accordance with our ethical principles, we expect that all Business Partners of the Company would:

- ensure fair and timely remuneration of labour;
- establish reasonable working hours;
- create safe and healthy jobs;
- maintain transparency of their production process;
- observe all applicable environmental laws;
- maintain confidentiality;
- adhere to the principle of "zero tolerance" in respect of any forms of Corruption.

4.16 The operating procedure and requirements to Business Partners of the Company are set out in more detail in the "Code of Conduct for Business Partners" of Melon Fashion Group JSC and "Supplier Relationship Policy" of Melon Fashion Group JSC.

Presents and invitations to events

4.17 We realize that gifts, treats, invitations to entertainment events and other tangible or intangible values might affect or create an appearance of undue influence on the decision-making capability of their recipient.

4.18 We may give gifts, treats and other values only when those are part of commonly accepted cultural practices or business hospitality events, are offered on legal grounds, in an ad hoc manner, are not luxury goods, and their cost is within the limits determined by the laws of the countries of operation of the Company.

4.19 Being a Company adhering to high ethical standards. we find it unacceptable at all times to give or receive gifts which:

- were given in the form of money or cash equivalent;
- are contrary to local laws;
- may be perceived as a Bribe or Commercial Bribery.

4.20 Gift policy regulations are set out in more detail in the "Anti-Corruption Policy" of Melon Fashion Group JSC.

Interactions with Public Officials

4.21 The Company shall take all reasonable measures to ensure that all of its relations with Public Officials and governmental organizations are always open, transparent and constructive.

4.22 The Company observes the requirements of the applicable law to the fullest extent.

Political activity

4.23 We respect the rights of our Employees to political views and participation in political activities; however, the Employees are not allowed to participate in political activity on behalf of the Company or to make such impression.

5. SUSTAINABLE DEVELOPMENT

Care for nature and the environment

5.1 Care for customer is at the cornerstone of our strategy: by controlling the observance of environmental and ethical standards at manufacture of the goods, by improving our practices in the field of environmental management and Corporate Social Responsibility, as well as by providing high level of services and maintaining high professionalism of its Employees in the field of sustainable development, the Company provides its clients an opportunity to follow the principles of responsible consumption.

5.2 Our "Sustainability" value reflects our desire to minimize our impact on nature and the environment. We seek to mitigate our own negative environmental impact by introduction of energy efficient solutions, reduction of waste amount, expansion of the use of eco-friendly packaging.

Responsible supply chain

5.3 We seek to ensure transparency and traceability of our supply chain, and we work with suppliers for the improvement of their practices in the field of ecology and Corporate Social Responsibility.

5.4 Initiatives of the Company in the field of sustainable development are set out in more detail in the "Sustainability Reports" of Melon Fashion Group JSC and in the "Sustainable Development Policy" of Melon Fashion Group JSC

6. INFORMATION AND PROPERTY MANAGEMENT

Intellectual property

6.1 We realize that protection of intellectual property is one of the keys to success in business. We take all necessary measures to protect intellectual property.

Confidential and insider information

6.2 We bear responsibility for the protection of confidential information of the Company or third parties against its unauthorized use or disclosure.

6.3 We are responsible to ensure confidentiality of insider information. It is not allowed to use such information in unfair purposes or to disclose it to other persons (within and outside the Company) without reasonable business need and upon authorization of the Company.

6.4 In the Company it is forbidden to:

- Purchase or sell shares or other securities of the Company on the basis of insider information for personal benefit or for the benefit of other persons.
- Purchase or sell shares or other securities of the Company during any restricted trading periods established for separate employee groups.
- Report or place in general access any insider information within or outside the Company without express authorization (for example, for journalists, financial analysts, family members or friends).
- Make recommendations to any persons regarding the purchase, keeping or sale of shares or other securities of the Company, by using insider information.

Information systems and facilities

6.5 We use our information systems and facilities in a proper manner, taking care of, inter alia, the safety of our data.

6.6 Any information stored in information systems of the Company and on its devices is owned by the Company.

6.7 Employees of the Company shall use information systems and facilities only in pursuance of their official duties

Accounting and financial statements

6.8 All operations performed by the Company which might have an economic impact must be reliably and promptly reflected in the relevant reports as a fair presentation of the performed operations, and must be available to internal and external auditors.

6.9 We undertake to ensure the accuracy, completeness and integrity of financial information to be disclosed to the market and the public in accordance with the Regulatory Documents in force.

6.10 The Company undertakes to maintain the relevant system of internal control of financial accounting, ensuring regular improvement and observance by Melon Fashion Group JSC of the accounting laws.

Disclosure of corporate information and interaction with media

6.11 The Company seeks to provide all clients, Business Partners, shareholders and investors with complete, relevant and reliable information on its operations.

6.12 The Company and all its Employees are aware that any statements or utterances on behalf of the Company might impact its reputation. In particular, it is inadmissible to publish any confidential or insider information in the public field.

6.13 The Company has determined a group of people authorized to represent it in the public field. In this connection, the PR-service must be contacted for any communications with the media regarding the operations of the Company.

7. CHARITABLE ACTIVITIES AND SPONSORSHIP

7.1 The Company regards Charitable Activities as an integral part of Corporate Social Responsibility and at the same time as a significant step in the field of sustainable development of the Company.

