

SUPPLIER RELATIONSHIP POLICY



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INTRODUCTION

Ha This document describes the principles and responsibility of MELON FASHION GROUP JSC (hereinafter referred to as the Company or MFG) and its controlled entities in respect of relationships with suppliers of goods and services.

Our goal is to provide consumers with a wide range of the goods made in accordance with high-quality standards and economical prices.

We believe that the achievement of this goal is possible subject to open and fair cooperation with suppliers, in strict observance of the laws of the Russian Federation, countries in which the MFG subsidiaries are registered and countries of origin of the goods, works, services. We expect that our partners will share our values of responsible business conduct.

The Supplier Relationship Policy of MELON FASHION GROUP JSC (hereinafter referred to as the Policy) is designed to describe the basic principles of choice, as well as to simplify the interaction with suppliers by describing the main algorithms of joint actions.

This Policy is developed in accordance with the laws of the Russian Federation and on the basis of the Code of Conduct for Business Partners of Melon Fashion Group JSC (hereinafter referred to as the Supplier Code).

This Policy applies to operations of MELON FASHION GROUP JSC and its controlled entities.

Control and responsibility for observance of provisions of the Policy is imposed on the heads of all structural subdivisions of MELON FASHION GROUP JSC, supplier relationship managers and other personnel of the Company who interact with suppliers of goods and services on behalf of MELON FASHION GROUP JSC.

ABBREVIATIONS, BASIC DEFINITIONS AND TERMS

Order

a document that contains information on the range, quantity, cost, terms of delivery and payments, dates of delivery and payment.

Supplier Code

the Code of Conduct adopted by Melon Fashion Group JSC published on melonfashion.com website and binding upon the supplier.

Company or MFG	Melon Fashion Group JSC and its controlled entities.
Policy	a set of rules, principles and algorithms of interaction, by which the Company is governed in its operations with suppliers.
Supplier	a legal entity, irrespective of corporate form, legal structure and sectoral affiliation, which carries out delivery of goods, works, services to the Company.
Pre-production sample of goods	for separate contracts, an adopted pre-production sample approved in the procedure established in the contract and used for the comparison of product units therewith at production, testing, acceptance and delivery of goods. The supplier is not entitled, during production of goods, to deviate from the pre-production sample of the goods approved by the Company, without written prior consent of MFG.
Goods	the goods that include various branded products of women's, men's, children's ready-made clothes, as well as children's, men's, women's accessories, footwear, fabrics, fittings, equipment for stores, perfumery products and other goods.

PROCEDURE OF INTERACTION WITH SUPPLIERS

1. Principles of choice of suppliers

Our Company pays a lot of attention to the selection of suppliers, as well as to the development of long-term and trust relationship therewith. Suppliers of the Company must ensure observance of ethical standards of business and principles reflected in the Code of Conduct for Business Partners of the Company:

Observance of rights and freedoms

The Supplier must treat his employees fairly and with observance of the principles of equality, in accordance with internationally recognized human rights. The Supplier must respect personal dignity, privacy and personal rights of all of his employees. The Supplier must not allow any discrimination, verbal, psychological, physical or sexual harassment, violence or offenses in the workplace, employment of children is unacceptable.

Lawful and fair conduct of business

The Supplier is obliged to be fair in his relations with others, to observe the laws in force and all the relevant standards in respect of combating fraud, bribery and corruption. The Supplier must adhere to the principles of fair competition and observe the competition laws. Any type of misinformation or concealment of important information by the supplier is unacceptable.

Anti-corruption policy

The Supplier must observe all expedient ethical and anti-corruption policies which might be developed by MFG and brought to the attention of the Supplier in the period of cooperation. The Supplier shall continuously perform active work for the mitigation of corruption risks, prevention and combating corruption events. The Supplier must make sure that his employees and third parties acting in his name and in his interests do not offer, do not promise, do not give and do not accept any bribes, do not give and do not accept undue cash payments or other values which might provide improper advantage or otherwise affect the result of his commercial transactions and relationships.

Confidentiality

The Supplier must maintain the integrity and confidentiality of information which he may receive as a result of business relationship with the Company. It is prohibited to use for supplier's

own needs, to sell and distribute product samples of MFG (developed and made by order of MFG) to third parties without prior notice of representatives of the Company. The Supplier must not use his position or information obtained from MFG to secure unfair or personal benefit.

Transparency of the production process

Supply chains which allow to define precisely the origin of the goods for the implementation of assessment and control of associated risks are an integral part of our Company's business. When the Company nominates a factory, MFG's orders must be manufactured only at the nominated factory specified in its order to the supplier. The Supplier must provide unimpeded access for visit and inspection of the factory by representatives of MFG or third parties designated by the company. In such case the suppliers which perform any works and services by outsourcing must receive prior written consent of the Company.

