

ETALON

SUSTAINABILITY REPORT '22



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SUSTAINABILITY
REPORT
2022

INTRODUCTION





ABOUT THE REPORT

Reporting period

This Sustainability Report (hereinafter, the “Report”) is the first separate Sustainability Report produced by ETALON GROUP PLC (“Etalon Group” or the “Company”). Previously, sustainability issues were covered as part of Etalon Group’s integrated Annual Report for 2021. The 2021 Annual Report was published in April 2022 and is available on the Company’s website (www.etalongroup.com) and through the NSM (national storage mechanism, the official online platform for storing regulatory information from issuers listed on the London Stock Exchange).

The Report discloses Etalon Group’s non-financial performance in the environmental, social and corporate governance (ESG) areas in 2022. Three-year trends – for 2020, 2021 and 2022 – for a number of indicators are reviewed.

Some of the non-financial information, including corporate policies, sustainability practices, and ESG-related efforts and plans (including the environment, personnel and engagement with local communities), from early 2023 is included.

Material topics

The information included in the Report covers topics and metrics that reflect the Company’s considerable impact on the environment, society and the economy or that could have a significant influence on the assessments and decisions of stakeholders. Etalon Group’s materiality criteria and approach to the selection of material topics are described in more detail in the “Sustainability Report: Approach and Methodology” section.

Reporting standards

Principles:

- In preparing the Report, we relied on the principles and standards recommended by the Global Reporting Initiative’s sustainability reporting guidelines.
- In deciding on the content of the Report, the principles of materiality, stakeholder coverage, completeness and sustainability context were used.
- To ensure the quality of disclosure, we used the principles of balance, comparability, accuracy, timeliness, clarity and verifiability.

Sources:

- Data for the Report came from Etalon Group’s management reports and accounting statements for 2022, and reports and statements from 2020 and 2021 were used to chart trends for some of the metrics covered.

Standards:

- In preparing the Report, the Global Reporting Initiative Standards (GRI Standards) and individual SASB Real Estate and Homebuilders Standards (SASB Standards) were used as guidance.
- The GHG Protocol was used for the disclosure of greenhouse gas emissions. The results of activities disclosed in the Report are described in light of the UN Sustainable Development Goals (SDGs).

Forward-looking statements

Some of the statements in this document are forward-looking. Words such as “considers”, “suggests”, “expects”, “evaluates”, “intends”, “plans” and similar expressions indicate that the statement in question is a forward-looking statement; however, this is not the only way to indicate that a statement is forward-looking. Due to their specific nature, forward-looking statements are associated with external uncertainties and risks that are beyond the Company’s control. In addition to the factors mentioned in the Report, general and local business conditions, regulatory changes, political events, interest rate fluctuations and other factors could have a material effect on results. The results achieved in future reporting periods may differ from the targets, plans and forecasts specified in this Report.

Assurance

This Report has not undergone independent external assurance. However, we are aware of the importance of third-party assurance of the non-financial information disclosed in the Report, and we are exploring the possibility of engaging an independent auditor to verify the Report in the future.

Contacts

For questions related to the Report and the data presented in it, please contact the Investor Relations and ESG Department: esg@etalongroup.com

ETALON GROUP IN BRIEF

GRI 2-1 GRI 2-6 GRI 2-22

Etalon Group is one of Russia’s largest and longest-established development and construction companies. During the 35 years of its existence, Etalon Group has become one of the leading nationwide players, with operations in eight regions of Russia and the best margins in the industry. As part of its strategy,¹ the Company plans to further scale up its business and improve its efficiency by increasing regional expansion, developing new technologies and digitalising its entire value chain.

Etalon Group PLC GDRs have been listed on the Main Market of the London Stock Exchange since 20 April 2011 and in the Level 1 quotation list of Moscow Exchange since 31 January 2020 under the ticker ETLN².

One of the Company’s main priorities is to ensure the sustainability of its business by maintaining a balance between economic efficiency and the development of its regions of operations.

In 2021, the Company’s Board of Directors approved an ESG Policy, which specifies common principles, approaches and areas of activity for Group companies as well as targets and further steps for the development of ESG initiatives within the Company. In line with the Policy, the Company pays close attention to the socio-economic development of the cities where it operates, taking care of its employees, maintaining high standards of responsible production and incorporating innovations.

In 2022, in line with its plans, the Company continued to incorporate ESG practices into its day-to-day operations: it developed and approved a Supplier Code, continued to work on the establishment of specific and measurable ESG-related targets and strategies, and began paying due consideration to its carbon footprint; in 2023, the Company is publishing a separate ESG report and implementing a public-private partnership project as part of a nationwide project for the development of infrastructure for research and training.

The principles of sustainability management are reflected in the following Company standard and policies:

- 1 Etalon Group PLC ESG Policy
- 2 Etalon Group Code of Corporate Ethics
- 3 Etalon Group Anti-corruption Policy
- 4 Regulation on Conducting Tenders within Etalon Group, including the Supplier’s Code
- 5 Etalon Group Occupational Health and Safety Policy
- 6 Policy on Remuneration of Members of the Board of Directors of Etalon Group PLC
- 7 Regulation on Etalon Group PLC Committees
- 8 Etalon Group PLC Management Policy
- 9 Etalon Group PLC Disclosure Policy
- 10 Regulation on the Corporate Secretary of Etalon Group PLC

Some of Etalon Group’s standards and policies are publicly available on the [Company’s website](#).

¹ For more information about the Company’s strategy and its implementation, see the “Strategy” section of Etalon Group’s Annual Report.
² For more information about Etalon Group’s ownership structure and shareholder interactions, see the “Shareholder interaction” section of the Company’s Annual Report.

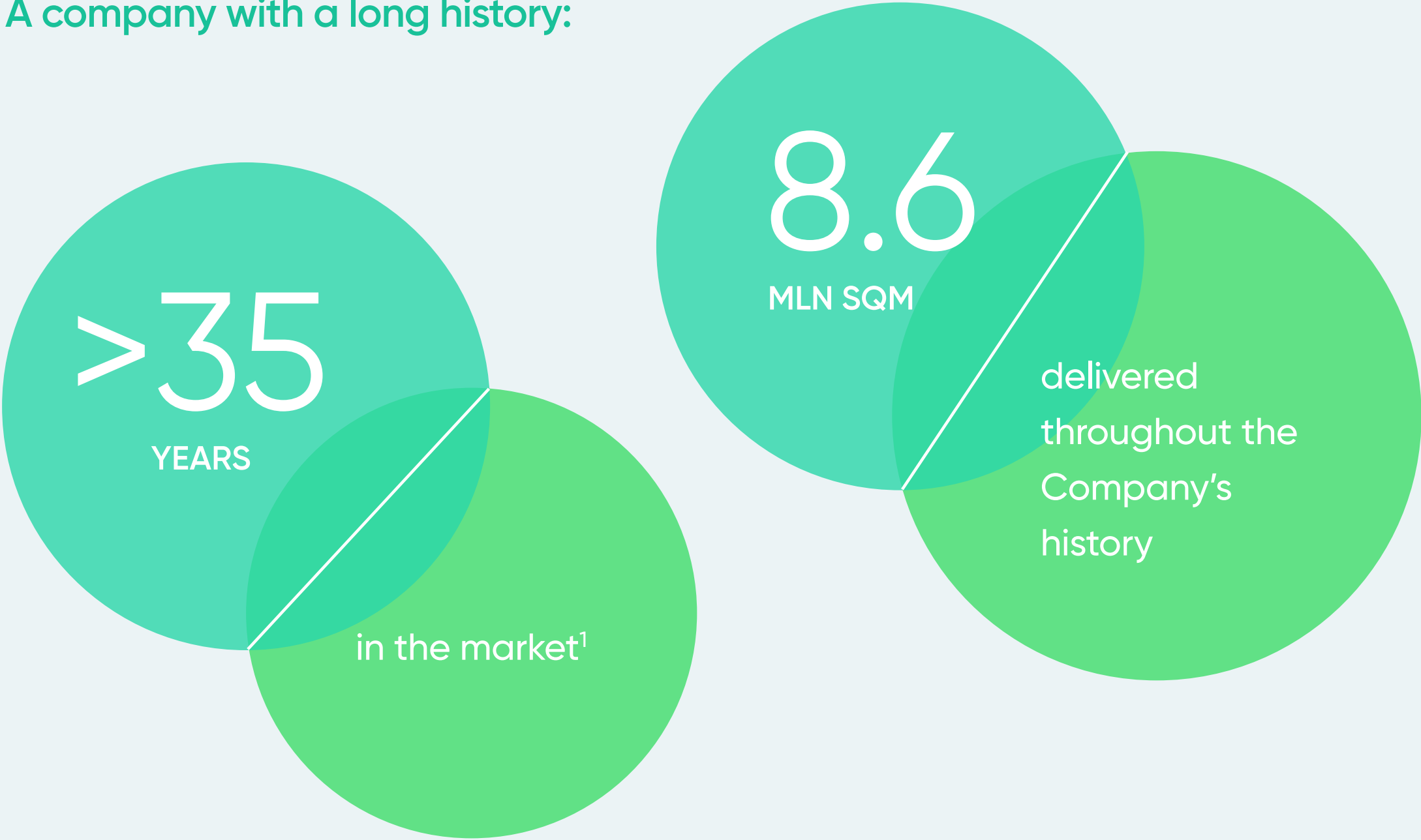




ETALON GROUP: FACTS AND FIGURES

GRI 2-6

A company with a long history:



One of the leading nationwide developers:

Among the
Top 3
nationwide developers²

Among the
Top 10
in the Forbes rating of confidence
in developers³

Among the
Top 5
in terms of volume
of housing deliveries⁴

A diversified project portfolio:

8 REGIONS OF
OPERATIONS
St Petersburg, Moscow, the Moscow
region, Kazan, Ekaterinburg, Omsk,
Novosibirsk and Tyumen

6.4 MLN
SQM
size of the project portfolio⁵

288 BLN
RUB
market value of assets⁵

Incorporation of innovations

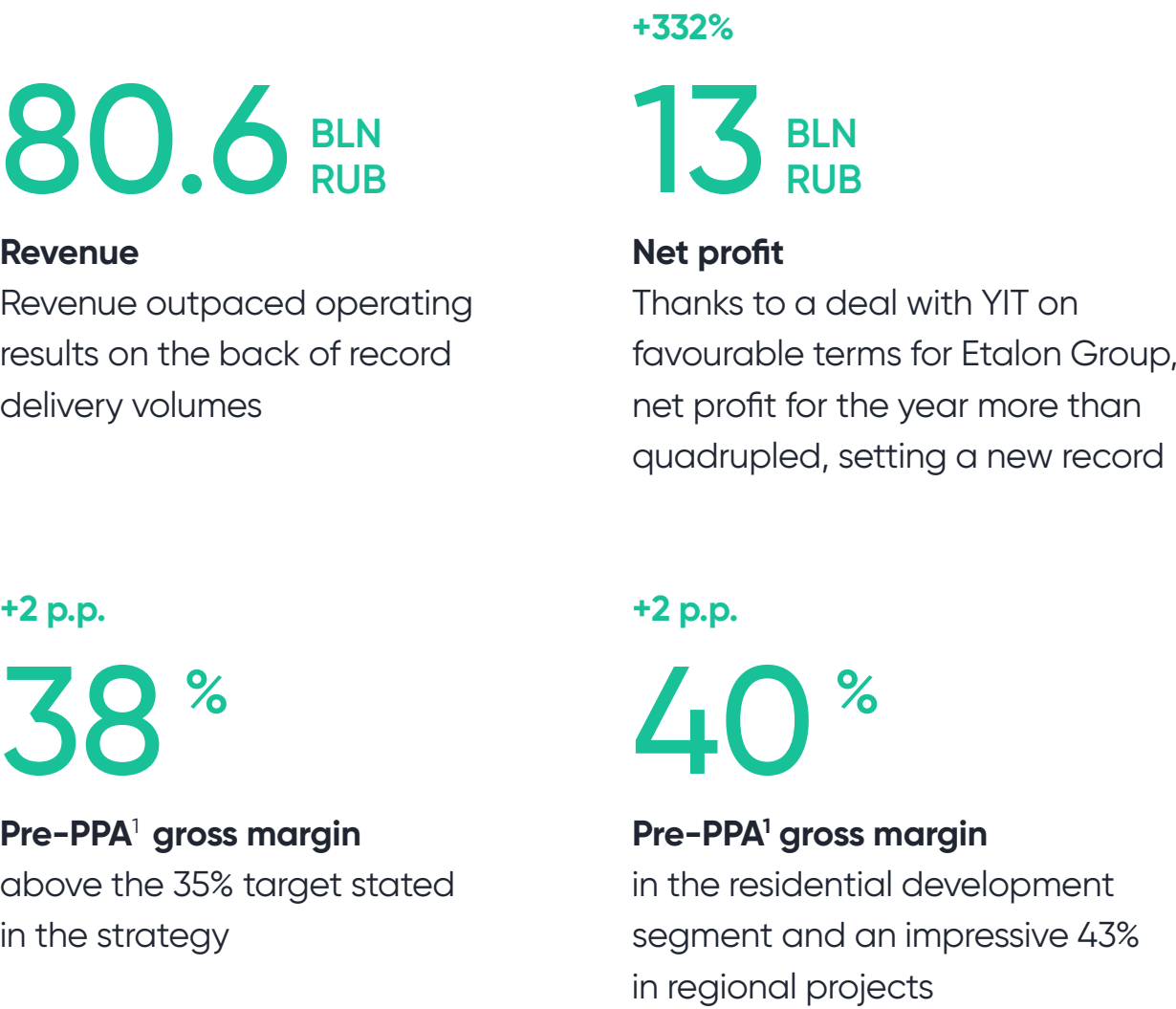
In 2022, the Company:	<div>1</div> completed its work on the creation of a product standard	<div>2</div> rolled out a digital integration platform for testing and is preparing to put the system into commercial operation	<div>3</div> opened a pilot production facility and began producing test modules	<div>4</div> incorporated elements of its Digital Neighbourhood system into a number of projects in Moscow and St Petersburg	<div>5</div> launched an automated-procurement project and transferred 95% of requisitions to its digital ecosystem
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¹ As of the date of publication of the Sustainability Report.
² According to ERZ's rating in terms of the volume of ongoing construction as of 1 January 2023 among developers with operations in six or more regions of Russia.
³ Position in a **rating of confidence of Russian developers** in the category of mass housing for 2022.
⁴ Rating of Russian developers in terms of the amount of floor space delivered in 2022, as compiled by ERZ.
⁵ According to Nikoliers' valuation as of 31 December 2022.

Operating results in 2022:



Financial results in 2022:



¹ PPA – purchase price allocation.

Inorganic growth for the development of the project portfolio and new technologies

In May 2022, the Company completed a lucrative deal to acquire YIT Russia that included 19 projects at the design and construction phases in five regions of Russia; exclusive rights to Dispatcher 24, the largest private IT platform in Russia for servicing apartment buildings; project documentation; and a library of standard design solutions for cast-in-place construction and buildings made of prefabricated panels; as well as service companies with 2.5 mln sqm under management.

Synergistic effect:

Expansion of the project portfolio and geographic footprint

Etalon Group's assets as of the end of 2022 included a land bank with an NSA of 6.4 mln sqm in eight regions of Russia, as well as a combined construction and maintenance division that includes the Company's own general contracting and subcontracting companies, a service business as well as IT companies and manufacturing enterprises, including a production facility for modular construction.

Development of the service business

- the possibility of creating fully automated housing and communal services enterprises
- increased customer loyalty by combining well-known brands with a solid reputation
- integration with Etalon Group's smart home systems
- integration with Etalon Group's digital platform to receive feedback from customers for further product improvement
- a scalable service business and scalable ecosystem development

Strengthening design competencies

- strengthening competencies in the development of standard projects in regional markets
- a ready-made database of reliable suppliers and contractors for work in regional markets
- expertise in terms of flexible layouts and modular furnishing projects
- effective integration of projects thanks to the complementarity of the functionality of the YIT platform with Etalon Group's digital platform

For more details, see the “Acquisition of YIT Russia” section of the [Company's Annual Report](#).



Our strengths

1

One of the largest nationwide developers in Russia, with an extensive geographic footprint

The Company’s current project portfolio includes 38 projects in Russia’s largest regions and in cities with a population of more than 1 million (Moscow, the Moscow region, St Petersburg, Omsk, Novosibirsk, Ekaterinburg, Kazan and Tyumen). The Company’s entry into fragmented regional markets with an offer of an affordable and high-quality product provides the Group with opportunities to expand its business and consolidate the industry. In 2022, Etalon Group was the leader in terms of expansion into new regions (adding five regions during the year), growth in construction volumes (up 38% year-on-year) and deliveries (up 74% year-on-year).

GRI 2-6

For more information about target regions and segments as well as the Etalon Group’s approach to building its portfolio, see the [“About Etalon Group”](#) and [“Project Portfolio”](#) sections of the Company’s Annual Report.

2

A company with a broad range of competencies and an integrated business model

Etalon Group provides a full range of project implementation services, from document preparation to sales, delivery and the servicing of new homes. The Company’s business model is based on the use of its software platform and the integration of new technologies, which supports the flexibility, efficiency and scalability of projects as well as the ability to quickly adapt operational processes to changing market conditions. In addition, the Company ensures strict cost and quality control at all project stages, including savings thanks to centralised procurement; it is also improving its product in response to customer feedback and automating support functions.

GRI 2-6

For more information about Etalon Group’s business model, see the [“Value creation”](#) section of the Company’s Annual Report.

3

New technologies and digital solutions to improve business efficiency

Etalon Group is one of the leaders in the Russian real estate market when it comes to using digital solutions and innovations.¹ The Company was one of the first in Russia and the CIS countries to develop and approve its own BIM design standard, and it is now continuing the systematic development of its in-house design and construction know-how. In 2022, the Company switched to the full-scale use of standardised design and a standardised product for its regional projects; the Company is also building a pilot modular production facility and has already begun assembling test modules. The integration of technologies and innovative approaches resulting from the acquisition of YIT Russia has not only strengthened the Company’s competitive advantages but has also created a foundation for successful competition in new markets for the Company.

GRI 3-3

For more information about new technologies and digital solutions, see the [“Innovations”](#) section of Etalon Group’s Annual Report.



¹ Since 2014, Etalon Group has been the industry leader in the field of BIM technologies in Russia according to Autodesk.



Mission and core values

Mission

We are committed to becoming a leader in terms of creating a comfortable and sustainable living environment for modern individuals. Our projects are shaping a new growth path for development projects in the industry.

Etalon Group's core values

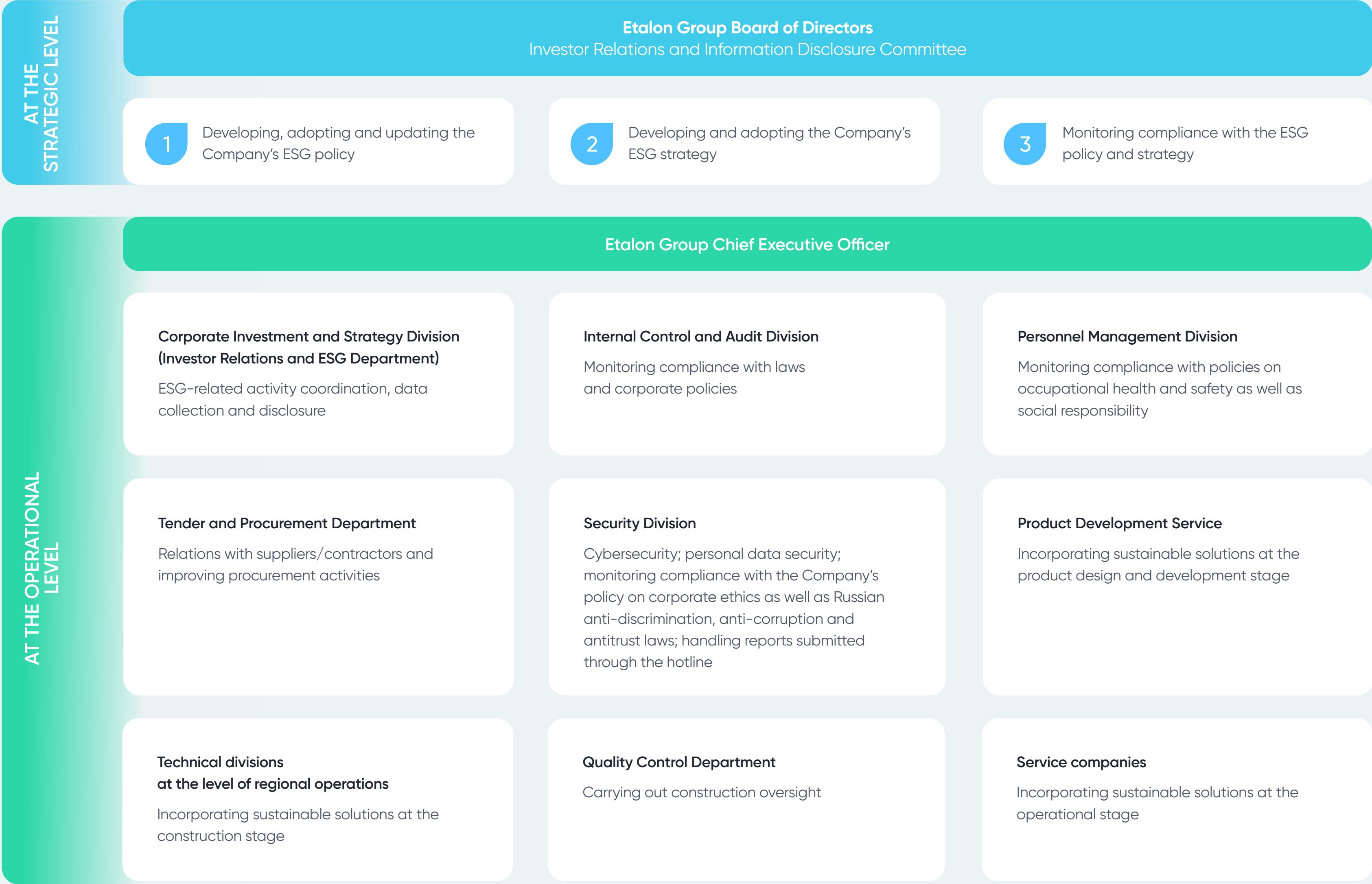
- 1 AMBITION
- 2 PROFESSIONALISM
- 3 CREATIVITY
- 4 FOCUS ON INNOVATION
- 5 RELIABILITY
- 6 RESPONSIBILITY