7.2 The Company welcomes and provides Charitable Assistance not only in the form of money contributions, but also in kind and encourages its Employees to perform volunteering. A special place in Charitable Activities of the Company is held by Donations in the form of material values, including garments. The Company also supports employment of people with special health needs.

7.3 The Company shall take all reasonable and necessary actions so that its Charitable Activities would not be used as cover for Corruption Activity or for other illegal purpose.

7.4 The objectives and the procedure of fulfillment of Charitable Activities is set out in more detail in the "Charity Policy" of Melon Fashion Group JSC.

8. NOTICES OF VIOLATIONS AND PROTECTION OF NOTIFYING PERSONS

8.1 Employees must immediately report on any known or expected violation by calling the "Direct line" of the Company in one of the following manners:

- by phone: +7 (800) 550-75-53;
- by e-mail: mfg_directline@kept.ru.

8.2 The notice may be made with indication of the name of the notifying person, or anonymously. The Company guarantees that there will be no negative consequences for the Employees who notified on any potential or actual non-observance of provisions of internal Regulatory Documents of the Company or the applicable laws.

8.3 The Company guarantees that it will review incoming notices confidentially and without prejudice. No measures may be applied to Employees without proper internal investigation.

8.4 The Employees should promote investigation of violations, providing information and documents required to check the circumstances and factors of the violation.

9. FINAL PROVISIONS

9.1 All new and acting Employees of the Company must be familiarized with provisions of the Code and shall be governed by them in pursuance of their professional activity.

9.2 The Employees must be mindful of their responsibility at observance of provisions of the Code.

9.3 The Code (or its abridged version) shall be available on the Company's website to all Employees and other persons concerned.

9.4 The Company has the right to place data on the committed violations of the Code on corporate websites and in mass media (taking into account statutory requirements, including personal data protection regulations).

9.5 Responsibility for implementation and observance of the Code shall be borne by the Key Management, the HR Department, the Legal Department, as well as the Internal Control Service.

9.6 The Code becomes effective upon its approval by the General Director and remains in effect until acceptance of its restated version. Upon approval of the Code, all previous versions of the document are null and void.

9.7 The Code should be regularly revised to secure its relevance. It may be changed at any time by order of the General Director of the Company.

9.8 The Code is not an exhaustive regulation that contains instructions for all situations arising during the operating and business processes. Should disputable issues arise that are not reflected in this Code, the Employee may seek advice of its direct supervisor or of the Internal Control Service.

TERMS AND DEFINITIONS

Bribe – a property benefit given to an official only in connection with the position held by him, for any official endorsement or forbearance, favorable solution of the matters within its competence, or for the commission of any action or failure to act for the benefit of the briber (or the persons represented by him), which such person had to or could commit using his official powers.

Material values (money, securities, things, etc.) or property benefits (any services rendered free of charge or on a preferential basis, but subject to payment) may be the subject of the Bribe.

Bribery – acceptance of material values by an official for himself or for his relatives, or acquisition of property benefits provided only in connection with the official capacity held by him, for official endorsement or forbearance, favorable solution of the matters within its competence, or for the commission of any action or failure to act for the benefit of the briber (or the persons represented by him), which such person had to or could commit using his official powers.

Top Management – the Board of Directors, the General Director, as well as other persons that perform management of the Company in accordance with the Labour Code of the Russian Federation, federal laws and other Regulations.

Public Servant – an individual holding any position of official power provided by the state, i.e., a person on legislative, enforcement or judicial office, regardless of its rank or territorial affiliation.

Business Ethics – a set of standards of behavior, rules and principles governing the relations arising in the course of business relations.

Code, or Code of Ethics, – Business Ethics Code of Melon Fashion Group JSC.

Company, or Melon Fashion Group JSC, – Melon Fashion Group Joint-stock company.

Business Partners – individuals or legal entities with which the Company has concluded or is planning to engage in business relations, including agents and intermediaries.

Insider Information – exact and specific information on the company which was not widely distributed (including the information which constitutes trade, official, bank secret, communication secret and other secret protected by the law), the distribution of which may have a significant effect on the goodwill, transactions or any other financial operations of the company.

Conflict of Interest – a situation when personal interest of the company's employee (direct or indirect) affects or may affect proper, objective and impartial fulfillment by him of his official (employment) duties.

Commercial Bribery – bribery of an employee of business entity for the purpose of deriving benefit.

Corporate Social Responsibility – the contribution of MELON FASHION GROUP JSC in sustainable development of company and the environment by cooperation with state institutions, non-profit organizations and other concerned parties for the implementation of social investments, innovation development and technologies.

Corruption – deliberate use by an officer of his official position and related opportunities for the purpose of illegal obtaining of property or other benefits in the form of work, services, endorsement, promise of benefit for himself or third parties, as well as bribery of officers, by granting thereto of property or other benefits in the form of work, services, endorsement, promise of benefits to them or third parties, so that such officer would commit any actions or failures to act at fulfillment of his official (employment) duties.

Corruption Activity – an illegal misconduct (action or failure to act) that can be qualified as Corruption, for which administrative or criminal responsibility is provided for by the law.

Regulatory Documents – documents that contain requirements of the applicable law: local regulations, statutory regulations, internal policies, procedures and ethical standards, regulations and practices, as well as obligations assumed by MELON FASHION GROUP JSC in accordance with its internal documents.

Employees – persons being in labour relationship with the Company, who directly perform work under employment agreements, as well as other persons engaged under agreements via agencies and civil contracts.