Environment protection and sustainable development

The Supplier must observe all applicable environmental laws and regulations. The Supplier is also obliged to seek to mitigate his own negative environmental impact, and to make responsible use of the nature, observing the sustainable development principles. Operating activities, mobilization of resources, manufacture, distribution of goods and rendering of services shall be performed taking into account the potential impact of the supplier on the environment. We expect from the supplier that he will seek to optimize the use of raw materials and to take into account the aspects of efficient use of materials and resources. We cooperate with the supplier continuously for the improvement of environmental safety practices and we translate to the supplier the principles of careful handling of the resources. Our Company believes that mitigation of environmental impact is possible in the environment of continuous

development and proficient dialogue between partners. We expect that our partners will support us in sustainable development and that they set before themselves the same ambitious goals that we set before ourselves, by continuous improvement of their business operations.

Safe and healthy working conditions

The Supplier shall provide a safe, sanitary and healthy job climate, and shall take necessary measures to prevent possible accidents and injuries. All equipment, tools and workplaces of the Supplier must be in good repair and must be fit for fulfillment of orders of the Company. The relevant information in respect of occupational health and safety requirements, including on the risks to which they are exposed, proper control measures, evacuation maps of buildings and workplaces, correct use of the equipment and tools must be provided to employees of the supplier, and the employees must undergo the relevant training in this regard.

Reasonable working hours

Employees of the Supplier and third parties must observe reasonable working hours and must not work over 60 hours a week, or the standard and overtime hours permitted by the laws of the country of origin and rendering of services, whichever is less. At least one day off after six consecutive working days must be provided to employees, as well as public holidays and leaves. Employees of the Supplier must be informed on all elements of working schedule, in accordance with the local laws.

Fair and favorable labour remuneration

The Supplier must pay to his employees at least the minimum wage established by the laws of the country or salary stipulated in the collective agreement, whichever is more. In any case, the salary must be always sufficient to satisfy at least the primary needs of employees and their families. The salary and any other allowances or benefits are payable when due.

The Supplier Code constitutes an integral part of cooperation and is binding upon each business partner of the Company. In addition, this Code applies to all employees and subcontractors of the Supplier.

The Code is available on the website of the Company – [link](#).

MFG carries out ethical audits at production sites of suppliers with participation of representatives of the Company and independent experts. By results of the audit, an audit report is delivered to the supplier, and in case of discovered defects a follow-up plan is provided for the factory, time frames are set for the observance thereof. The Supplier must subsequently provide to the Company the information on the remedying of defects at the production site. In case of non-observance of recommendations regarding the improvement of social and environmental aspects at the factory, MFG has the right to discontinue cooperation with the supplier.

2. Principal supplier selection criteria

When selecting suppliers, we are governed by the following selection criteria:

Price offer

The Supplier's offer is economically feasible for the Company. Purchase price of the Supplier must be transparent and competitive. The Supplier receives an order upon results of a tendering process. The tender does not take place only in the event that the supplier has a unique offer.

Tendering process

As a result of the tendering process, the offer of the supplier with the lowers price is selected. Here, an important selection factor is the absence of doubts in fair practices of the contractor and in the quality of the goods or services provided.

Main selection criteria: price, quality, resources of the supplier, his reliability, terms of performance of works, payment deferral terms. Selection criteria must be clear to potential suppliers.

Offer of product range (product offer)

Quality of the goods and product range offer musts conform to the requirements, approved samples and quality standards of MFG. The primary specialization of the Supplier must conform to requirements of the order and the actual MFG's need in the supply of the goods. The Supplier must have the necessary experience of similar works or supply of similar goods specified in the order.

The goods of the Supplier must correspond to the specifications and technical documentation of pre-production sample (if a pre-production sample is created under the contract terms), including the visual appearance, material quality and other criteria.

Production capacity and technical specifications

Production capacity of the Supplier must be sufficient for the fulfillment of order of the Company in the required volume, and in the time determined by the contract. The Supplier must have his own production facilities, premises for packaging and

storage of the manufactured goods. Availability of a development shop, automation of basic processes of the supplier for fulfillment of the order are the supplier's advantages. Storage conditions of the goods must be also observed.

The Company has the right to perform audit of production facilities with participation of representatives of the Company and independent auditors.

Legal status and goodwill

The Supplier must be registered as a legal entity in accordance with the established procedure and must not be pending winding-up. In respect of the supplier there must be no pending insolvency proceedings. The Supplier undertakes to provide all the required documentation for supply and his operations, including operation licenses and permits. The Supplier is obliged to observe the local legislation and to fulfill the obligations assumed towards the Company or other market members in a proper manner.