SUSTAINABILITY MANAGEMENT

GRI 2-13



Of the 17 UN Sustainable Development Goals, Etalon Group continues to adhere to five key goals that are in line with the specific nature of our business and our ability to have a socially significant impact in a given area:



ESG POLICY AND STRATEGY

In December 2021, Etalon Group adopted an ESG Policy that forms the basis for its centralised sustainability management system. The Policy also describes the principles that underlie the Company's responsible business conduct:

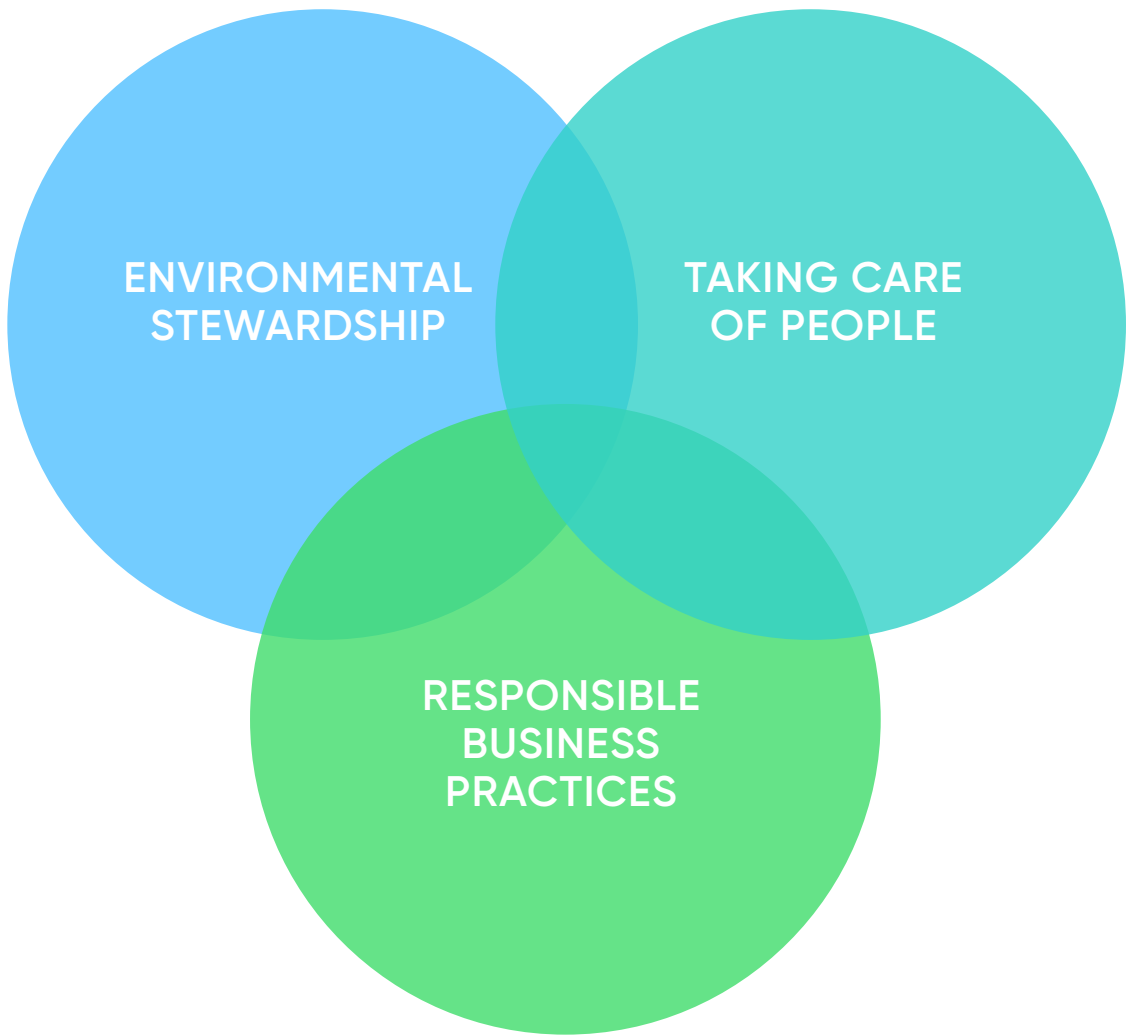
- compliance with applicable laws and with obligations undertaken by Etalon Group, and responsibility for the consequences of the Group's actions
- observance of human rights and respect for human dignity and the value of every individual
- information transparency
- accountability:
 - dislosure of Company policies, decisions and activities in an accurate, transparent manner and to a reasonable and sufficient extent
 - regular publication of reports on the impact of Etalon Group's activities on society, the environment and the development of the regions where it operates
- open dialogue with stakeholders with due regard for their interests and expectations when making management decisions
- implementation of ESG initiatives primarily in the regions where the Company operates, taking into account the specifics, needs and strategic focus of the development of these regions
- assessment of the effectiveness and continuous improvement of Etalon Group's ESG activities

The next important step for Etalon Group in terms of sustainability was the development of an ESG strategy, since the introduction and implementation thereof would help reduce the risks associated with climate change, increase resource efficiency and improve stakeholders relations.

Basis of the ESG strategy:

- 1 Etalon Group's ESG Policy of 14 December 2021
- 2 international initiatives (UN SDGs, TCFD, CDP, etc.)
- 3 the Company's accumulated knowledge and experience
- 4 best global practices (experience of international and Russian development companies as well as leaders in other spheres)
- 5 stakeholders' expectations and requirements
- 6 the Company's current strategy

Etalon Group has identified three main areas for its ESG strategy:





Focus of ESG activities and initiatives:

1/3



ENVIRONMENTAL STEWARDSHIP

In the current global climatic and environmental situation, Etalon Group is aware of the importance of protecting natural resources at all stages of its operations: from land asset management to the usage of properties by residents.

PRIORITIES

- 1 monitoring greenhouse gas emissions
- 2 responsible use of resources
- 3 raising environmental awareness

GOALS AND INITIATIVES

Tackling climate change

- developing “15-minute city” projects to reduce urban traffic and decrease the Company’s carbon footprint
- increasing the number of energy-efficient buildings in Etalon Group’s project portfolio

Responsible consumption of resources

- improving the collection and analysis of data on resource consumption, including on greenhouse gas emissions
- developing the Company’s electronic document management system and, at the same time, reducing spending on paper products

Raising environmental awareness

- creating guidelines for residents on responsible resource consumption

Adherence to the principles of transparency and accountability:

- certifying properties in line with green standards, including the GOST R 70346-2022 national standard for apartment buildings and the Green Zoom standard
- regularly disclosing information on resource consumption, including greenhouse gas emissions



Focus of ESG activities and initiatives:

2/3



TAKING CARE OF PEOPLE

People are a key factor in the success of Etalon Group’s operations. We are committed to creating competitive employment terms for our team of professionals and to making their lives and health a priority. In addition, establishing the best terms for our customers and partners is an integral part of our practice.

PRIORITIES

- 1 respect for human rights and decent working conditions
- 2 health protection
- 3 development of and support for local communities

GOALS AND INITIATIVES

Developing local communities

- implementing integrated development projects involving the creation of social amenities and commercial infrastructure
- developing and applying new housing construction technologies for the creation of a comfortable, state-of-the-art living environment
- implementing community development programmes and carrying out volunteer activities

Health protection

- promoting healthy lifestyles among employees
- continuing to provide private health insurance as part of the benefits package for employees
- maintaining LTIFR¹ and TRIR² scores in line with best industry practices

Decent working conditions

- creating decent working conditions and ensuring equal pay for equal work
- maintaining high levels of employee satisfaction
- being seen as a preferred employer among developers in the Company’s regions of operations

Adherence to the principles of transparency and accountability:

- publishing information on the implementation of infrastructure, volunteer and charitable projects as part of the Company’s non-financial reporting
- publishing data as part of the Company’s non-financial reporting, including the methodology for calculating LTIFR and TRIR
- publishing data on staff turnover as part of the Company’s annual reports

¹ Lost time injury frequency rate.
² Total recordable incident rate.





Focus of ESG activities and initiatives:

3/3



RESPONSIBLE BUSINESS PRACTICES

Etalon Group takes a responsible approach to business and is committed to raising its standards every year, which is why it incorporates the world’s best ESG standards into its activities.

PRIORITIES

- 1 ethical business practices and improvement of the corporate culture
- 2 responsible supply chains
- 3 data protection for all stakeholders

GOALS AND INITIATIVES

Ethical business practices and improvement of the corporate culture

- ensuring strict oversight of and making improvements to mechanisms for compliance with the Company's anti-corruption and anti-discrimination policies as well as its Code of Corporate Ethics
- creating and conducting an online questionnaire to address stakeholders and identify their concerns about material topics
- ensuring that at least 30% of managers are women

Responsible supply chain

- adopting a Supplier Code and integrating ESG criteria into the procurement process
- procuring materials exclusively from certified environmentally responsible suppliers
- improving the assessment criteria and methods for monitoring contractors' compliance with requirements in respect of fire and industrial safety, occupational health and safety, waste and natural resources management as well as public health

Data protection

- improving defence systems against targeted attacks
- increasing the number of employees undergoing training and testing on cyberthreats and fraud

Adherence to the principles of transparency and accountability:

- regularly disclosing sustainability-related information in accordance with recognised non-financial reporting standards
- ensuring that the Company's practices remain consistently in line with the best ESG standards

We are aware that the above-mentioned initiatives are not one-off tasks but a process that requires careful monitoring and continuous improvement. We hope that the phased realisation of our goals will help improve our financial performance and create long-term value for all stakeholders.





2022 SUSTAINABILITY HIGHLIGHTS





CHAIRMAN'S STATEMENT

GRI 2-22 GRI 2-23

Last year was a period of rapid change for Russian business as a whole and showed the importance of ESG principles for successful growth in an uncertain environment.

Having adopted a Sustainability Policy in late 2021, we consistently adhered to its principles and goals throughout 2022. This enabled us not only to continue operations in all our key strategic business streams but also to do much more in developing the regions where we operate while also bolstering our team's ESG competencies.

We are publishing our first stand-alone Sustainability Report, which is based on last year's results and details our current initiatives and future plans in the sphere of ESG.

Our priorities in 2022

In a turbulent environment, **transparency** was a key priority for us. Despite regulatory easing, we continued to keep internal and external stakeholders informed in a timely, detailed manner about project implementation and our strategic business plans, as well as to publish financial and operating statements.

We are aware of how important it is for every shareholder group to be able to take part in the management of our business, which is why we maintain a **high level of corporate governance** and are committed to improving it. The Board of Directors underwent changes in the reporting year, but independent directors still account for the overwhelming majority of its members, which gives the Company and stakeholders confidence in the Board's rational approach and the impartiality of its decisions. At the same time, we managed to balance representation in such a way that, as of the end of April, the share of independent directors had increased to 62%, and a quarter of Board members were women.

The Board of Directors of Etalon Group PLC and JSC Etalon Group, which is responsible for overall management of the business at the operational level, undertook extensive work to systematise the Company's practices in terms of the integrity of its business operations as well as stakeholder engagement. Notably, we devised a compliance policy, established a risk management committee at the operational level of our business and developed procurement regulations.

Future plans

Building on our Sustainability Policy and existing ESG practices, we developed a sustainability strategy, set goals and outlined initiatives that will move us in the direction of our targets. We are confident that our business goals cannot be achieved without incorporating ESG approaches, which is why we intend to continue to evolve and grow in order to remain a major player in our industry and a leader when it comes to supporting sustainability.



SERGEY EGOROV
Chairman of the Board
of Directors





CEO'S STATEMENT

We have generally taken a responsible approach to ESG issues as one of the key aspects of our corporate conduct, which has helped us to ensure the sustainable development of our business and ultimately to create value for a wide range of stakeholders. Last year was no exception: in a rapidly changing environment, this approach helped us to strengthen our engagement with stakeholders and, despite the many challenges, to achieve our strategic goals: launching projects in five new regions and continuing to enjoy industry-leading margins.



GENNADIY SHCHERBINA
Chief Executive Officer

S Engaging employees and building HR capacity

The health of our employees remains our priority; in a turbulent environment, supporting and developing our workforce was an important goal. We continued to improve our approach to occupational health and safety and to digitalise our workplace safety system. As a result, there were no fatal accidents at our construction sites in 2022, as in the previous six years, and injury rates also decreased. To support our personnel, we held regular Q&A sessions for employees and senior management, arranged a number of discussion sessions with therapists, provided financial support to more than 400 employees, and launched our own training platform for employees who were already with the Company as well as new staff who joined the Group after our acquisition of YIT Russia. Open dialogue helped our team bond and improve their performance.

In addition to the above, part of our mission is to ensure that young professionals have the knowledge and skills they need to be successful in the construction industry. In order to build our HR capacity, we run educational programmes and scientific research projects in conjunction with some of the country's top universities: St Petersburg State University, Peter the Great St Petersburg Polytechnic University, St Petersburg State University of Architecture and Civil Engineering (GASU), the Higher School of Economics National Research University, Moscow State University of Civil Engineering, the Russian Presidential Academy of National Economy and Public Administration, the St Petersburg Stieglitz State Academy of Art and Design, and St Petersburg State Agrarian University.

S Social responsibility

We are aware of our responsibility to our customers and local communities. In this regard, one of our main activities is to support economic growth and improve the quality of life of the populace in the regions where we operate by creating high-quality residential and social infrastructure, supporting cultural and sporting events, carrying out charitable activities, promoting healthy lifestyles and creating jobs through the expansion of our operations, the implementation of integrated development projects and the construction of commercial infrastructure.

In 2022, we continued implementing integrated development projects in Omsk, Ekaterinburg, Moscow, St Petersburg and Novosibirsk, and we also built a school and opened three preschools at properties in Moscow and St Petersburg. In addition, late in the year we signed a concession agreement for the construction of the interuniversity student campus at the world-class Eurasian Scientific and Educational Centre in Ufa, and we plan to carry out a number of similar projects as part of the "Science and Universities" national project.

E The environment

When implementing development projects, we strive to create a comfortable, modern and environmentally friendly environment. Since about 40% of greenhouse gas emissions in Russia come from construction and housing and public utilities, we take a particularly rigorous approach to our resource-efficiency calculations when designing buildings, selecting materials and vetting suppliers. Several of our properties have already been certified in line with the BREEAM and Green Zoom standards. We continued our efforts in this area last year, as our Rauta residential complex in Ekaterinburg took part in a trial project for a new national GOST R green standard for apartment buildings.

Adhering to the principles outlined in our ESG Policy, we are committed to systematising and digitalising our environmental conservation efforts. In the reporting year, we developed an approach to calculating greenhouse gases – scopes 1 and 2 and, in part, scope 3 – based on the GHG Protocol. We developed a methodology for calculating greenhouse gas emissions as a tool for monitoring and reducing our environmental impact by optimising our supply chains and route planning, choosing more environmentally friendly materials and resource-efficient engineering equipment, and taking other impactful measures to reduce our carbon footprint. One of these measures is the development of state-of-the-art industrial housing construction technologies. We expect that by transitioning to the production of prefabricated elements off-site and the large-scale application of this technology, we will be able to considerably reduce the amount of CO₂ emissions created throughout the production cycle, and the advanced features of our state-of-the-art modular buildings will reduce the carbon footprint of the buildings throughout their life cycle (LCA).

We are publishing these calculations for the first time in this ESG report, and we plan to streamline our methodology in the future in order to provide a broader assessment of our environmental impact. Notably, we are now expanding our methodology to calculate scope 3 emissions for the life cycle of development projects. Regular monitoring of CO₂ emissions will help us assess our environmental impact and allocate our efforts in the best way to further improve our environmental practices.

We will keep all stakeholders informed of our ESG efforts in our annual Sustainability Reports, and we welcome your feedback.

Thank you for your trust in our business.



2

SUSTAINABILITY
REPORT
2022

FOCUS
ON PEOPLE



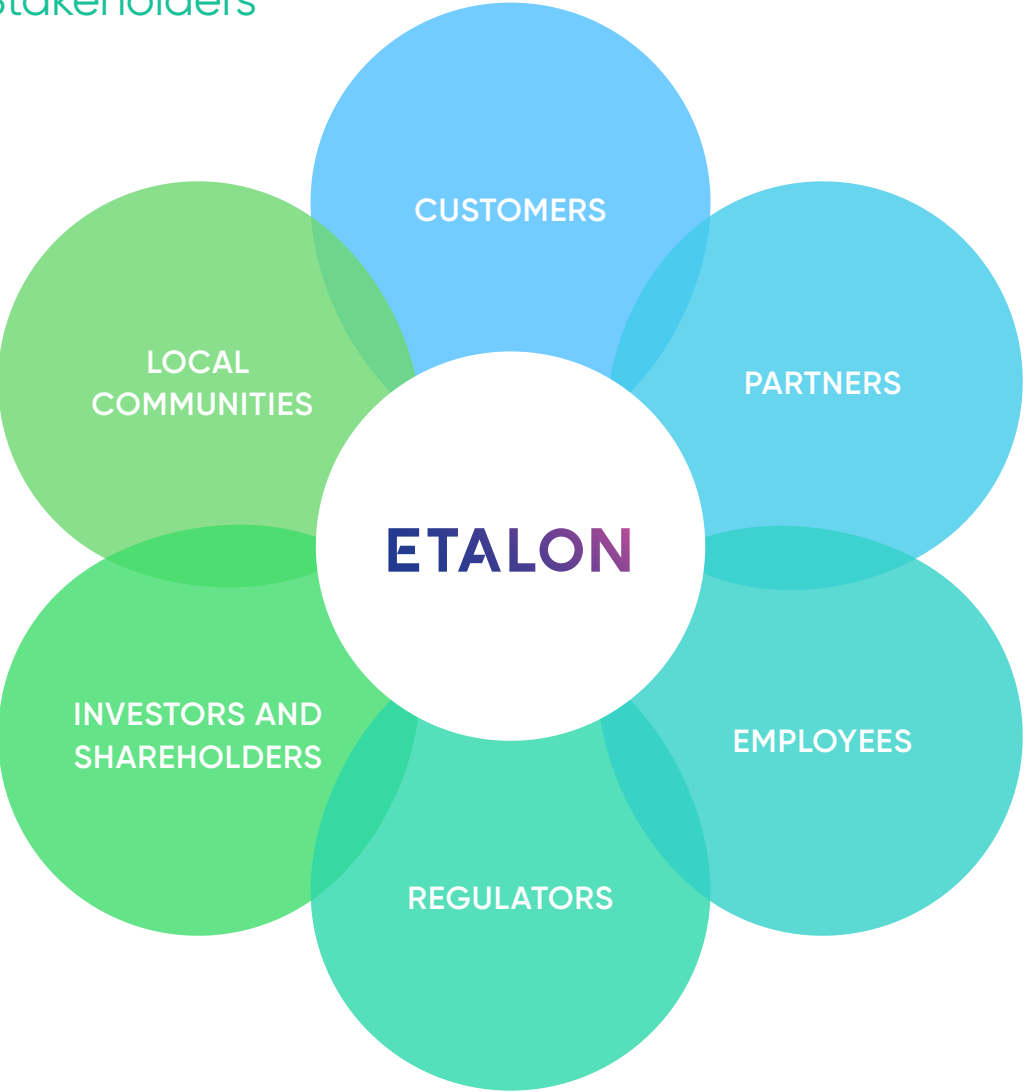
STAKEHOLDER ENGAGEMENT

Interaction with various stakeholder groups in 2022

GRI 2-29 GRI 3-3

In an effort to become a leading nationwide player, we are engaged in an ongoing open dialogue with all our stakeholders, and we create long-term value for them at all stages of project development. Understanding the needs and expectations of our customers; taking into account the interests of shareholders and society; respecting our suppliers, partners and employees; and caring for the environment form the basis of our approach to conducting business and have an essential impact on the development and implementation of our strategy.

Stakeholders

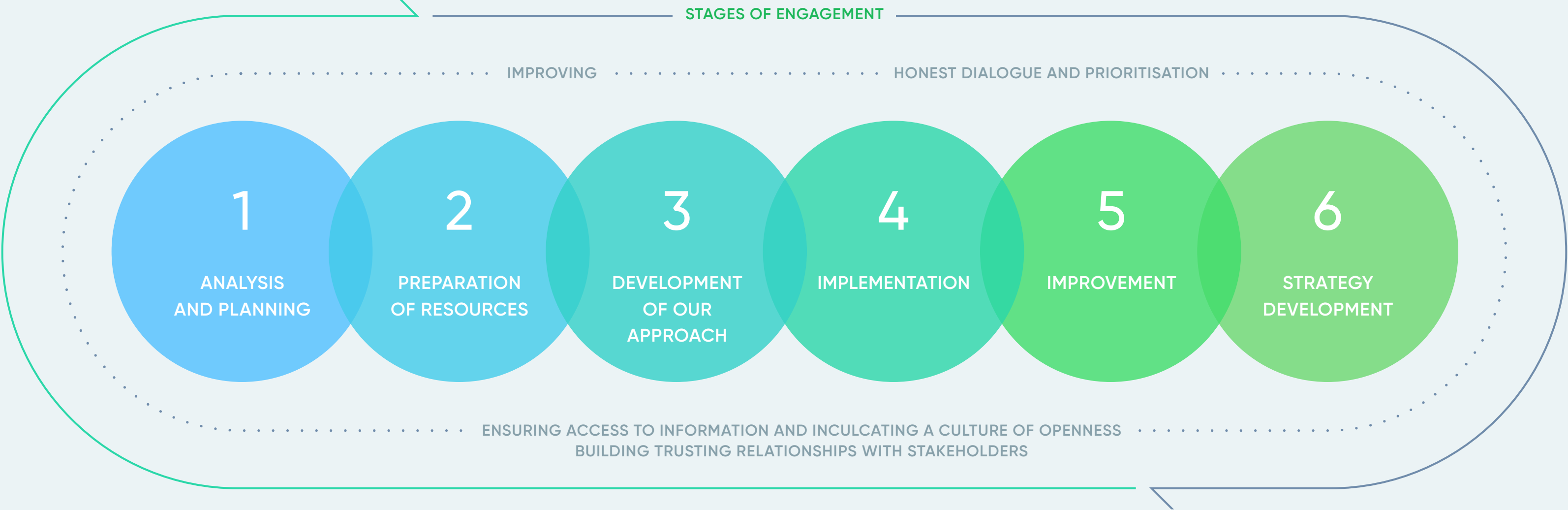




Key principles of stakeholder engagement

We are committed to transparency and to ensuring that stakeholders understand the principles, methods and results of our sustainability-related activities.

With this purpose in mind, we have begun disclosing non-financial reports on an annual basis. Our ESG reports are aimed at a wide range of individuals, including shareholders, investors, representatives of government agencies and civic organizations, customers, partners and employees. These reports address in detail a wide range of issues, including occupational health and safety, environmental action, engagement with local communities, equal opportunities for all, innovation, staff development and training, sustainable supply chains, impact on climate change (our carbon footprint and that of our products) and cybersecurity.



- 1

We familiarise ourselves with best practices and review the needs of stakeholders
- 2

We put together a team and determine the formats for interaction
- 3

We determine the most effective means of interaction
- 4

We implement the approach that we developed
- 5

We analyse feedback and then plan and incorporate improvements
- 6

We determine the strategic goals of interaction

Fundamental approach to stakeholder engagement

Honest dialogue

is the basis for building respectful and trust-based relationships with stakeholders. To improve performance, the Company strives to understand and take into account the essential needs, interests and expectations of stakeholders.

Openness

By regularly disclosing all the information that stakeholders need regarding the Company's plans and performance, the Group keeps interested parties informed and is open to receiving detailed constructive feedback from them.

Improvement

To raise awareness of our activities among stakeholders, we are constantly improving measures and tools for interaction and investing in the safest, most effective innovative organisational and digital solutions that simplify access to information and our services.

Responsibility

The Company is accountable for its obligations and operations: it regularly takes measures to minimise its adverse impact on the environment, fulfils its obligations to society in good faith and strives to be a low-risk partner for other businesses, a reliable developer and service company for its customers, as well as a desirable employer that takes care of its staff.

Prioritising stakeholder interests

A company that is committed to the values of sustainability cannot take important decisions alone, which is why the Group is always guided by the interests of its stakeholders and does not carry out activities that could harm them. This approach helps build long-term loyalty to the Etalon brand.



The Group’s responsible approach to engagement with stakeholders is based on the following goals, which are in turn based on the UN Sustainable Development Goals:



To create value for stakeholders by protecting the environment (minimising our impact on climate change, creating a sustainable supply chain and always conducting business in line with applicable laws and ethical standards):

- Particular attention is paid to the health and well-being of customers, employees and members of society who use our product, as well as to the creation of comfortable working conditions for employees and contractors.
- The Group operates strictly in accordance with the law; requires that all employees, contractors and suppliers comply with requirements concerning economic, professional, environmental and social responsibility; and monitors compliance with these requirements and evaluates their fulfilment.



To develop the business, paying special attention to occupational safety and monitoring compliance on the part of employees, suppliers and contractors with regulations on fire and industrial safety and rules on waste and natural resources management:

- A safety standard for construction sites has been introduced that is used to assess the level of safety at particular properties, and additional requirements are in place in respect of safe working practices and environmental protection.
- Etalon Group fines violators in accordance with existing contracts.
- The Group procures materials from environmentally responsible suppliers. The equipment and materials used comply with hygienic and ergonomic requirements as well as the applicable sanitary regulations.



To minimise the risk of involving the Group in corrupt activities and to ensure that all stakeholders understand the Group’s policy of zero tolerance for corruption:

- Etalon Group clarifies the requirements of anti-corruption laws and its anti-corruption by-laws,
- establishes obligations to comply with said laws and by-laws,
- establishes appropriate procedures to prevent corrupt practices,
- uses innovative digital tools that ensure the transparency of processes when interacting with stakeholders, and
- ensures that employees undergo ethics certification in order to verify compliance with the Company’s key requirements and principles in the area of corporate ethics.



Strictly adheres to and closely monitors observance by its employees and partners of fundamental human rights. Human rights principles, equal opportunities for all and zero tolerance for discrimination are integrated into Group processes throughout the value chain.

- Employees and contractors are required to familiarise themselves with Etalon Group’s main policies concerning corporate ethics and anti-corruption.
- Contractors and suppliers are screened by the Company’s Security Division to confirm that they are financially sound, have an impeccable reputation and operate in line with fair business practices.



To improve business processes and innovate in areas where such changes are timely and important for the sustainability of business and local communities.

- The Group regularly engages with local communities and other stakeholders in an open and constructive dialogue to identify the needs and take into account the interests of all stakeholders.
- The Group engages key stakeholders in the development of working methods. All requests and proposals received are analysed and taken into consideration.
- An ongoing exchange of knowledge and experience with peers as well as with educational and other institutions plays a role in the development of Group employees and in raising the average level of competence throughout the industry.
- The Group pays special attention to ensuring cybersecurity and protecting the data of all stakeholders.



Regulatory framework



Interaction with stakeholders

	CUSTOMERS	EMPLOYEES	BUSINESS PARTNERS AND CONTRACTORS	SHAREHOLDERS, INVESTORS AND ANALYSTS	LOCAL COMMUNITIES	GOVERNMENT AGENCIES
Key issues and goals of engagement	<ul style="list-style-type: none">• Providing customers with a quality product based on an analysis of their needs, innovative solutions and the latest trends• Informing customers about the Group's product• Collecting and analysing customer feedback in order to improve the customer experience at all stages of the customer journey• Expanding the customer base and increasing repeat purchases thanks to brand loyalty	<ul style="list-style-type: none">• Creating and maintaining a safe and healthy work environment• Respect for human rights, equal opportunities and inclusion• Recruiting, training, developing and retaining competent professionals• Ensuring that the Company's strategy and goals are transparent for employees• Ensuring fair and decent remuneration	<ul style="list-style-type: none">• Mutually beneficial cooperation and reliable partnership, including during periods of instability• Positive financial and operating results• Responsible approach to conducting business• Focus on innovation• Observance of human rights in all of the Company's activities, including in all supply chains	<ul style="list-style-type: none">• Etalon Group's investment case• Company strategy• Financial and operating results• Dividend payments and respect for shareholder rights• The Company's activities in capital markets	<ul style="list-style-type: none">• Minimising the adverse impact on the environment during the production and use of the Company's product• Creating a favourable environment in the regions where the Company operates:<ul style="list-style-type: none">—production of modern, safe, high-quality housing—creation of green space and beautification—the concept of a 15-minute city (all necessary amenities are within 15 minutes on foot or by bicycle from one's home)• Creation of jobs in the Company's regions of operations• Development of human capital	<ul style="list-style-type: none">• Construction safety• Minimising the Company's negative environmental impact• Compliance of the Company's operations with legal regulations• Technological development of the industry• Tax payments to local budgets• Facilitating the development of social amenities
Regulatory framework (by-laws)	<ul style="list-style-type: none">• Etalon Group Code of Corporate Ethics• Etalon Group Occupational Health and Safety Policy	<ul style="list-style-type: none">• Etalon Group Code of Corporate Ethics• Regulation on Benefits and Compensation• Rules on Internal Working Arrangements• Regulation on Remuneration• Etalon Group PLC ESG Policy	<ul style="list-style-type: none">• Regulations on Conducting Tenders• Anti-corruption Policy• Regulation on Fraud, Corruption and Theft Prevention Hotline• Code of Corporate Ethics• Regulation on Conducting Tenders and Supplier Code• Anti-corruption and Antitrust Policy• Occupational Health and Safety Policy• Etalon Group PLC ESG Policy	<ul style="list-style-type: none">• Etalon Group PLC ESG Policy• Etalon Group PLC Disclosure Policy• Regulation on Etalon Group PLC Committees• Etalon Group PLC Management Policy	<ul style="list-style-type: none">• Etalon Group PLC Disclosure Policy• Etalon Group PLC ESG Policy	<ul style="list-style-type: none">• Etalon Group PLC Disclosure Policy



Interaction with stakeholders

	CUSTOMERS	EMPLOYEES	BUSINESS PARTNERS AND CONTRACTORS	SHAREHOLDERS, INVESTORS AND ANALYSTS	LOCAL COMMUNITIES	GOVERNMENT AGENCIES
Frequency and modes of interaction	<p>Continuously:</p> <ul style="list-style-type: none">• Optimising the communication policy at all stages of the customer journey• Personalising communication channels and offers for customers• Communicating with customers through the hotline and social media and other platforms, and providing prompt, effective responses to requests• Using advanced methods of visualisation, such as VR• Developing mobile apps that simplify customer access to services• Providing B2C services to increase customer loyalty• Conducting oversight to ensure that the Company's product fully complies with safety and environmental regulations (including soundproofing, natural lighting and the use of safe materials in construction)• Using state-of-the-art technologies to improve the energy efficiency of buildings during operation• Introducing separate waste collection during operation and informing customers of this• Using innovative and state-of-the-art smart technologies (smart home)• Ensuring strict compliance with the latest cybersecurity requirements when handling customer data, and innovative, state-of-the-art technologies for data protection	<p>Continuously:</p> <ul style="list-style-type: none">• Implementing an anti-discrimination policy and observing human rights in accordance with Etalon Group's Code of Corporate Ethics and legal regulations• Disseminating important information intended for different groups of employees through various means of communication: the corporate intranet, the corporate social network, e-mail, information stands and information boards, as well as regular information meetings (online and offline)• Responding to questions from employees submitted using the electronic form in the HR section of the intranet• Ensuring strict compliance with the law in terms of protecting the personal data of employees as well as their privacy rights <p>Annually:</p> <ul style="list-style-type: none">• Identifying and analysing employee development needs and planning training• Conducting an employee satisfaction survey, providing performance feedback and facilitating career planning• Conducting the "Dialogue with the President" project, which enables every employee to ask the Company's top executives questions• Organising events for employees online and offline	<p>Continuously:</p> <ul style="list-style-type: none">• Introducing new policies and improving those already in place• Publishing schedules for tenders• Incorporating digital solutions to create platforms for engaging potential partners, as well as to increase operational synergies• Applying and disseminating BIM-based technologies to find solutions that are more efficient and ergonomic, as well as to control quality and monitor deadlines throughout the entire project life cycle• Developing and incorporating advanced industrial technologies for housing construction• Exchanging experiences and best practices and establishing partnerships• Collecting and analysing feedback from suppliers through a number of events organised by Etalon Group• Compliance with and constant monitoring of the sustainability of the supply chain (a high degree of environmental, social and financial responsibility on the part of partners, as well as their compliance with legal requirements), including through competitive selection of partners and a formal verification system	<p>Continuously:</p> <ul style="list-style-type: none">• Publication of the Group's key news• Taking part in conferences and arranging on-site presentations and visits to construction sites• Holding meetings and conference calls with investors and analysts• Responding to inquiries and collecting feedback from shareholders <p>Quarterly:</p> <ul style="list-style-type: none">• publication of operating results <p>Semi-annually:</p> <ul style="list-style-type: none">• publication of the Group's financial results <p>Once a year:</p> <ul style="list-style-type: none">• studying the perception of the Company within the investment community and analysing feedback from investors and analysts, and publishing the Annual Report on the Company's website	<p>Continuously:</p> <ul style="list-style-type: none">• Investing in developing the cities where the Company operates: building social amenities, restoring historical monuments, supporting and organising cultural and sporting events as well as charitable programmes, collaborating with universities• Developing formalised approaches and policies to ensure sustainability and responsible business practices• Publishing press releases and interviews• Providing effective channels of communication with leading regional media• Visiting construction sites, giving presentations and arranging events for journalists covering the Company's operations• The Company supports accessibility projects that take into account the inclusive needs of residents and participates in initiatives regarding voluntary project certification	<p>Continuously:</p> <ul style="list-style-type: none">• Providing government agencies with financial and operational reports• Communicating on issues relating to construction permits, compliance with standards and urban-planning regulations• Increasing regional tax revenues by fulfilling tax and other obligations• Taking part in industry working groups, round tables and commissions



Interaction with stakeholders

	CUSTOMERS	EMPLOYEES	BUSINESS PARTNERS AND CONTRACTORS	SHAREHOLDERS, INVESTORS AND ANALYSTS	LOCAL COMMUNITIES	GOVERNMENT AGENCIES
Main activities and results in 2022	<ul style="list-style-type: none">• 32% of sales were repeat purchases• 9.9 customer satisfaction index• Active development of digital means of communication:<ul style="list-style-type: none">– Connected to Profitbase Office, a service for convenient online sales covering the entire customer journey– Developed and integrated a proprietary platform for managing customer data in conjunction with Smartis– Double-digit increase in initial qualified leads from potential customers thanks to intelligent targeting– Contrust is being developed as a single platform that will host all of our earlier systems along with improvements and additions based on feedback from internal stakeholders and from customers• Separate waste collection introduced at 100% of properties• Interaction with customers through various communication channels:<ul style="list-style-type: none">– Hotline for customers and Dispatcher 24 for customers of service companies– Social media and messengers– Publication of up-to-date information on the Company's website– Information stands at residential complexes for customers of service companies– Offline sales offices and service companies– In-app personal accounts (75% of customers of service companies use the app)• 100% of housing delivered in 2022 is accessible to people with disabilities	<ul style="list-style-type: none">• An online space called Etalon 35! was launched that enables employees to hold open discussions on an equal footing, to arrange surveys and competitions, and to share their feelings >2,000 subscribers• More than 100 questions and proposals were submitted as part of the "Dialogue with the President" project; 100% of them received feedback or were accepted for further work• 78% employee satisfaction index• Employees submitted 1,128 questions through the "Ask a Question" form on the Group's intranet (100% of them received feedback and answers)• 219 releases about Company news on the corporate intranet• 2,370 employees underwent training or professional development• 32 corporate events were held for employees• Workplaces are available for people with disabilities (including an accessible workplace environment)• Women filled 36% of managerial positions in 2022• Retaining the intellectual capital – the knowledge base and accumulated experience – that came with YIT St Petersburg JSC, which was acquired by Etalon Group	<ul style="list-style-type: none">• Incorporating BIM into the e-procurement system for more efficient planning• Digitalising procurement: making work more transparent for external contractors connected to platforms• Development of our own partner base: reducing overhead costs and ensuring the transparency of the supply chain (c. 7,000 partners in the base, 100% of partners have been vetted)• Stringent selection of suppliers• Development of a methodology for assessing counterparties that involves the assignment of a score on two scales (reduction of financial risks as well as compliance with deadlines and high quality of deliveries)• Development of standards for supplier engagement (Supplier Code) -> involvement of partners in finding solutions to environmental, social and governance problems; assessment of partners' responsibility in terms of sustainability issues• 95% of material requisitions are processed through the Company's digital ecosystem• 1,751 counterparties registered as accredited suppliers• Rapid response to changes in the competitive environment and logistics chains during periods of volatility• Building partnerships and relationships in the Group's new regions of operations	<ul style="list-style-type: none">• 2 channels for private investors created on the Tinkoff Pulse and BCS Profit platforms• 4 large-scale webinars held for private investors• 30 press releases published	<ul style="list-style-type: none">• Strict compliance with Etalon Group PLC's ESG Policy• Expanding regional presence: protecting jobs and improving living conditions in cities where the Company operates• Building road, social and other urban infrastructure• Using advanced tools to ensure the safety of residents and adjacent grounds• Improving the overall level of professionalism on the part of industry workers and the quality of the product as a whole in the industry by establishing high quality standards for the Company's product, providing training for contractors, and communicating with government agencies in the development of the construction industry• Taking part in industry events• Collaborating with universities in the area of personnel training• Making the product more affordable while maintaining high quality• Publishing up-to-date information, press releases and interviews on a regular basis• Maintaining open relations with the media in all regions of operations, conducting visits to construction sites by interested parties, giving Company presentations and holding events for journalists• Providing charitable assistance for socially vulnerable segments of the population (in 2022, 48 charitable events/programmes organised in different regions where the Group operates)	<ul style="list-style-type: none">• RUB 5.6 bln in tax payments• An innovative student campus with a total area of 133 ths sqm to be built in Ufa for the Eurasian Scientific and Educational Centre through a public-private partnership between Etalon Group and the Government of the Republic of Bashkortostan• The joint work of the city government and Etalon Group in developing the grounds of the Zil-Yug project testifies to the high quality and impact of dialogue between the city government and stakeholders. Through its dialogue with the city, the Company consciously began revitalising the former industrial zone and is also developing a master plan for the project to strengthen existing and create new urban connections, and increase the penetration, safety and diversity of modes of transport.• Facilitating the development of social amenities

HUMAN RIGHTS

The principles of respect for human rights and non-discrimination are integrated into Etalon Group's processes throughout the entire value chain. The Company has developed a number of internal policies and standards that reflect its basic understanding of and approach to the integration of ethical and social values, including in relation to human rights. The Company's core values and principles of corporate conduct as well as the methods used to monitor compliance with rules on corporate ethics are enshrined in Etalon Group's Code of Corporate Ethics.

The Company has a zero-tolerance policy for discrimination based on gender, age, nationality, religion or on any other grounds. The main regulatory documents in this area, in addition to Russian laws, are Etalon Group's internal policies, including the Code of Corporate Ethics and the Regulation on Conducting Tenders.

Cases of discrimination can be reported to the Corporate Conduct Officer through official channels. The Company guarantees anonymity and that there will not be any negative repercussions for the career of employees who contact the Corporate Conduct Officer.

Employees and contractors are required to familiarise themselves with Etalon Group's main policies regarding corporate ethics and anti-corruption, including human rights provisions.

The highest governing body responsible for human rights issues is the Board of Directors.

No complaints or reports regarding human rights violations or discrimination were submitted to the hotline in 2022.

IN IMPLEMENTING ITS ANTI-DISCRIMINATION POLICY, ETALON GROUP IS GUIDED BY THE FOLLOWING PRINCIPLES

Any form of discrimination on the basis of age, race, ethnicity, gender or any other grounds is prohibited.

Comfortable conditions and equal opportunities are provided for employees to improve their skills and realise their potential.

No form of harassment, including sexual harassment, or coercion, whether in verbal, written, visual, physical or other form, is acceptable.

Work dynasties – where professional skills are passed down from one generation to the next – are welcomed, but nepotism-based protectionism is prohibited. The Company limits cases of direct or indirect subordination involving relatives.

The Company ensures protection against any form of discrimination. In the implementation of the Company's personnel, wage and social security policies, any preferences based on nationality, gender, age, etc. are prohibited.



OUR TEAM

GRI 2-7 GRI 405-1

Thanks to the Company's regional expansion programme and the acquisition of YIT Russian, Etalon Group's headcount increased by 23% in 2022, as the Company added 1,114 highly qualified personnel in a variety of specialisations. As of the end of year, 8% of the Group's employees were working in regional markets, which is commensurate with the volume of real estate delivered beyond St Petersburg and Moscow.

Some 99.4% of employees had permanent contracts; only 36 staff members worked on a fixed-term contract.