Right to refuse to cooperate

If the supplier does not meet one or several selection criteria determined by this Policy, the Company reserves the right to refuse to cooperate with the supplier.

3. Beginning of cooperation and procedure of work with suppliers

Our Company is proud to have numerous strategic partnerships focused on permanent improvement of business models of the Company and suppliers. We also engage new suppliers depending on accrual business needs.

Each supplier is selected by criteria required for the business, including the principles and criteria described in subclauses 3.1 and 3.2. In some cases, the Company may set additional terms in accordance with the statement of work, technical and functional requirements.

Qualification-based selection of suppliers is carried out in case of procurement of the following goods / services:

- Installation and construction operations, and design;
- Purchase of equipment for stores and other components by decision of the Head of Department.

In case of successful passing of selection and task approval stage, the Company task and the supplier sign an agreement for rendering of services or supply of goods, in accordance with the laws in force, and continue their cooperation.

The Company reserves the right to use specialized software for the purpose of exchange of information in respect of the order, and the supplier, in turn, is obliged to use the software offered. MFG shall inform the supplier in advance on the beginning of use of the software.

4. Requirements in terms of quality of goods and services

It is extremely important for us to manufacture safe high-quality products. For that very reason, we pay special attention to each production phase from the moment of design of the goods until their delivery to our customers. Quality of the goods and services rendered must conform to requirements of health, technical and all other applicable regulations of the Russian Federation, the Customs union, the EEU, as well as to the requirements of the Company.

Quality standards are sent by the Company to the supplier concurrently with the order. Acceptance of the order for execution by the supplier means consent with requirements of quality standards. The Supplier guarantees that the goods delivered and services rendered meet all Company specifications, terms of reference and standards within the scope of the agreement.

The Company has the right to arrange inspection of goods during production and/or before shipment. The Supplier is obliged to provide easy access and proper conditions for representatives of the Company who are authorized to conduct the inspection.

Inspection of goods is performed in accordance with ANSI / ASQC Z 1.4, 2003 standards, as well as on the basis of Quality standard of the Company and samples provided by the supplier and pre-approved by MFG.

At the same time, the goods must be accompanied by a binding approval document confirming the safety of the imported goods: a certificate of conformity and/or a declaration of conformity and/or a certificate of state registration. The Supplier undertakes to provide the required data and samples of goods for testing to an independent accredited Russian testing laboratory, in the prescribed amount and in a timely manner.

In case of issuance of a certificate of conformity, the supplier undertakes to provide access to the production factory for the purposes of factory audit, to a profile certification expert from an independent Russian Certification body, to provide originals of required documents in the established form and in a timely manner

Should the quality of the goods be found unsatisfactory, the Company has the right to demand from that the supplier remedies the discovered defects, and the Company will be entitled to receive a discount or to reject the consignment. In such case the decision on shipment of the goods may be made only by MFG.

Packaging and marking requirements must be observed by the supplier in accordance with the terms of the agreement.

5. Procedure of delivery and acceptance of the goods

The delivery conditions are defined in accordance with the terms of the agreement. Each delivery of goods must be followed with execution of the documents listed in the agreement, unless the Company has sent to the supplier another list of documents.

During transportation the supplier guarantees safety of the goods, protecting them against water, odours, aggressive chemicals and other factors that affect the quality of the goods.

6. Execution of primary documentation

Documents must be executed in strict accordance with instructions of the Company. Our Company also supports the electronic system of document flow as its introduction allows to save time and means which were required earlier for post~transfers, as well as to save paper.

LONG-TERM SUPPLIER RELATIONSHIP POLICY

We believe that the business entities can make a great contribution to the matter of sustainable development. This is the way chosen by our Company, and we hope that our suppliers share our goals. We are oriented to long-term business relations with suppliers. MFG is ready to build a sound dialogue with all parties of the production process. This will allow to improve the existing supply system and to find new and more effective solutions. This way guarantees successful business and sustainable future. We are open to any offers and opportunities that contribute to development of a sustainable future.

REVISION OF POLICY

This Policy shall be revised from time to time in order to secure its consistent compliance and relevance. It may be changed at any time by resolution of authorized persons.

In the case of discrepancies between the Russian version of this Policy in Russian and its translation into English, the former will prevail.

This policy is common for all supply agreements of the Company, specific delivery conditions are always specified in the agreement.

CONTACTS

"Direct line" of MELON FASHION GROUP – a uniform and multipurpose feedback channel for employees and partners, where everyone can apply with offers, ideas or information that affects the processes of the Company.

(800) 550-75-53 or mfg_directline@kept.ru.