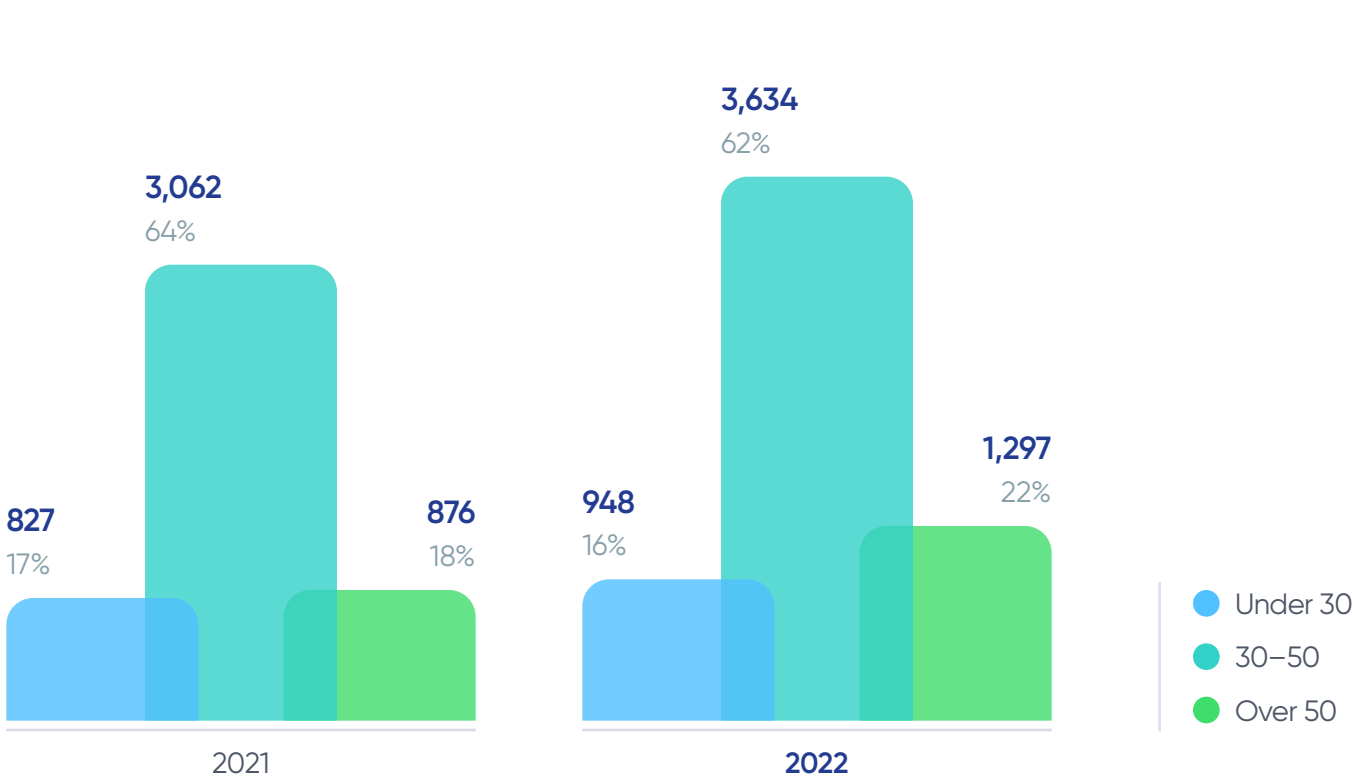
4,765

Total Etalon Group headcount in 2021¹

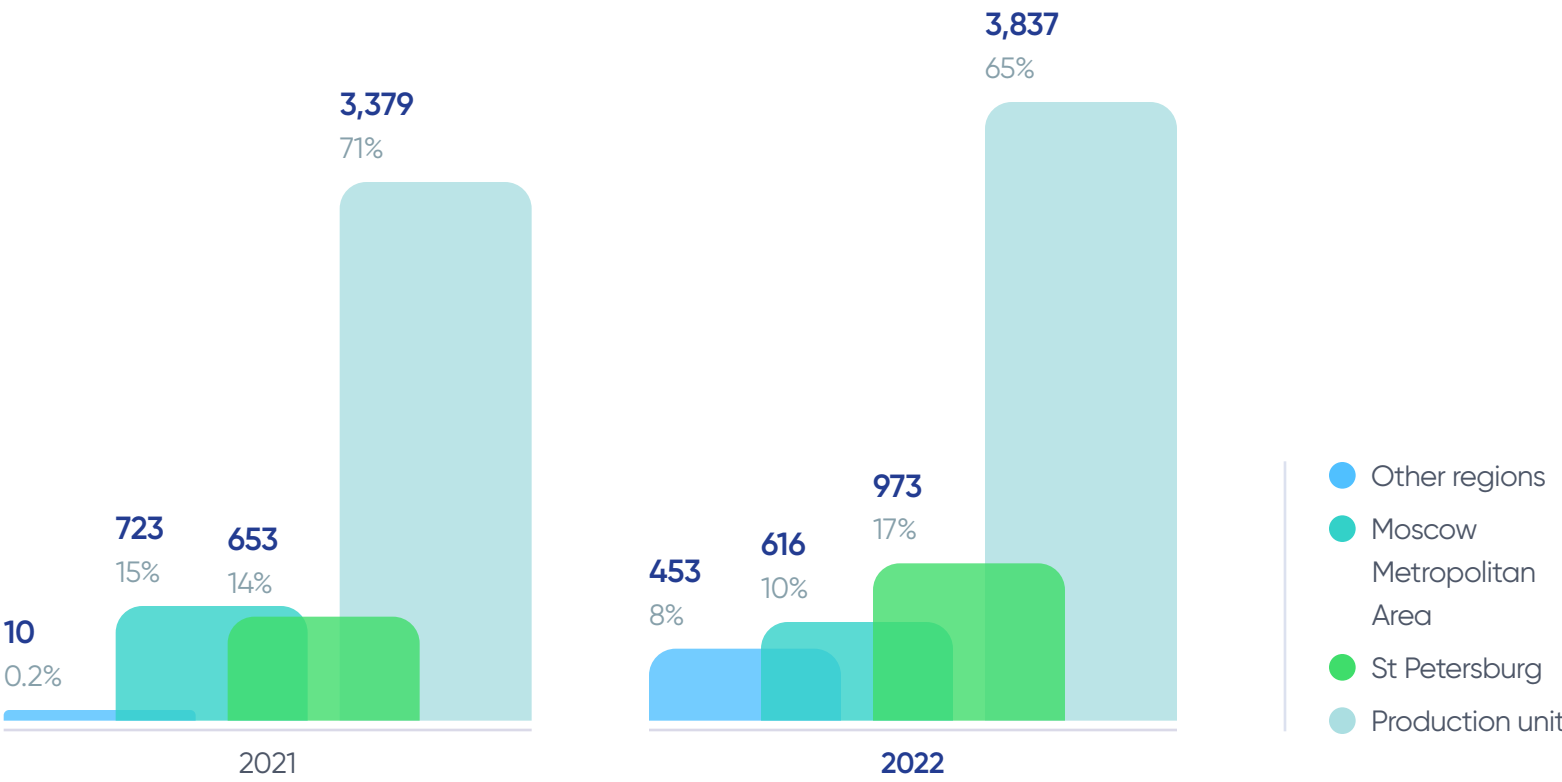
5,879

Total Etalon Group headcount in 2022¹
+23% y-o-y

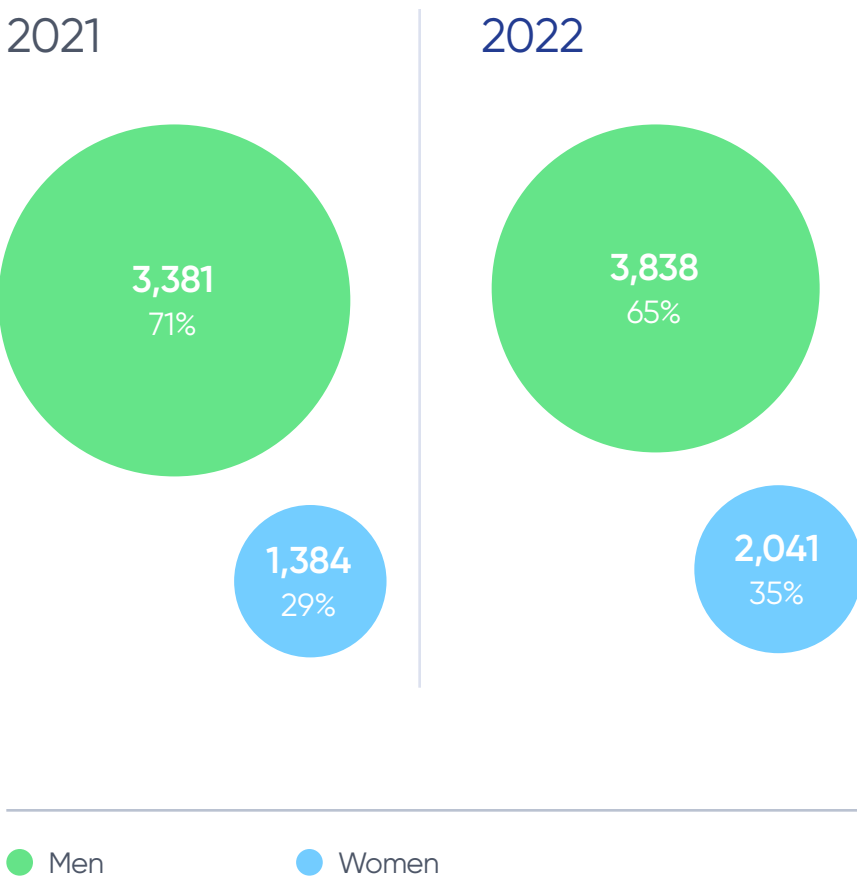
Workforce and breakdown of employees by age



Number and percentages of employees by region²



Number and percentage of men and women



Number and percentage of employees by contract type in 2022³

	ST PETERSBURG	MOSCOW	OTHER REGIONS	PRODUCTION UNIT	COMPANY TOTAL
Permanent contract, total	967 (17%)	609 (10%)	446 (8%)	3,821 (65%)	5,843
Men	457	296	181	2,870	3,804
Women	510	313	265	951	2,039
Fixed-term contract, total	6 (17%)	7 (19%)	7 (19%)	16 (44%)	36
Men	5	6	7	16	34
Women	1	1	—	—	2

As of the end of 2022, all of the Company's salaried employees were full-time; at the same time, 3% of staff members (up from 1.4% in 2021) worked remotely or according to a personalised schedule. The Company did not have any employees with zero-hour contracts – that is, contracts that do not specify a minimum number of working hours.

¹ As of 31 December of the year indicated.

² The redistribution of percentages between regions is due to the centralisation of a number of functions within the management company in the context of improving the Company's organisational structure and completing the acquisition of YIT Russia. Production and service companies, whose employees work in several regions, are assigned to the production unit.

³ The total may not add up to 100% due to rounding.



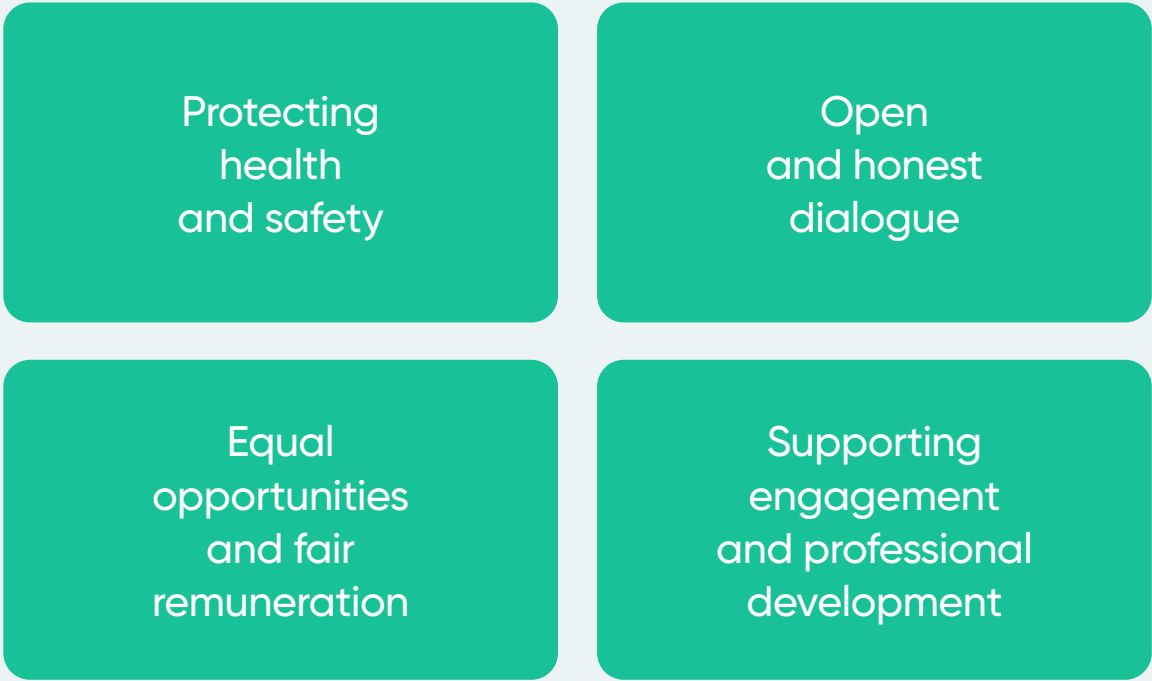
Approach to personnel management

Employees are Etalon Group's key asset. In personnel management, the Company adheres to unchanging principles based on protecting the health and safety of our employees, providing them with equal opportunities for professional development, ensuring open dialogue and offering fair remuneration.

Etalon Group's resources management system is led by the Company's Personnel Management Division, and Group subsidiaries have their own HR departments.

Processes relating to personnel management, HR policy and automation are set by the management company; within individual subsidiaries, personnel management is supervised by the heads of HR departments, who are responsible for the recruitment, onboarding and training of personnel as well as compliance with the Group's HR policies and procedures.

KEY PERSONNEL MANAGEMENT PRINCIPLES



Successful implementation of Etalon Group's overall strategy is impossible without recruiting, developing and retaining talented professionals.

The Company's personnel management strategy covers the following aspects:

- maintaining an effective incentive system
- developing human resources
- promoting and developing the Company's HR employer brand
- maintaining a healthy corporate culture
- maintaining a policy on avoiding conflicts of interest
- offering excellent customer service and developing the skills of Etalon Group employees through training programmes
- updating existing corporate HR documents in line with the situation in the labour market

In 2022, Etalon Group was once again included in the Forbes ranking of top employers. The Company received a gold ranking in the Employees and Society and the Corporate Governance categories as well as a silver in the Environment category.

In addition, the Company was included in HeadHunter's annual ranking of top employers for 2022. Etalon Group was among the top 10 companies in the Construction and Real Estate category based on a survey of job seekers.

TOP 10

Etalon Group was included in HeadHunter's annual ranking of top employers



GOLD

in the Employees and Society and Corporate Governance categories in Forbes ranking

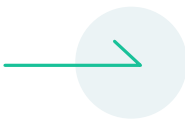




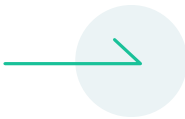
Personnel management policy

Etalon Group’s Personnel Management Division is responsible for implementing and monitoring the HR policy for the entire Company.

Remuneration and non-financial incentives



Corporate Labour Policy Regulation on Remuneration, Bonuses and Benefits



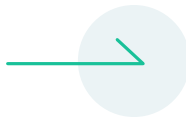
Regulation on Etalon Group Corporate Awards

The Company has documents in place that reflect the basic principles and mechanisms for the implementation of its personnel and social policies.

Basic principles of working arrangements



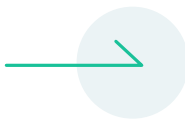
Corporate Labour Policy



Regulation on Material, Technical and Information Support

In addition to the documents listed above, the Company has policies in place to avoid conflicts of interest and to combat corruption and fraud, as reflected in Etalon Group’s Code of Corporate Ethics and Anti-Corruption Policy, as well as in the Regulation on Etalon Group’s Fraud, Corruption and Theft Prevention Hotline. These documents are described in more detail in the “Corporate ethics” section.

Onboarding of new employees



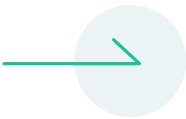
Regulation on Employee Orientation

The occupational health and safety policy and system are discussed in more detail in the “Occupational health and safety” section.

Recruitment and approach to professional training and development



Regulation on Recruitment



Regulation on Staff Training and Development



Staff development

GRI 3-3 GRI 404-2

In order to incentivise staff and reinforce their commitment to the Company, Etalon Group provides employees with a large variety of opportunities for professional and career development. The Company offers employees a competitive salary, performance-based bonuses, as well as training through both professional and personal development programmes.

Every year, the Company makes a list of training needs, assesses requests and monitors the progress of programme participants. Following the completion of any course, feedback is collected in order to improve the process.

Employees are able to undergo training not only through third-party educational platforms but also thanks to investments in the development of in-house training programmes.

In early 2022, recognising the effectiveness of distance education, the Company launched its own training platform for employees called Etalon4Upgrade, which provides access to beneficial courses and materials in a variety of subject areas: courses to help employees improve their Microsoft Office skills, materials related to construction technologies and sales techniques, a distance course for new employees, as well as webinars on various topics and an electronic library of business literature.

External training was conducted mainly on the following topics:

- 1 Industrial and civil engineering and design
- 2 Accounting and taxation
- 3 Marketing and sales
- 4 Personnel management and document management
- 5 Data analysis
- 6 Courses on a variety of software
- 7 Occupational health and safety

Since the Company encourages employee initiatives aimed at professional development and efficiency gains, it often covers some or all of the costs of training that employees themselves choose.

Workshops and programmes on occupational health and safety (OHS) are an important part of training. In 2022, 133 Etalon Group employees took part in OHS programmes and workshops covering a total 1,749 hours.

These training courses are discussed in more detail in the “Occupational health and safety” section.

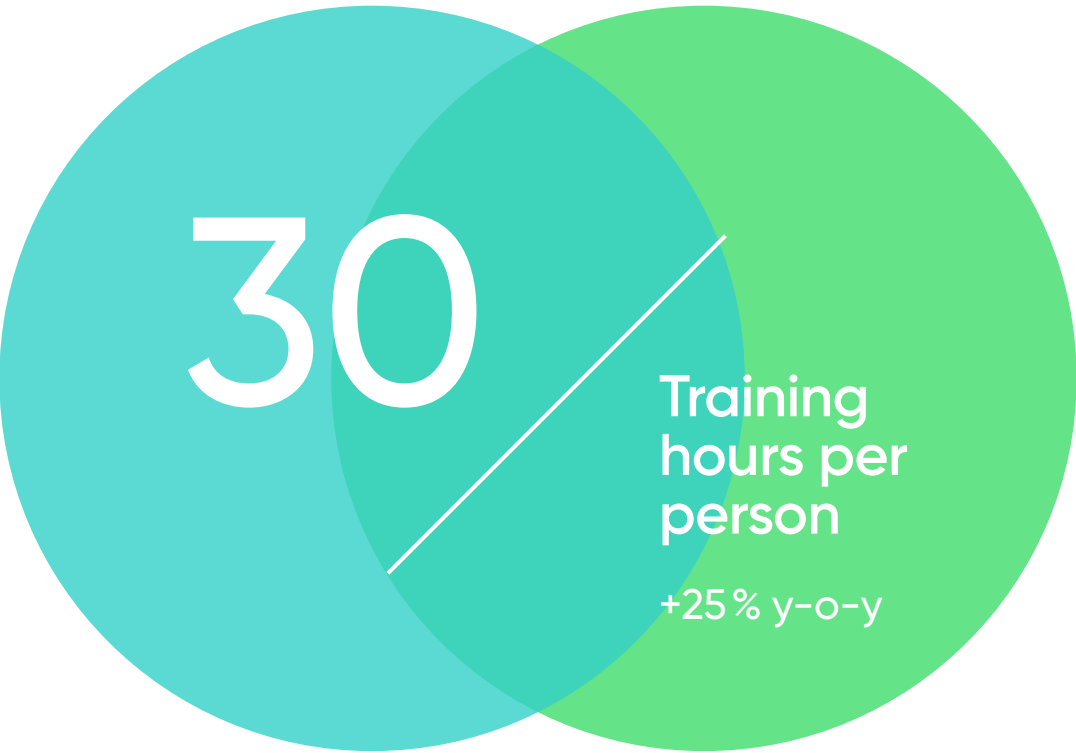
Staff training

GRI 404-1

	2021			2022		
	NUMBER OF PEOPLE TRAINED	NUMBER OF HOURS	NUMBER OF HOURS PER PERSON	NUMBER OF PEOPLE TRAINED	NUMBER OF HOURS	NUMBER OF HOURS PER PERSON
Employee category						
• Management	153	5,185	34	762	30,402	40
• Line employees	616	13,605	22	1,608	39,832	25
Gender						
• Women	245	4,135	17	1,126	15,257	14
• Men	524	14,655	28	1,244	54,977	44
TOTAL	769	18,790	24	2,370	70,234	30

In 2022, nearly equal numbers of men and women participated in training programmes; however, the number of hours of training per person for women differed given that the Group's female staff are employed primarily in managerial and administrative positions, where training programmes are shorter than the specialised professional programmes for the production unit, where most of the personnel are men.

The following factors had an impact on training metrics in 2022: the increase in the Company's headcount, the launch of new programmes, the increasing popularity of a philosophy of continuous professional development, as well as the resumption of in-person programmes.





Developing workforce capacity

GRI 401-1

In order to ensure that it is able to recruit and retain qualified personnel, Etalon Group uses various platforms to search for and hire employees, and it also develops programmes and events for students in partnership with specialised universities.

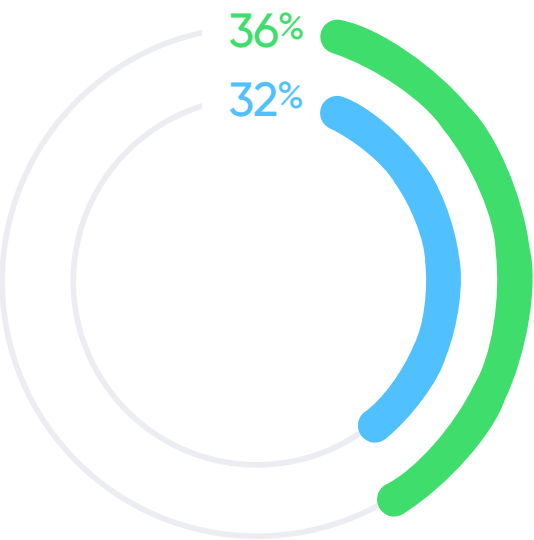
Recruitment services are used for the placement of vacancies and the selection of candidates.

Team-building

Etalon Group is committed to maintaining a highly skilled professional workforce. For this purpose, the Company creates comfortable working conditions and career opportunities for existing employees, while also recruiting talented new professionals.

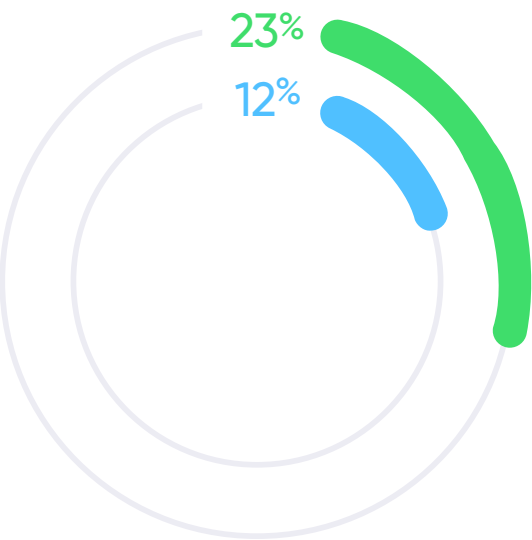
New employees and staff turnover in 2022

Percentage of new hires relative to the average annual headcount



Men Women

Personnel turnover¹



	18–24	25–30	31–40	41–50	ABOVE 50	TOTAL
Percentage of new hires relative to the average annual headcount	77%	51%	35%	32%	23%	35%
Personnel turnover ¹	38%	28%	19%	17%	12%	19%

Etalon Group's key asset is its employees. The Company is concerned not only with its employees' professional development but also with the establishment of an efficient, close-knit team functioning in a healthy working environment. The orientation programme for new employees helps them quickly become part of their new team; acquire the skills they need to do their jobs; learn about the Company's operations, standards and values; and also identify their strengths and weaknesses in their new positions. Every new employee is assigned a mentor who prepares a list of orientation assignments, keeps track of their performance and provides feedback. In 2022, the number of employees participating in the orientation programme increased considerably, as the successful integration of YIT Russia would not have been possible without paying careful attention to the onboarding of new staff.



¹ The percentage of the number of former employees relative to the average annual headcount in the corresponding category.

Partnership with universities

Etalon Group cooperates with leading specialised universities, including St Petersburg State University, Peter the Great St Petersburg Polytechnic University, St Petersburg State University of Architecture and Civil Engineering (GASU), the Higher School of Economics National Research University, Moscow State University of Civil Engineering, the Russian Presidential Academy of National Economy and Public Administration, and the St Petersburg Stieglitz State Academy of Art and Design. In 2022, Etalon Group and St Petersburg State Agrarian University entered into an agreement on cooperation in the field of education.

The Company hosts guest lectures, job fairs and other events at university campuses, and also provides students with an opportunity to take part in Etalon Group internships.

At the initiative of Etalon Group and with the support of design, construction and development companies, relevant government agencies, the Government of St Petersburg, the professional community and leading industry experts, the BIMSkills competition for architectural and design works using information modelling technologies was held for the second year in a row. In 2022, the competition took place in every federal district of the Russian Federation; more than 300 students from specialised higher educational institutions as well as institutions of secondary vocational education from 35 Russian cities applied to take part in the competition. The winners were given an opportunity to complete an internship with the possibility of subsequent employment at leading Russian development and design companies that use information modelling technologies in their work.

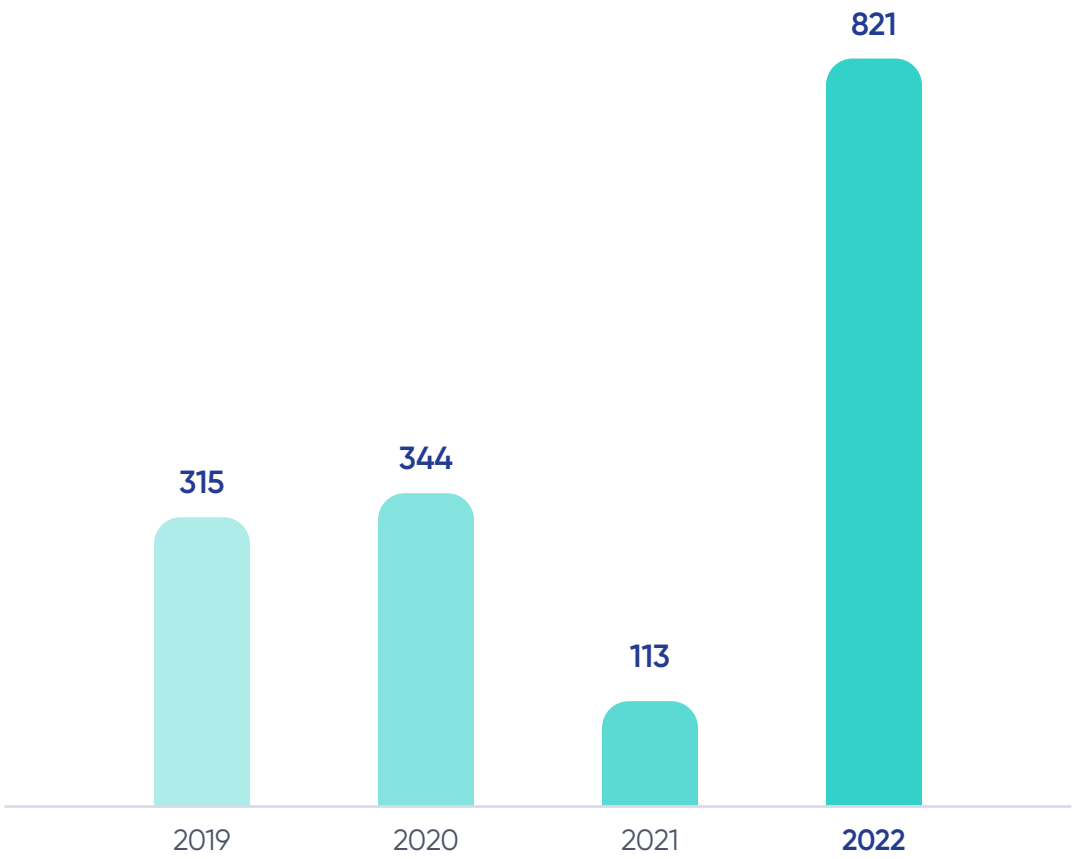
Partnership programmes with educational institutions as well as educational events and competitions help disseminate best practices and ensure that future professionals get feedback from the professional community. In turn, Etalon Group has an opportunity to participate in the creation of training programmes that are in line with industry trends and needs, as well as to create a candidate pool.





Orientation programme for new employees

Number of employees taking part in the orientation programme



As part of its team-building efforts, Etalon Group arranges a variety of contests, events and sporting competitions for employees. In 2022, Etalon Group employees participated in the Builders Football Cup, which took place at the Nova Arena in St Petersburg; the Race of Heroes, a patriotic sport-related project in the Republic of Tatarstan; the Tsarskoye Selo Marathon, in the town of Pushkin; the Fontanka SUP, an international paddle board festival; and ZaBeg races across the country.

In addition to in-person events, to mark its 35th anniversary in 2022 the Company launched a project called “Etalon Team”, an online space for various activities, including interpersonal communication, competitions and quizzes. Using this in-house social platform, employees can write words of gratitude to one other; participate in competitions, events and Company-related quests; and take part in surveys. For their active participation in events, employees receive gold Etalon tokens that can be exchanged in the Etalon Market for branded products, such as hoodies, T-shirts, bags, mugs, plush toys, etc.

Understanding the value of Etalon Group’s workforce and the special importance of communicating directly with the Company’s CEO, Etalon Group launched a project called “Dialogue with the President” that gives all staff an opportunity to submit questions to the CEO through their respective HR department, which consolidates the questions and then arranges a video interview with the CEO to discuss important topics of interest to the Company’s employees.

In conditions of geopolitical uncertainty, the Company provided comprehensive support to employees and kept the team informed about the latest developments and the Company’s plans through an informational digest and letters from top management. In 2022, the Company organized a series of online psychological support seminars.





Etalon Group social policy

GRI 401-2

Taking care of the health and safety of employees

One of the priorities of Etalon Group’s HR strategy is the health and safety of employees, which the Company protects, first and foremost, by creating safe working conditions and preventing workplace injuries.

In 2022, as in previous years, Etalon Group continued to offer employees life and health insurance programmes, which covered nearly 4,000 people.

Private health insurance programmes were available to more than 3,500 employees regardless of the region.

Employee life and health insurance

NUMBER OF EMPLOYEES TAKING PART IN THE LIFE AND HEALTH INSURANCE PROGRAMME	2019	2020	2021	2022
St Petersburg	506	483	642	973
Moscow	683	602	708	616
Other regions	–	–	10	305
Production unit	1,500	1,500	1,200	2,042
TOTAL	2,689	2,585	2,560	3,936

Private health insurance programmes

NUMBER OF EMPLOYEES TAKING PART IN PRIVATE HEALTH INSURANCE PROGRAMMES	2019	2020	2021	2022
St Petersburg	506	483	642	973
Moscow	683	602	708	616
Other regions	–	–	10	434
Production unit	1,200	944	842	1,515
TOTAL	2,389	2,029	2,202	3,538

Concern for employees’ quality of life

Etalon Group is committed not only to providing safe working conditions for its employees in the workplace but also to improving the quality of their life outside work. That is why the Company has developed partnership programmes that offer employees discounts on insurance services, medical services, recreation, fitness club memberships and educational programmes. In addition, Company employees are able to purchase apartments at a discount, depending on the length of their service time with Etalon Group.

The Company supports employees facing challenging life circumstances and provides financial assistance to retirees as well as to existing employees upon the birth of a child or the loss of a close relative. In 2022, the Company provided 415 employees with financial support totalling RUB 12.9 million. Thirty-eight individuals who had made a major contribution to Etalon Group’s development and who had spent a long time working for the Company were awarded a corporate pension at the end of 2022.

Financial assistance provided to employees in 2022

	AMOUNT OF ASSISTANCE, RUB MLN	NUMBER OF EMPLOYEES RECEIVING ASSISTANCE
Total amount of financial assistance paid out:		
• for the death of a close relative	4.1	126
• for the birth of a child	4.3	163
• for other purposes	4.4	126
TOTAL	12.9	415



Employee evaluation and remuneration policy

One of the Company's key personnel management principles is to offer decent, fair and non-discriminatory remuneration based solely on each employee's professional value.

Etalon Group's employee evaluation and remuneration policy ensures that the Company

- 1

Provides employees with fair, clearly specified remuneration that contributes to the achievement of the Group's goals.
- 2

Applies a unified, systematic approach to the remuneration of all employees in all Etalon Group companies.
- 3

Determines remuneration based on the achievement of Etalon Group's operational and strategic goals and the specific results of the work of each employee.
- 4

Creates conditions for employees to set ambitious goals and to take responsibility for the achievement of those goals.

In addition to the base salary, Etalon Group employees' remuneration consists of bonuses, non-financial incentives and various other benefits.

In 2022, the Company did not employ anyone whose salary was below the minimum wage; the average salary last year was nearly six times higher than the minimum wage. In order to retain sought-after professionals and recruit talented employees, the personnel service regularly studies salary scales and ensures that employees are paid at market rates.

Open and honest dialogue with employees and feedback from their immediate supervisor make it possible to properly assess the quality of their work and potential opportunities for career growth. The Company regularly conducts studies and surveys on employee satisfaction and engagement: in 2022, 1,128 people took part in such a survey.

GRI 402-1

It is clear that employees are unable to work effectively if they are unaware of the main changes taking place within the Company. The Company notifies employees at least eight weeks in advance of changes that could affect them.

The Group uses the following channels to keep employees up to date on Company news:

- the corporate intranet
- a portal created in 2022 to mark Etalon Group's 35th anniversary that is used for publishing news, holding discussions, hosting competitions, conducting surveys and expressing gratitude to co-workers
- the corporate newsletter
- the Dialogue with the President project, which enables staff to ask questions of Etalon Group's President and get detailed answers

Equal opportunities

1/2

GRI 3-3

GRI 405-1

All opportunities for career advancement and salary increases are available equally to men and women regardless of their age, nationality, skin colour, religion or other factors. When making decisions about recruitment and personnel management, the Company pays particular attention to an individual's personal and professional qualities.

Despite the specific nature of the industry, women accounted for 35% of all Company employees as of the end of 2022, up 6 percentage points from 2021,

Women also filled 36% of managerial positions in 2022. As of 24 April 2023, there were two women on Etalon Group's eight-member Board of Directors.

Etalon Group management¹

NUMBER OF MANAGERS AT ALL LEVELS	2020		2021		2022	
	NUMBER	PERCENTAGE	NUMBER	PERCENTAGE	NUMBER	PERCENTAGE
Age						
• Under 30	78	8%	89	8%	85	7%
• 30–50	752	72%	823	73%	906	73%
• Over 50	208	20%	223	20%	253	20%
Gender						
• Women	326	31%	454	40%	448	36%
• Men	712	69%	681	60%	796	64%
TOTAL	1,038		1,135		1,244	

¹ Total amounts may not add up to 100% due to rounding.



Equal opportunities

2/2

Percentage of women among Etalon Group employees in 2022

	ST PETERSBURG		MOSCOW		OTHER REGIONS		PRODUCTION UNIT		TOTAL	PERCENTAGE
Managers	289		185		98		672		1,244	
• Women	127	44%	78	42%	36	37%	207	31%	448	36%
• Men	162	56%	107	58%	62	63%	465	69%	796	64%
Line employees	638		424		326		1,118		2,506	
• Women	377	59%	236	56%	229	70%	617	55%	1,459	58%
• Men	261	41%	188	44%	97	30%	501	45%	1,047	42%
Blue-collar workers	46		7		30		2,046		2,129	
• Women	7	15%	–	–	1	3%	126	6%	134	6%
• Men	39	85%	7	100%	29	97%	1,920	94%	1,995	94%

36 %
of Etalon Group's
managerial staff in 2022
were women

58 %
of the Company's line
employees in 2022 were
women

Work–life balance

GRI 401-2 GRI 401-3

Etalon Group takes into account the fact that, in addition to their work duties, employees should be able to lead a full life, with enough time for family matters, hobbies and recreation or downtime. The Company fully respects and supports employees' right to personal time; it does so mainly by offering standard working hours and time off. Employees who are unable to work according to a standard schedule may be offered a personalised schedule provided that such an arrangement is not detrimental to operations.

In 2022, 201 Group employees – 100 women and 101 men – worked remotely or according to a personalised schedule (regardless of the epidemiological situation).

Company employees are free exercise their right to parental leave. In 2022, 98 employees, including two men, took parental leave (compared with 75 employees, including four men, in 2021). In order to help parents financially in the first months after the birth of their child, the Group provides additional support payments beyond the benefits required by law. The Company values the fact that the majority of employees return to their jobs following parental leave. In 2022, 29 employees returned from parental leave (compared with 28 employees, including one man, in 2021).

201 EMPLOYEES

(3%) worked remotely or according
to a personalised schedule in 2022

OUR CUSTOMERS

Customer profile¹ 1/3

- In 2022, the percentage of customers aged 35–44 in St Petersburg increased from the previous year, reaching 36%.
- In 2022, the number of customers purchasing housing as an investment or for their children increased.
- Most of the people who bought an apartment in St Petersburg were registered in the city, but there was also a high percentage – 37% – of customers from other regions.
- In terms of payment, customers in St Petersburg predominantly chose to pay in full up front, although mortgage financing and instalment plans were also popular.

14 MLN RUB
Average budget

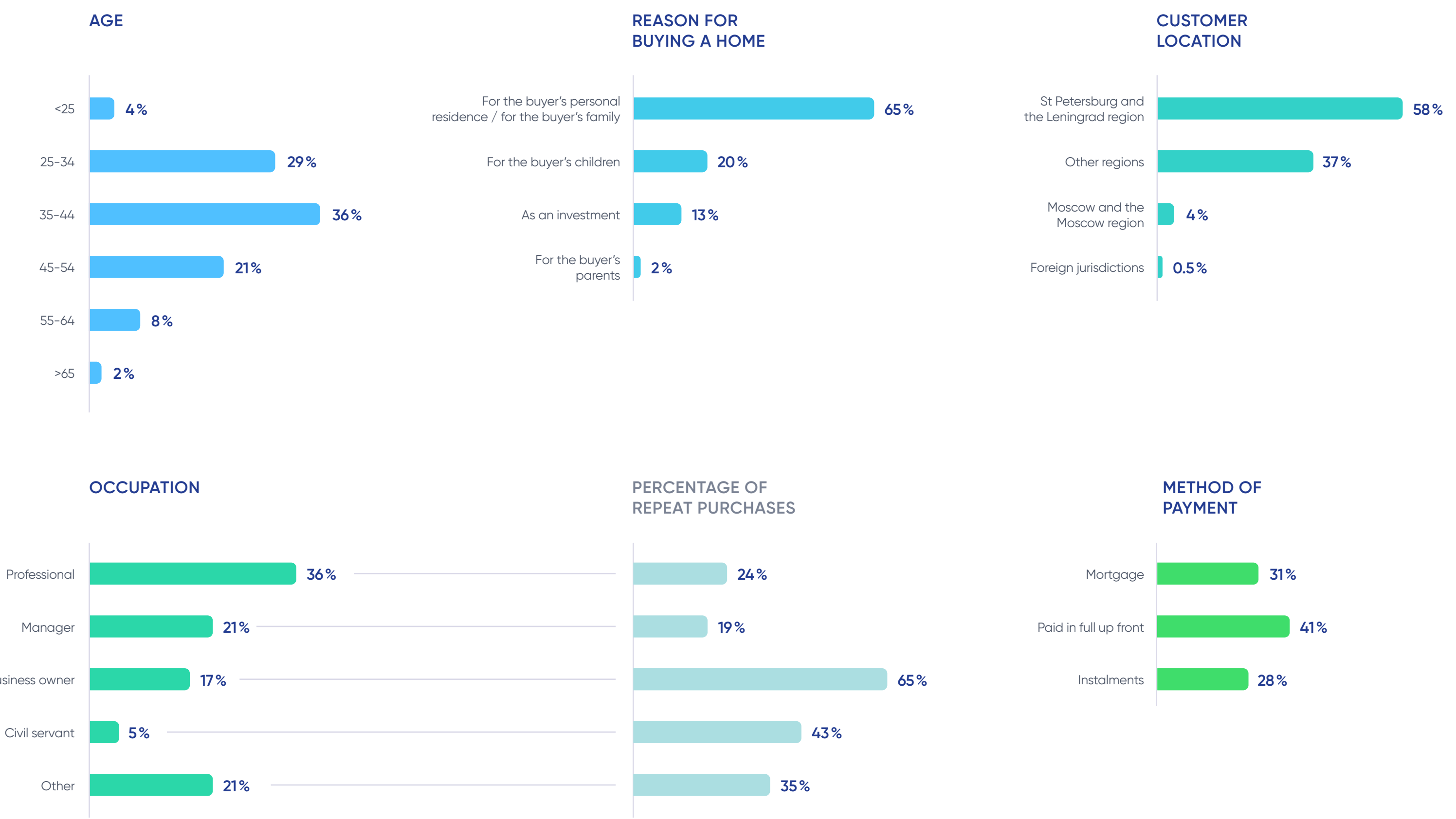
57 SQM
Average area of purchased apartment

46 %
Percentage of repeat purchases

Etalon Group's expansion into regional markets enabled the Company to become one of the largest nationwide developers. The priority regions for the Company are large cities with a population of more than 1 million and a developed real estate market.

Creating value for our customers is a key priority for the Group at every stage of development in all our geographies. We are continuously improving the quality of our projects, and we consider the opinion of buyers, thus improving the maintenance of our buildings and expanding our range of services, including by bolstering our competencies since the acquisition of YIT Russia. Thanks to this approach, our completed projects remain appealing to residents and potential buyers in the long term.

St Petersburg



Totals may not add up due to rounding.

¹ According to customer surveys conducted by Etalon Group in 2022.

Customer profile¹ 2/3

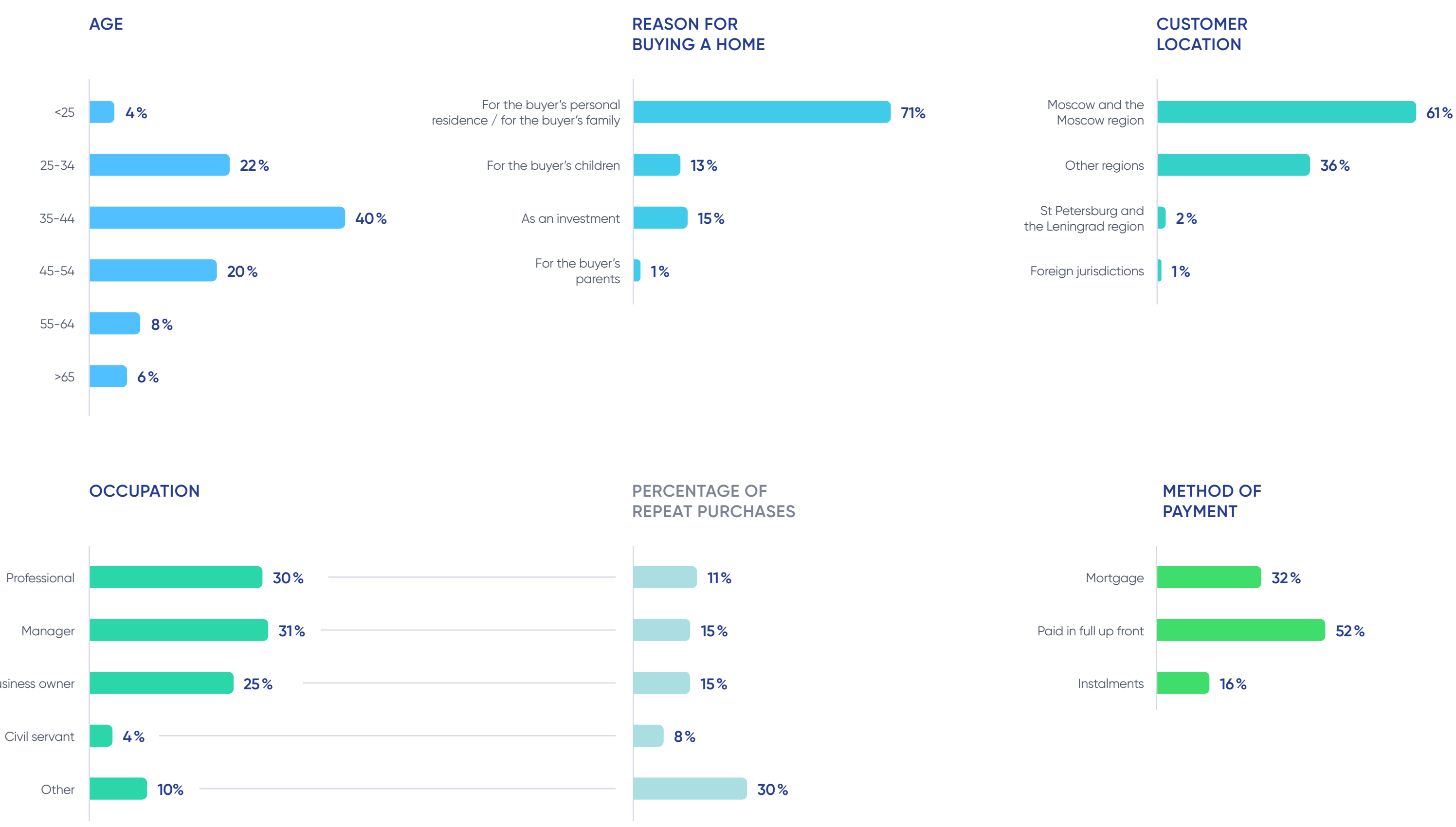
- Etalon Group's main customers in Moscow in 2022 were professionals, managers or business owners aged 35–44. They acquired housing as their personal residence.
- Most of the people who purchased an apartment in Moscow or the Moscow region were Muscovites, but residents of other regions were also active in purchasing apartments in 2022.
- Compared with 2021, the percentage of customers in Moscow who paid for their apartment in full up front increased considerably, to 52%.

23 MLN RUB
Average budget

65 SQM
Average area of purchased apartment

28 %
Percentage of repeat purchases

Moscow



Totals may not add up due to rounding.

¹ According to customer surveys conducted by Etalon Group in 2022.

Customer profile¹ 3/3

- A third of the apartments purchased at Etalon Group projects are bought by people 25–34 years of age.
- Nearly 80% of customers used mortgage programmes to purchase housing.
- Not many repeat purchases were made in regional markets, as the Company began its regional expansion programme only in 2021, in contrast to Etalon Group’s key markets of Moscow and St Petersburg.

6 MLN RUB

Average budget

48 SQM

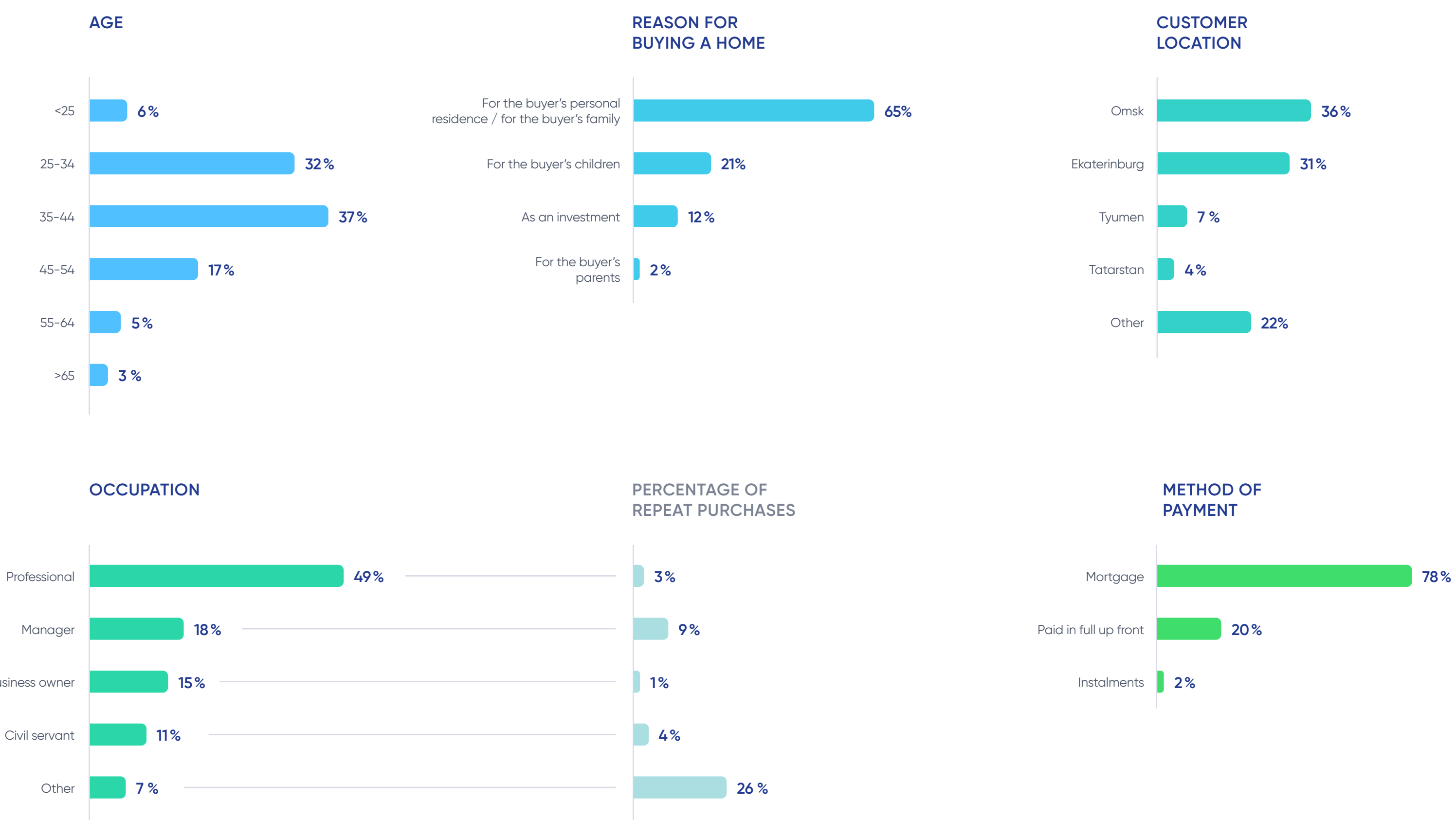
Average area of purchased apartment

1 %

Percentage of repeat purchases

¹ According to customer surveys conducted by Etalon Group in 2022.

Regional markets



Totals may not add up due to rounding.



3

SUSTAINABILITY
REPORT
2022

RESPONSIBILITY





ENVIRONMENTAL STEWARDSHIP

GRI 3-3

Etalon Group is committed to minimising its negative impact on the environment and aims to optimise its business processes in accordance with its Sustainability Policy. The Company tracks its responsible use of resources, protects biodiversity and the ambient air, and properly disposes of waste during its operations. In addition to strict compliance with Russian environmental laws, the Company also takes additional steps to improve measures aimed at environmental protection.

Etalon Group’s approach to environmental management

SASB IF-HB-160a.4

The architectural and urban-planning concept for every one of Etalon Group’s projects is based on a risk analysis and efforts to minimise the Company’s negative impact on the environment. The Company takes into account international experience and trends in the construction industry in order to present design solutions for environmental remediation and the construction of sustainable infrastructure, especially at former industrial sites. This approach enables the Company to calculate potential risks during the construction and operation phases and to minimise the possibility of adverse environmental impacts.

At the design stage, Company specialists develop measures to reduce the anthropogenic impact on the environment, such as restoring land, averting the loss of natural resources, and preventing harmful emissions into the soil and atmosphere.

During the construction phase, Etalon Group carefully monitors compliance with its design and working documentation as well as its adherence to construction deadlines, which enables the Company to carry out measures to protect the environment against any possible negative impact.

When implementing integrated development projects, the Company restores natural areas nearby, improving the environmental situation by protecting air and water resources, combating noise pollution and forming a sustainable natural ecosystem.

Environmental management system

Etalon Group specialists are guided by environmental laws, including the following:

- Federal Law No. 7-FZ on Environmental Protection
- Federal Law No. 174-FZ on Environmental Assessment
- Federal Law No. 89-FZ on Production and Consumption Waste
- The Land Code of the Russian Federation
- The Water Code of the Russian Federation
- The Forest Code of the Russian Federation
- Federal Law No. 96-FZ on the Protection of the Ambient Air
- SanPiN 2.2.1/2.1.1.1200-03 on Controlled-Access Zones and Sanitary Classification of Enterprises, Structures and Other Facilities
- Federal Law No.52-FZ on Sanitation and Epidemiological Safety
- Presidential Decree No. 666 on Reducing Greenhouse Gas Emissions
- Federal Law No. 296-FZ on Limiting Greenhouse Gas Emissions

Internal policies and job descriptions are also taken into account.

Technical departments in every region of operations are responsible for environmental oversight. The following are within the remit of the Company’s specialists and environmental engineers:

- Conducting expert reviews of design documentation
- Supporting project assessments
- Solving problems related to environmental protection
- Providing informational and technical support to the Company’s business units
- Monitoring and analysing the construction process

In order to improve the quality of environmental oversight, Etalon Group created a Quality Control Department, which implements measures aimed at environmental protection and conservation, among other things. The Department’s main objective is to identify and register criteria for the safe conduct of construction works.

Thanks to its environmental monitoring at every stage of project implementation in all regions of operations, the Company is able to minimise its negative impact on the environment, which is confirmed by external inspections conducted by regulatory authorities.



Supply chain management

Etalon Group works with responsible suppliers and is committed to using in its projects only environmentally friendly materials and equipment that are not harmful to the environment or residents. During implementation of the Zil-Yug project, an expert contractor was engaged to develop recommendations on the use of environmentally friendly materials that are suitable for Russia. All materials and equipment comply with both SanPiN regulations (products have certificates of conformity, sanitary and epidemiological inspection reports, quality certificates, fire safety certificates, etc.) and project-specific requirements.

When selecting responsible suppliers of services and products, Etalon Group uses its internal oversight systems and a formal procedure for conducting tenders that has enabled it to establish a pool of reliable partners involved in the implementation of its projects. With its integrated management system in every region of operations, the Company is able to take a unified approach to the oversight of general contractors, which enables effective monitoring of compliance on the part of those contractors with legal standards and the requirements enshrined in project documentation concerning natural resources, noise levels, protection of the ambient air, etc.

¹ Nature-based solutions are aimed at the sustainable management and careful use of natural features in response to social and environmental challenges.

Environmental protection efforts

Protection of soils, vegetation and wildlife

The design and construction stages of all Company projects involve strict compliance with the full slate of environmental protection measures. Prior to the start of construction, Group specialists conduct a number of studies and take a **variety of measures that include**

1

a preliminary assessment of the environmental conditions;

2

a study of the extent and nature of impacts on biodiversity, plant and animal communities;

3

the development of possible alternatives with the aim of reducing negative impacts;

4

and forecasting changes in biodiversity following construction.

To assess the impact of the construction of the Schastye v Kazani residential complex on biodiversity and plant life in the nearby floodplain of the Kazanka River, experts from the Institute of Ecology and Environmental Management at Kazan (Volga) Federal University presented research and recommended environmental protection measures.

Also, for one of the Company's largest redevelopment projects, Zil-Yug, a concept was developed for the environmental remediation of the former industrial site and to ensure a healthy environment as part of the development of environmentally friendly infrastructure on the grounds of the project.

In terms of environmental conservation, the Company is guided in part by international experience, and it develops nature-based solutions¹ aimed at the sustainable management and careful use of natural features in response to social and environmental challenges.

Etalon Group does not conduct any activities other than construction that could have a possible impact on biodiversity.





Water resources¹

GRI 303-1 GRI 303-3 GRI 303-4 SASB IF-RE-140a.2

Despite the fact that Etalon Group's activities do not involve exposed water intake from natural sources, the Company attaches great importance to monitoring the use of water resources and does so in full compliance with applicable laws.

Water is supplied to construction sites by third-party providers. As a result of measures to reduce water intake at some Group construction sites, water obtained from the drawdown of the construction pit or during the drainage of foundation structures is used, which enables the Company to reduce its water intake considerably. In addition to using this method of water intake more extensively, the Company is developing new technological solutions to decrease its water consumption.

Water consumption is metered and discharges monitored at all Etalon Group construction sites and office buildings; before the discharge, all wastewater undergoes preliminary treatment or is transferred to specialised companies (operators of municipal water utilities) for mechanical and biological treatment.

At the operational stage, all Etalon Group projects install individual meters for residents that are integrated into automated commercial metering systems for water, heat and energy consumption. All apartments in projects managed by the Group's service companies are equipped with water meters. As a result, our customers can take a responsible approach to resource consumption, thus reducing the negative impact on the environment.

Water usage in 2020–2022²

INDICATOR	2020	2021 ³	2022 ³
Total water sourced, ths m ³	1,275	874	667
Total waste water discharged, ths m ³	845	1,148	783

Recycled and reused water²

INDICATOR	2020	2021	2022
Recycled and reused water, ths m ³	2.5	1.5	1.7
Proportion of recycled and reused water, %	0.22	0.22	0.26

¹ As a result of measures to improve the efficiency of its operations, Etalon Group updated its organisational structure in the spring of 2021. Previous reporting periods covered the companies that were liquidated in the process of establishing Etalon Group's new organisational model. The processes involved in managing investment and construction projects and in collecting data also changed.

² For 2020, data for the construction and maintenance division is in line with the information disclosed in annual reports for previous periods. For 2021, data on Etalon Group's St Petersburg and Moscow businesses for the following companies and projects: JSC Etalon LenSpetsSMU, LLC SZ Etalon, LLC SZ Etalon Galactica, LLC SZ Etalon Pushkin, LLC SZ Etalon Development; deliveries and phases begun at the following projects: Summer Garden, Normandy, Emerald Hills, Silver Fountain, Nagatino i-Land, Schastye na Semyonovskoy, Zil-Yug, Voxhall, Wings, Schastye na Lomonosovskom (hereinafter, data for Etalon Group according to the updated organisational structure). Data for 2022: Moscow and the Moscow region – Zil-Yug, Nagatino i-Land, Voxhall, Silver Fountain, Wings, Emerald Hills, Finskiy, Severnyiy Kvartal; St. Petersburg – Galactica, Che Quarter, Domino, Domino Premium, Pushkin Village, Monograph, Novoorlovskiy, iLona, Wellamo, Tarmo; Omsk – Green River; Ekaterinburg – Ekaterinburg (Solnechniy), Suomen Ranta, Rauta, Baltym Park, Rifei; Tyumen – Tyumen (International); City Zen; Kazan – Schastye v Kazani, Suita Quarter, Green.

Waste management

GRI 301-1 GRI 306-2 GRI 306-3 GRI 306-4

Waste of various classes is generated during the course of Etalon Group's activities, including construction, the operation of the Company's office premises and the operation of residential complexes managed by Etalon Group. The Company assesses the risks involved in the handling of construction waste at the construction stage and closely monitors the activities of general contractors. All generated waste is handed over to licensed companies for processing, recycling or disposal in accordance with all applicable requirements and regulations in every region where the Company operates. At the same time, the Company does not produce hazardous waste in classes 1–3 during the construction process.

Waste minimisation, sorting, reusability and recycling are of increasing interest to the Company and are an area ripe for innovation and technological development.

909^{ths} tonnes

of waste (99% of Company waste) was sent for recycling in 2022

Thanks to the Company's strict oversight, there were no significant spills of pollutants during the reporting year.

Waste management⁴

INDICATOR	2020	2021	2022
Construction materials used, ths tonnes	1,056	1,664	1,842
Waste generated, ths tonnes	168	709	914
Hazardous waste (class 1–3)	–	–	–
Non-hazardous waste (class 4–5)	168	709	914

³ The excess volume of water discharged in comparison with the volume of water sourced in St Petersburg is due to the methodology established by Vodokanal Sankt Peterburg, the state enterprise responsible for the collection and treatment of waste water, for calculating storm water drainage based on the area of a site and with allowances made for storm run-off.

⁴ For 2020, data for the construction and maintenance divisions; for 2021, data for Etalon Group according to the updated organisational structure. Data for 2022: Moscow and the Moscow region – Zil-Yug, Nagatino i-Land, Voxhall, Silver Fountain, Wings, Emerald Hills, Finskiy, Severnyiy Kvartal; St. Petersburg – Galactica, Che Quarter, Domino, Domino Premium, Pushkin Village, Monograph, Novoorlovskiy, iLona, Wellamo, Tarmo; Omsk – Green River; Ekaterinburg – Ekaterinburg (Solnechniy), Suomen Ranta, Rauta, Baltym Park, Rifei; Tyumen – Tyumen (International); City Zen; Kazan – Schastye v Kazani, Suita Quarter, Green.



Energy consumption and efficiency

GRI 302-1

SASB IF-RE-130a.2

SASB IF-RE-130a.4

The Company is taking measures to reduce energy consumption by improving the efficiency of its supply chains and using electricity from municipal grids in the construction process. These steps also reduce emissions of nitrogen oxide and fine particles of soot into the atmosphere.

Etalon Group is committed to ensuring the energy efficiency of functional building systems, including utility systems, and to using durable, environmentally friendly materials with low thermal conductivity and hygroscopic coefficients.

Energy purchased for consumption¹, by type

INDICATOR	UNITS	2020	2021	2022
Electricity	mln kW·h	23.3	39.1	42.8
Heat energy in hot water and steam	Gcal	41,902	25,893	19,918

Energy-efficiency classes of properties as of the end of 2022

PROPERTIES BY ENERGY-EFFICIENCY CLASS, THS SQM	A	B+	B	C
Completed	317	0	369	191
Under construction	454	280	173	112

¹ Consumption of energy at development sites.

² Emissions from energy consumed at development sites.

³ Floor space data for 2020 – ERZ.rf; for 2021–2022 – Company data.

The Company's carbon footprint

When it comes to sustainability, Etalon Group is guided by the UN Sustainable Development Goals, the interests of stakeholders and its assessment of industry-related risks and impacts. Taking into account its main groups of stakeholders, its business profile and its own capabilities in 2022, the Group monitored greenhouse gas emissions (GHG emissions).

We conducted an audit of direct and indirect emissions from Company-owned or -controlled facilities. The audit covered data on fuel burned by the vehicle fleet or diesel generators, the Company's energy consumption from third-party suppliers (electrical energy, steam energy), data on business trips and the carbon footprint of companies operating apartment buildings.

The establishment of a business process for monitoring Scope 1, 2 and 3 emissions is one aspect of the Company's strategy for optimising and improving the energy efficiency of projects at all stages of implementation. As Etalon Group's software platform advances, we plan to improve the quality and completeness considerably.

In 2022, Direct (Scope 1) greenhouse gas emissions amounted to 1,217 tonnes; Energy indirect (Scope 2), 27,981 tonnes;² and Other indirect (Scope 3), 187,069 tonnes. The year-on-year increase in CO2-e emissions was driven by business growth. At the same time, the specific volume of Scope 2 emissions directly attributed to construction work and total emissions for all three scopes showed a downward trend (**–4% year-on-year in 2021 and –21% year-on-year in 2022**), which demonstrates the impact of our efforts to reduce our carbon footprint.

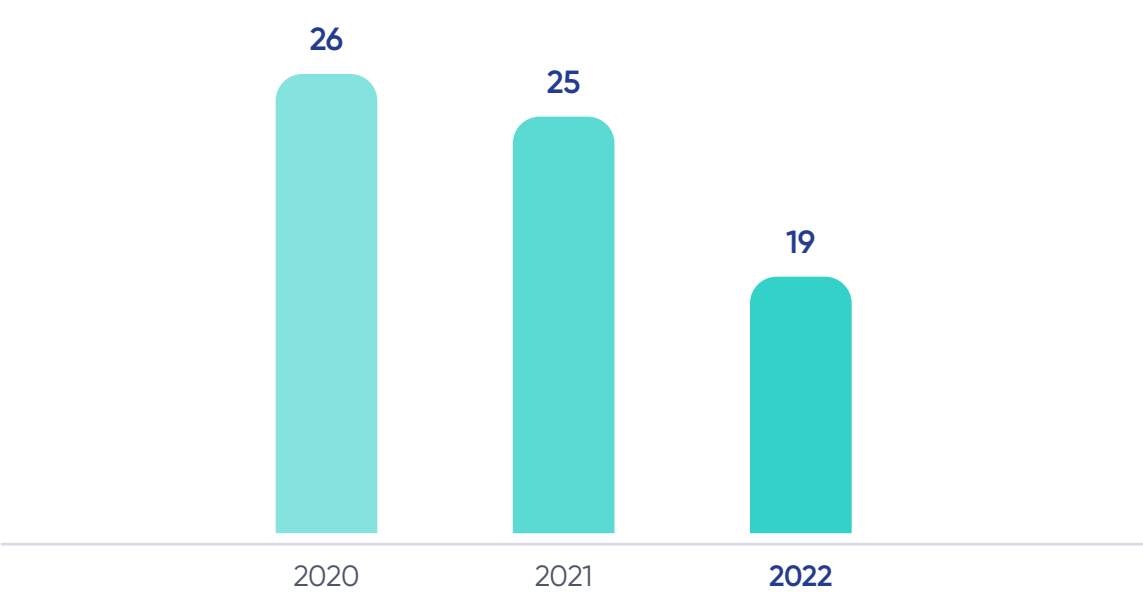
For more information on the amount and sources of greenhouse gas emissions for each scope, see the [“Key performance data”](#) section.

GRI 305-1

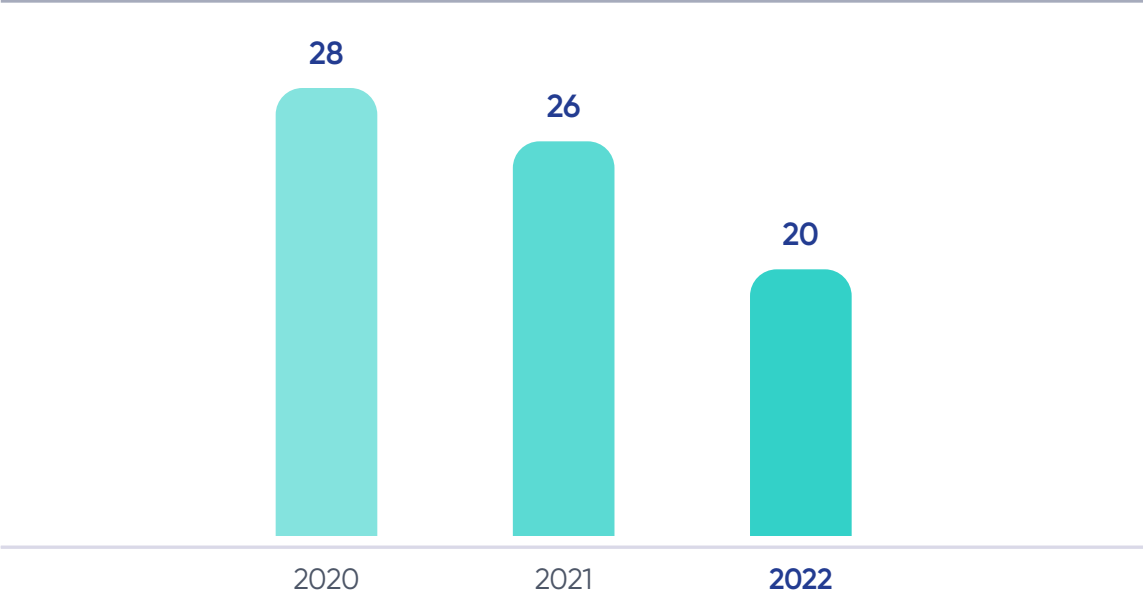
GRI 305-2

GRI 305-3

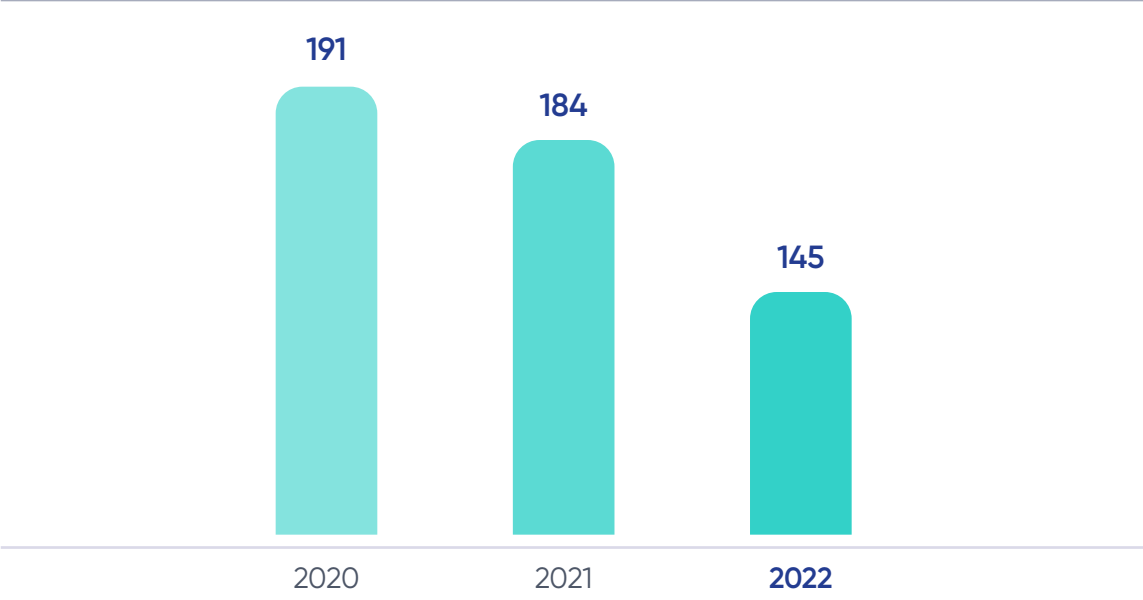
Energy indirect (Scope 2) GHG emissions per sqm of current construction, kg ³



Other indirect (Scope 3) GHG emissions per sqm of in-service real estate under Etalon Group management, kg



Total GHG emissions per sqm of current construction, kg ³





Upstream CO₂ emissions from employees’ business trips

187 CO₂E,
TONNES

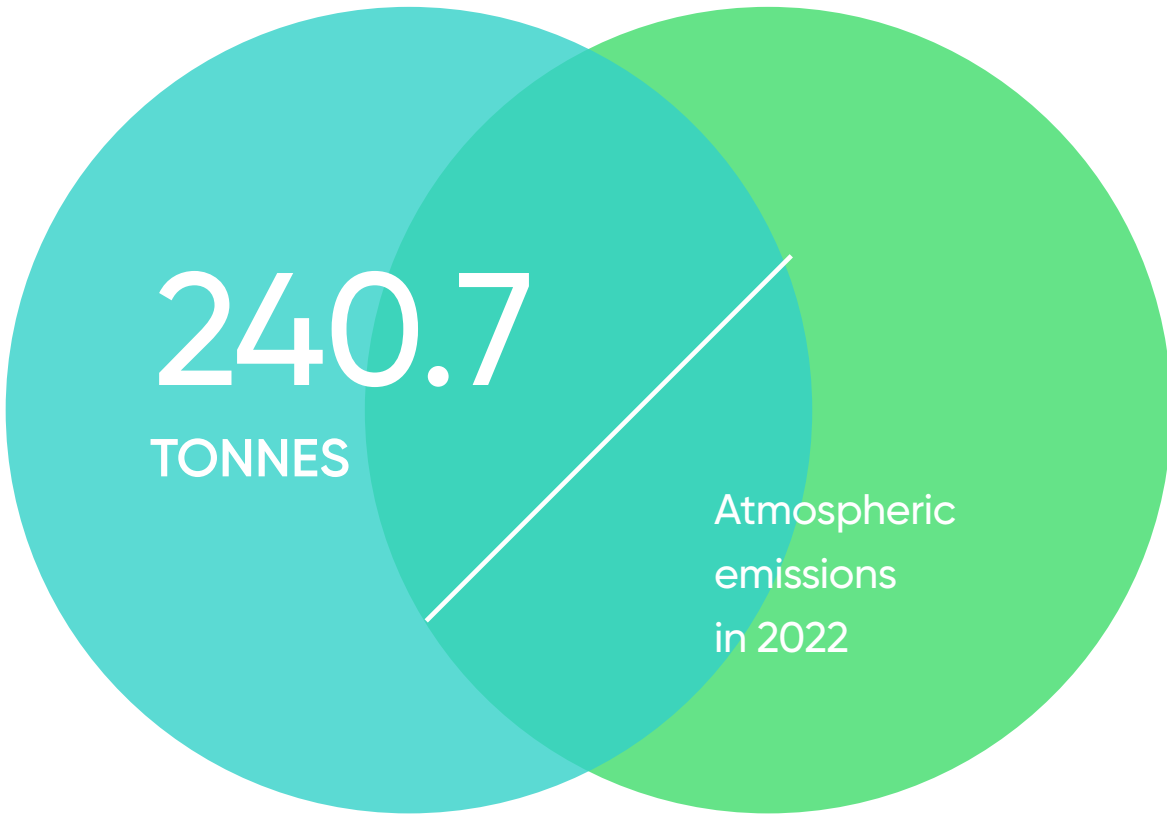
Air transport

12 CO₂E,
TONNES

Railway transport

199 CO₂E,
TONNES

in total



¹ Mandatory disclosure according to GHG Protocol.

Measures to reduce carbon footprint and environmental impact

SASB IF-RE-410a.2

One of the main goals of the Paris Agreement² in recent years has been a reduction in carbon footprint and resilience to climate change. In implementing our projects, we rely on these goals and are committed to reducing our carbon footprint.

At the initial stages of project design at a number of our projects, we apply three-dimensional computational fluid dynamics (CFD) computerised modelling technology, which enables us to predict the main parameters necessary to ensure the comfort of residents inside our residential complexes and to create environmentally friendly and energy-efficient rooms with the most comfortable microclimate possible. We also use BIM technologies, which we have been improving since 2012,

at all project stages. These technologies enable us to improve energy efficiency as well as to optimise emissions, the use of raw materials and performance in other areas, especially during the construction and operation phases.

When landscaping the grounds of our projects, we make every effort to use natural surfaces made of granular materials (sand, wood chips, pebbles, shells) for playgrounds and sports venues. These materials allow the soil to breathe, are beneficial to humans and require the consumption of very little energy for their procurement. In fire lanes and parking lots, projects use hard surfaces on grass pavers, which allows the soil to breathe and creates a green surface.

Types of atmospheric emissions

GRI 305-7

TYPES OF EMISSIONS, TONNES	2020	2021	2022
NOx	44.7	30.5	147.0
SOx	6.1	2.6	16.2
Volatile organic compounds (VOCs)	13.1	8.3	13.1
Particulate matter (PM)	7.9	5.0	23.5
Other standard categories of atmospheric emissions used in relevant regulations	49.1	13.1	40.9

² The Paris Agreement is an agreement under the United Nations Framework Convention on Climate Change that regulates measures to reduce the amount of carbon dioxide in the atmosphere.

Green projects

SASB IF-HB-410a.3

The Company's portfolio already includes three properties that have received a Green Zoom certificate: the Botanica residential complex, in St Petersburg; and the Silver Fountain residential complex and Residence on Pokrovskiy Boulevard, in Moscow.

In early 2023, the first building at the Company's Rauta project, in Ekaterinburg, successfully completed the pilot assessment for compliance with the GOST R 70346-2022 national green standard for apartment buildings at the project stage. The standard was developed by Russia's Ministry of Construction together with the Dom.rf development institute and approved in September 2022. At the testing stage, Dom.rf carried out a preliminary assessment of pilot projects' compliance with the standard.

The Rauta residential complex meets all the standard's key criteria: it offers class A energy efficiency and a white box finish; water- and energy-saving systems have been installed; the temperature at the property is maintained at a comfortable level; the complex is accessible and barrier-free; and the project meets the requirements for responsible construction. The project also meets a sufficient number of the standard's additional (optional) criteria for compliance purposes.



SOCIAL RESPONSIBILITY

Social responsibility is an important aspect of the Company's policy. For many years, Etalon Group has been supporting a variety of educational, environmental, social and charitable projects as well as projects related to historical education and sports. In doing so, the Company's aims are to promote a positive environment and a healthy society, to encourage socio-economic development in the regions where it operates and to establish a conducive business environment in those regions.

Development of social infrastructure

SASB IF-HB-410b.3

In 2022, Etalon Group opened three preschools and delivered one general secondary school.

House on Blyukhera residential complex, St Petersburg

A state-of-the-art new preschool for 160 children was opened as part of the House on Blyukhera residential complex. The preschool offers everything necessary for the development of young residents, including recreational activities: comfortable playrooms and sleeping areas, a swimming pool, a music room and a gymnasium, classrooms, a medical station and a curriculum office. Eight playgrounds for children in various age groups as well as an area for sports have been built on the landscaped, fenced-in grounds of the preschool.

- Prize winner in the 10th-anniversary competition Construction Quality Leaders 2021
- Nominee in the Best Social-Purpose Facility category

Galactica Premium residential complex, St Petersburg

A state-of-the-art preschool for 220 children and an advanced office for paediatrics, a branch of the city's paediatric polyclinic No. 35, which is expected to employ four paediatricians for the district and a neurologist and to house an examination and treatment room as well as a vaccination room, have opened on the grounds of the Galactica Premium project. The medical facility is designed to ensure that high-quality medical care is accessible to all young residents of the microdistrict. Once construction is completed, the project will be home to nine preschools and two schools.

Petrovskiy Landmark residential complex, St Petersburg

A three-storey preschool for 90 children, with a total area of about 3 ths sqm, opened at the Petrovskiy Landmark residential complex. The preschool houses a swimming pool, a music room and a gymnasium, playrooms and sleeping areas, a medical station and a curriculum office.



Etalon City residential complex, Moscow

A general secondary school for 625 pupils was delivered as part of Etalon City residential complex. Covering an area of almost 11 ths sqm, the school includes classrooms, two gymnasiums, a state-of-the-art auditorium, a dining hall with its own kitchen, a medical station, as well as an IT centre and laboratories for students in the natural sciences. In 2021, a preschool was delivered on the grounds of the complex. The preschool's proximity to the school means that children can continue their education without having to leave the microdistrict while also helping them form lasting social ties. The delivery of additional social amenities will create a balanced urban environment with developed infrastructure and a service ecosystem at the Etalon City residential complex, which will guarantee the comfort of residents.

In the future, the Group plans to build preschools and schools at other residential complexes as well. For example, the Company plans to build six preschools, two schools and a polyclinic at its Shagal residential project. The concept for one of the preschools, developed in 2022, calls for the use of natural

materials, the landscaping of about 40% of the grounds and the use of custom solutions to enable meaningful interaction between teachers and parents regarding the upbringing and development of their children.



The new preschools opened in 2022 and the school built by the Company have a combined area of c.

24
ths sqm

The educational institutions delivered by Etalon Group in 2022 are designed to serve up to

785
pupils



Interuniversity student campus at the Eurasian Scientific and Educational Centre

In 2022, Etalon Group and the Government of the Republic of Bashkortostan signed a concession agreement for the construction and subsequent operation of the interuniversity student campus at the world-class Eurasian Scientific and Educational Centre in Ufa.

The innovative, state-of-the-art campus will include residential buildings with room for 4,400 students, instructors and guests; an IQ park; a building that houses an auditorium and laboratory facilities; and a genome centre. The total area of all of the facilities is expected to be at least 133 ths sqm; the final parameters will be determined once the design documentation is completed.

Investments in these kinds of large-scale infrastructure projects contribute to socio-economic growth and increase the percentage of the working population, which creates demand for housing. That is why the Company expects to see a synergistic effect from combining its development competencies, large-scale investments and the efforts of the regional authorities to create a first-class scientific and educational cluster in the capital of Bashkortostan.

The innovative, state-of-the-art campus will include residential buildings with room for

4,400
students





Preservation of cultural and historical heritage

One of the fundamental principles of Etalon Group’s philosophy is to respect the history of the locations where its projects are being developed.

Participation in events commemorating Russian history

9 May – Victory Day

In the lead-up to Victory Day, Etalon Group took part in commemorative events in St Petersburg, Moscow and Omsk.

On the grounds of the Emerald Hills residential complex, in the Moscow suburbs, a solemn ceremony was held for Victory Day with the laying of flowers at the monument to the heroes of the Great Patriotic War (World War II), and a programme of events was prepared to mark the occasion.

In addition, as has become tradition, Group employees together with the students of School No. 690 in St Petersburg laid flowers at the monument to the heroic defenders of Leningrad, near the Swallow’s Nest residential complex.

Company representatives also visited the St Petersburg branch of the Russian Red Cross, where they greeted veterans of the Great Patriotic War and presented them with commemorative gifts. And in the Kirovskiy district of Omsk, where Etalon Group is building a new project, the Green River residential complex, Company representatives organised a gala concert, at the local cultural centre, for veterans and orphans of the war and presented them with nice gifts.

78th anniversary of the complete lifting of the siege of Leningrad

In the lead-up to the 78th anniversary of the complete lifting of the siege of Leningrad, Etalon Group took part in the organisation of commemorative events: Company employees together with students from school No. 690 – whose new building was constructed by Etalon Group – laid flowers at a monument to the heroic defenders of Leningrad, a memorial established by Etalon Group in 2013 in Utkina Zavod, near the Swallow’s Nest residential complex. In addition, representatives of the Company visited the Moskovskiy district branch of the Russian Red Cross in St Petersburg to greet veterans.

Preservation of urban heritage

Etalon Group is building the Silver Fountain residential complex and, at the same time, carrying out restoration work at the site of the Alekseevskaya water-lifting station, which is part of the capital’s cultural and historical heritage. The Company preserved the historical buildings, which, after restoration, were used to develop infrastructure for the residential complex, and it also restored the legendary Wallace fountain, the only one in Moscow.



Developing local communities

GRI 3-3 GRI 413-1

Creating comfortable surroundings

The needs of future residents are a constant priority when new residential complexes are being designed. Etalon Group is committed to creating not just housing but also a comfortable ecosystem for life, work and leisure, which is why it uses advanced urban-planning solutions.

The Company is changing the concept of the urban environment by developing projects where every important facility for residents inside the development can be reached within 15 minutes. This unique integrated-development concept is the basis of the Zil-Yug project, for example, which Etalon Group is building in the south of Moscow: a variety of housing types and architectural solutions, well-planned social amenities and transport infrastructure are within walking distance from any point in the development; the project ensure excellent visual permeability; pedestrian and transport routes are separated; and there is an abundance of landscaped green areas for recreation and walks—all of these features are combined to ensure comfortable conditions for future residents.

In addition, Etalon Group is committed to simplifying the management of its services and making them more efficient both for residents and for the operating company by applying new smart solutions. At the Silver Fountain residential complex in Moscow, for example, the Company is piloting a “digital neighbourhood” project that links up the utilities infrastructure of the residential buildings with the business processes of the developer and the service company.

At the very end of 2022, 17 Etalon Group sales offices in five regions joined a **social project aimed at creating a kid-friendly urban environment**. Now the doors of the Company’s sales offices in St Petersburg, Ekaterinburg, Omsk, Kazan, Tyumen and Moscow are marked with a sticker and have been added to a special map of kid- and parent-friendly places. Most of our sales offices meet three of the project’s requirements: bottled water is provided or a cooler is installed, bathroom facilities are available, and there is a children’s area with a little couch, colouring books and other forms of entertainment.

Local festivals

Every year, Etalon Group hosts events at its finished properties to celebrate the New Year, Knowledge Day, Cosmonautics Day, Victory Day and Maslenitsa, and the Company also pays a great deal of attention to regional holidays, which are especially important for the local population.

Knowledge Day in the Emerald Hills microdistrict

On 1 September, Knowledge Day was marked at school No. 18, in the Emerald Hills microdistrict, where Etalon Group's mascot presented first-graders with commemorative gifts that the children will find useful for their studies.

Builder's Day in Ekaterinburg

Etalon Group took part in celebrations to mark Builder's Day in Ekaterinburg and organised an attention-grabbing photo zone as well as intriguing workshops where participants could learn how to paint wooden magnets or attend a dance class.

4th Atmofest Eurasian Festival of Landscape Art

A landmark event for the city of Ekaterinburg was the fourth Atmofest Eurasian Festival of Landscape Art, where Etalon Group presented a multifunctional platform with a sandbox for children at its centre, alongside an area for workshops where visitors could learn clay sculpting, master smartphone-based content creation, discover how to make bracelets from stones or take part in many other interesting activities at the festival.

City anniversaries

To mark the anniversary of the founding of Ekaterinburg's Solnechniy district, which Etalon Group continues to develop, local businesses as well as youth performers and sports teams from the district presented an entertainment programme and conducted a variety of workshops.

On the 299th anniversary of Ekaterinburg's founding, the Company took part in Dance KB, a traditional dance festival, and held a competition for the best duo that featured the participation of the Company's mascot.

Festivities were also organised to celebrate the founding of St Petersburg and Omsk.

Children's Day in Omsk

Etalon Group helped arrange the celebration of Children's Day at the 30th Anniversary of the Komsomol Culture and Entertainment Park.





Education and awareness-raising

1/2

Etalon Group plays a role – as partner or organizer – in numerous educational projects aimed at informing residents about the specific features of their place of residence. The Company also works with schoolchildren and students to encourage an interest in architecture and to create a pool of talented young professionals. Etalon Group is happy to share its experience, and in return it gets a fresh new look at solutions to urban-planning issues.

Moscow through the eyes of an engineer

At late 2022, Etalon Group became a partner for the social and educational project “Moscow through the Eyes of an Engineer”, which discusses the architecture of the capital and monuments to the art of engineering. In December, the first tour of the historical buildings of the 19th-century Alekseevskaya water lifting station, part of the Silver Fountain residential complex, was held for the general public.

Builders of the future

As part of RBC’s Second Annual Forum on the Development of Infrastructure Projects in Russia, a foresight session called “Builders of the Future: Open Meeting of the Children’s Council under the Public Council of the Russian Ministry of Construction, Housing and Utilities” was held, where representatives of Etalon Group discussed the Company’s projects with young members of the Children’s Council. Following the session, Etalon Group was invited to join the working group for the “I Am a Builder of the Future!” project, to promote construction-related professions and incorporate ground-breaking new ideas from young people into its projects.

4th United Eurasian Congress “BIM Community 2022: People, Technologies, Strategy”

The fourth United Eurasian Congress “BIM Community 2022: People, Technologies, Strategy” was held in Moscow, at the House of Architects, with the support of Etalon Group. The Congress was attended by representatives of industry-related regional and federal government agencies, heads of professional associations and non-governmental organisations, universities, property developers and design bureaus, as well as developers of information systems. Participants discussed issues related to the digital transformation of the construction industry, an issue that both the state and the Company are now paying particular attention to.

Educational Laboratory for the Parametric Design of Objects d’Art

Etalon Group together with the Moscow Museum of Modern Art launched the Educational Laboratory for the Parametric Design of Objects d’Art for talented students in an effort to engage young professionals in the processes of designing and improving the urban environment. As part of an introductory session, 20 students selected to participate in a workshop through an open call and interviews listened to a series of lectures given by Etalon Group experts on their approaches to project implementation, the history of the location and the branding of the Shagal residential quarter, the largest not only in the nationwide developer’s portfolio but also in the entire city of Moscow.

BIMSkills-2022

BIMSkills-2022, the second nationwide competition for architectural and design works using information modelling technologies, was held in St Petersburg – one of the main events related to digitalisation in Russia, which is traditionally held at the initiative of and with support from Etalon Group.

The competition was held in every federal district of the Russian Federation; more than 300 students from specialised higher educational institutions as well as institutions of secondary vocational education from 35 Russian cities applied to take part. The winners were given an opportunity to complete an internship with the possibility of subsequent employment at leading Russian development and design companies that use information modelling technologies in their work.





Education and awareness-raising

2/2

Functional Diagram for the 300th Anniversary of Omsk Park

Etalon Group arranged a competition for students from construction-related educational institutions in Omsk to develop functional diagrams for the 300th Anniversary of Omsk Park. The finalists were offered a paid internship at the Company.

Sistema Fest

Etalon Group supported Sistema Fest, which was held in Omsk 23–25 September. The programme for the charity sociocultural festival included career guidance workshops, featuring speakers from Etalon Group, for students from schools and colleges; an environmental event; and a nationwide campaign focused on culture. During the festival, more than 2,000 spruce trees were planted, and participants were offered a tour of the construction site of the Green River residential complex.

Open City educational project

Etalon Group, as an official partner of the Open City educational project, conducted a tour for project participants of the construction site of the Shagal residential district. The most important goal of the project is to engage students from architectural universities in real architectural processes in collaboration with leading professionals from the architectural and development community.

Cooperation with St Petersburg State Agrarian University

Etalon Group and St Petersburg State Agrarian University signed a cooperation agreement aimed at improving education in the area of industrial and civil construction. Our collaboration will be aimed at improving performance in terms of training qualified personnel for the development sector and exchanging experience.

Tour of the Silver Fountain residential complex for students from the Russian Presidential Academy of National Economy and Public Administration and Moscow State University of Civil Engineering

Etalon Group conducted a tour, for visiting students, of the Silver Fountain residential complex, during which Etalon Group specialists described the structure of the state-of-the-art development project and explained how it was being built. They also talked about which professions are in demand at the construction site, showed the students how elegant facades transform the frame of the building and demonstrated various possibilities for interior design.

Tour for students from the Engineering and Construction Institute at the Peter the Great St Petersburg Polytechnic University of the construction site of the Moscow Gates II residential complex

Etalon Group conducted a tour for students from Peter the Great St. Petersburg Polytechnic University of the construction site of the Moscow Gates II project. Etalon Group specialists told students about the organisation of the construction process, described the main technologies used in housing construction as well as the materials used. In addition, they talked about occupational health and safety and the Company’s success using information modelling technologies.



Sport and health

Etalon Group encourages the adoption of a healthy lifestyle not only by sponsoring sporting events but also by engaging its own employees in sports.

Partnership with the Novosibirsk Region Athletics Federation

Etalon Group became the general partner of the Novosibirsk Region Athletics Federation. In this context, the Company will support the A. Raevich Siberian Running Festival (Novosibirsk half-marathon), a major event.

Builders Football Cup

The Etalon Group team finished in third place in the Builders Football Cup tournament, which took place at the Nova Arena in St Petersburg. The captain of the Company's team, Alexey Tabachenko, was named the tournament's top full-back.

Race of Heroes

Etalon Group took part in the Race of Heroes, in the Republic of Tatarstan, a patriotic project involving an extreme cross-country race. More than a thousand people took part in the competition, including Company employees.

Tsarskoye Selo Marathon

An Etalon Group team took part in the Tsarskoye Selo Marathon, held in the town of Pushkin. Company employees took part in the race together with their families, including their children.

ZaBeg races

Etalon Group employees took part in races throughout the entire country, demonstrating their love of sport and their team spirit, while also raising awareness of the Etalon brand.

Fontanka SUP

The Group took part in the Fontanka SUP international paddle board festival for the fourth time, having expanded its team to over 100 employees.



Environment

Healthy City project

In August 2022, an environmental drive was launched, with Etalon Group's support, in the Siberian capital of Novosibirsk, as part of the Healthy City social project.

Using the +1Gorod interactive online service, participants performed tasks related to responsible consumption and environmental impact reduction, attended online educational lectures given by experts, and also received interesting assignments and prizes from the project's strategic partner and co-organiser, Etalon Group.

Tree-planting drive

Etalon Group supported a tree-planting drive in the Kalininskiy district of St Petersburg. As part of the event, participants put down lawns and flower beds, and they also planted trees and shrubs at the House on Blyukhera project.

Zil Veterans Alley at the Shagal residential project

An alley on honour of former employees of the Zil automobile factory was established at the Shagal development project. Company executives and employees together with former staff of the Zil plant planted 15 five-metre-tall maple trees and erected a commemorative plaque.

An alley of maple trees will be part of a green framework surrounding the future residential district. Landscaping and greenification work will be carried out on around 50% of the grounds of the Shagal residential quarter, which exceeds 100 hectares. New public gardens, tree-lined avenues and city squares will be added.

Omsk Garden City volunteer movement

Etalon Group took part in a campaign to create green space along an embankment in the city of Omsk; the event was organised by the Omsk Garden City volunteer movement. The Company purchased more than 600 seedlings to be planted and involved employees and their families in making improvements to urban green space.

Planting maple trees

Etalon Group once again supported an environmental initiative of Delovoi Peterburg, at Hero Cities Park (Pulkovo Park), where maple trees were planted as part of the Business Alley project.

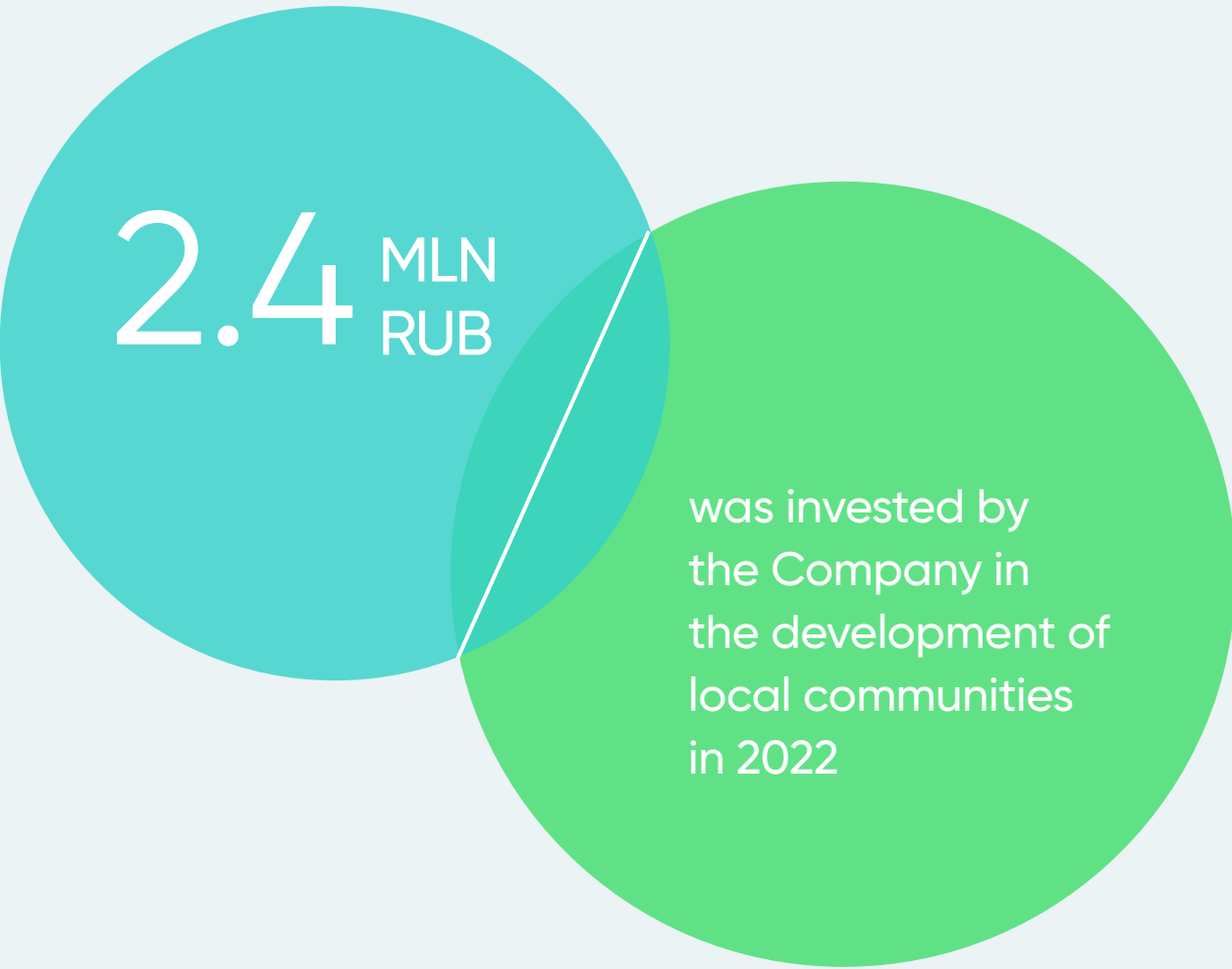


Climate Hackathon

The 2022 Climate Hackathon, organised by the forestry holding Segezha Group, was held in Moscow. Around thirty students from the Russian Presidential Academy of National Economy and Public Administration's Business Studies Institute took part in the event. Etalon Group offered students an opportunity to work on a real case that involved updating its ESG risks and developing proposals concerning the focus and priorities of its ESG strategy. Following the event, the students were given an opportunity to complete an internship or to write their graduation thesis on the basis of real cases from leading Russian companies.

Community development programmes

	2020	2021	2022
Community development programmes			
Number of events/programmes	17	19	20
Amount invested in the development of local communities, RUB mln	3.8	2.5	2.4



Charity

Every year, Etalon Group provides charitable assistance to various social facilities, finances sports and recreational events, and supports charitable foundations.

New Year’s Miracle and Tree of Wishes

In late 2022, Etalon Group employees were involved in supporting New Year’s Miracle, an online campaign to raise funds to arrange individual tutoring for children in the child-welfare system.

The New Year’s Miracle campaign was held for the second time as part of a fundraising project implemented by the Sistema charitable foundation in partnership with a foundation of volunteers who assist orphans. The project helps children living in child-welfare institutions to prepare for their final exams and post-secondary entrance exams in order to help them learn a profession, which would give them a chance to find employment and improve their lives.

During the campaign, about RUB 600 thousand was collected in the form of private donations, which will be spent on nearly a thousand hours of individual classes with teachers to help the children fill in academic gaps and prepare for exams. In addition, among the more than 20 companies that took part, the largest total donation came from Etalon Group employees.

A winter garden in every home

Etalon Group was a partner for the Winter Garden in Every Home charity event in St Petersburg.

As part of this campaign, Company employees and other volunteers carefully prepared plants from the winter garden of the former Leningrad Youth Centre and gave them to St Petersburg-based organisations as well as interested residents. Everyone involved was able to take the plants home free of charge, and they also received keepsakes.



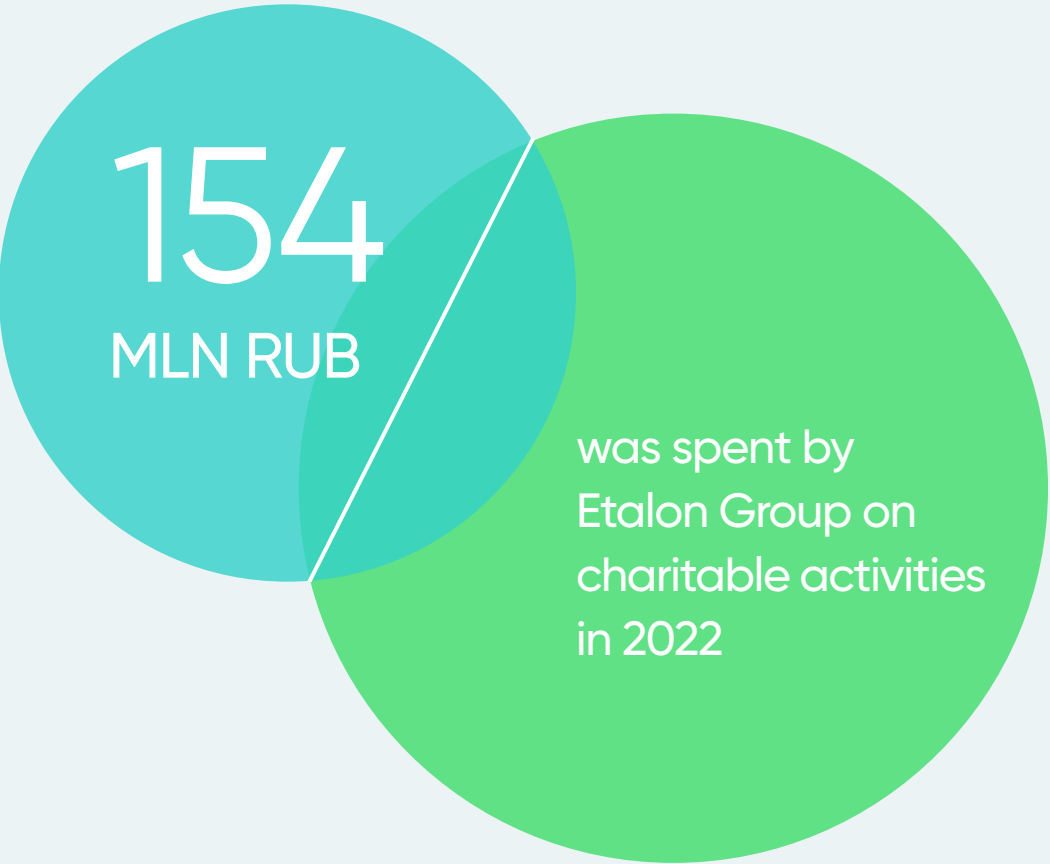
Special event at Family Support Centre

On Knowledge Day, 1 September, Komsomolskaya Pravda v Sankt-Peterburge together with its partners, including Etalon Group, organised a special event at Family Support Centre No. 2, on Vasilievskiy Island with the participation of the Red Cat – the mascot of Etalon Group.

Wastepaper collection

The Company supported an initiative to collect wastepaper as part of a charity project to support children’s education. Etalon Group was the leader among participating companies.

	2020	2021	2022
Charity			
Number of charity events/ programmes	14	28	48
Amount of charitable assistance provided, RUB mln	46.3	53.9	154.4



RESPONSIBLE SUPPLY CHAIN

When procuring works, services, materials and equipment, Etalon Group prefers to choose counterparties through a competitive selection procedure and arranges uninterrupted supplies with due regard for cost-effectiveness and production efficiency.

Etalon Group’s key procurement principles:

fair competition, by conducting procedures aimed at creating a reasonable level of competition among potential participants

equal treatment of and a **uniform approach** to all participants in the procurement process, by establishing equal competitive opportunities and uniform rules for all participants before the procedure begins

economic feasibility, by assessing the need for procurement at any stage of procurement activities

transparency of the procurement procedure, by enabling procurement oversight at any stage





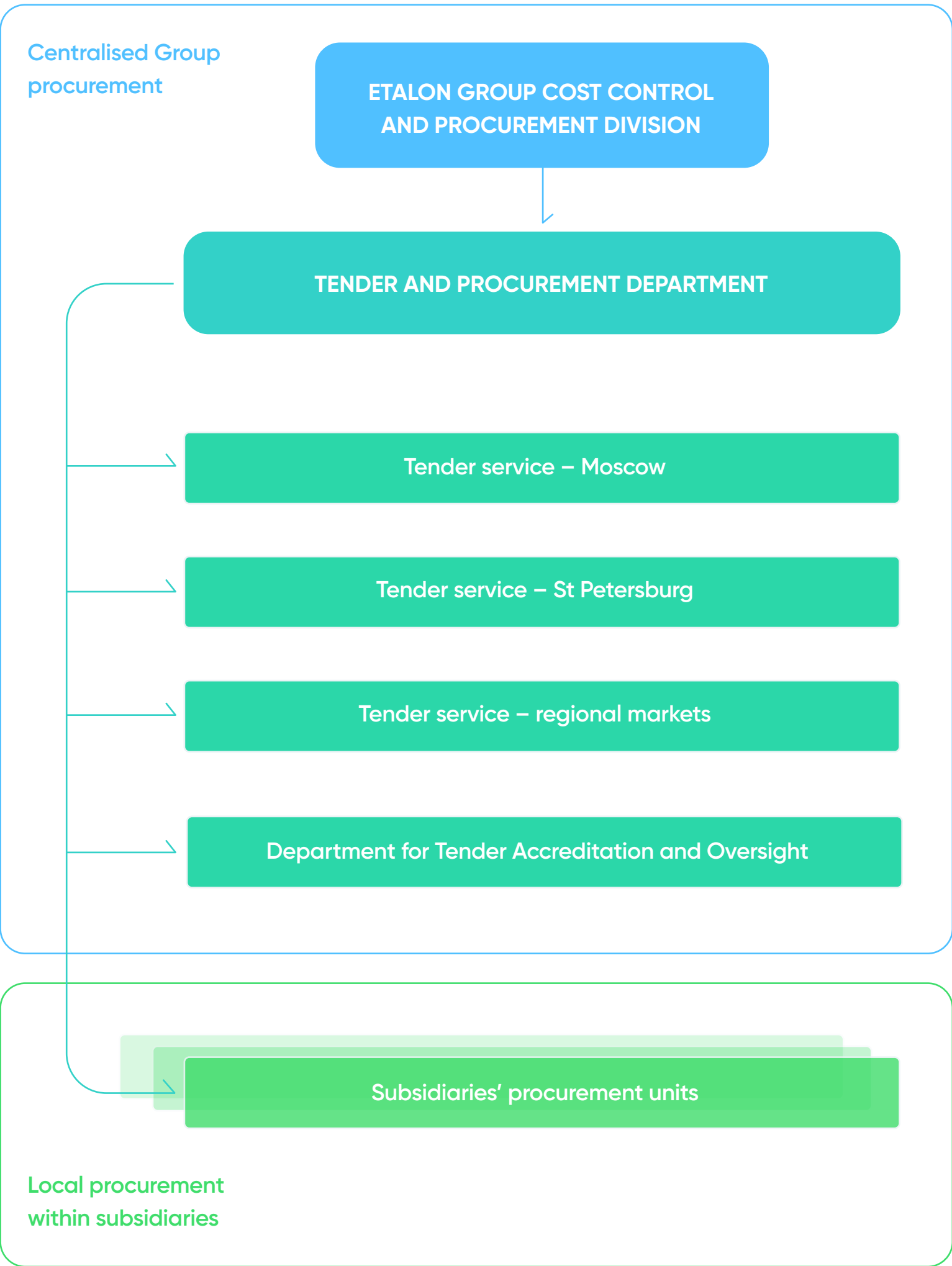
Regulatory framework and approach to procurement

Since ensuring the fair selection of contractors is the core principle of Etalon Group's procurement activities, the Company selects suppliers and contractors on a competitive basis. The applicable laws of the Russian Federation provide the basic rules for relations with counterparties in the procurement process.

The by-law regulating tenders is the Regulation on Conducting Tenders within Etalon Group, the main purpose of which is to avoid violations of antitrust law and unfair competition, as well as to oversee the selection of suppliers of materials, works and services. The Regulation contains requirements for companies participating in procurement procedures in order to ensure that all participants in the process comply with the principles of due diligence.

Procurement management

Etalon Group has a central unit that is responsible for issues related to its procurement activities: the Tender and Procurement Department, which is part of the Cost Control and Procurement Division. The department includes regional tender services (Moscow, St Petersburg and other regions) as well as the Department for Tender Accreditation and Oversight. The department develops and approves the procurement methodology, initiates and conducts procurement procedures in the Company's various business streams, and provides methodological support to all Group subsidiaries and structural units. In order to achieve operational efficiency, the Group's subsidiaries also have procurement units.



Approach to the selection of suppliers and contractors and to procurement planning:

1

The Tender Committee, an Etalon Group standing committee, helps ensure open competition between counterparties and helps determine the Group's optimal conditions for collaboration. The Tender Committee appoints experts on specific issues and determines the winners of competitive tenders. The Committee is also authorised to select a reserve winner in case the company that wins the tender decides not to sign a contract.

2

After undergoing **standard vetting**, all candidates for participation in tender procedures – if they meet all the requirements – are added to Etalon Group's **Register of Accredited Contractors and Suppliers**.

Then, once a quarter, the Company **conducts random reviews of counterparties** on the basis of the following key criteria: quality, compliance with deadlines, safety, fulfilment of contractual obligations and accounts receivable owed to Etalon Group.

3

To keep a record of the Company's relations each counterparty and to assess its performance, Etalon Group creates a **dossier for every counterparty** in the Register of Accredited Contractors and Suppliers.

4

Etalon Group prepares a quarterly **tender schedule** for the purposes of procurement planning. Posting the schedule in the public domain ensures that the Group's procurement procedures are transparent and accessible to all market participants.



CHALLENGES IN 2022

In March 2022, the construction industry entered a challenging period, partly in connection with disruptions in logistics and the supply chain.

The Group's core business units carried out systematic work to establish new supply chain logistics for materials and equipment:

1

A working group was formed to coordinate and amend the Group's existing design solutions in order to take measures to replace materials with others that were more accessible from a logistics perspective (import substitution measures).

2

Contracts were concluded with customs brokers and arrangements were made for supplies of construction materials and equipment from countries such as China and Turkey.

3

A large amount of experience was gained in terms of successful supplies of materials from China and Turkey.

Thanks to the effective implementation of the above steps, the Group currently has very little dependence on materials supplied from European countries.

2022 DEVELOPMENTS

1

A new regulation on the Group's procurement activities was initiated, for the purpose of improving procurement activities with due regard for the main market development trends and challenges. The new regulation includes more stringent requirements for participants in procurement procedures and a methodology for conducting procurement through electronic trading platforms.

2

More stringent requirements were developed for assessing counterparties

3

The concept of categorised procurement management and sustainability and social responsibility measures (ESG principles) are to be taken into account when selecting suppliers.

4

Changes to preparing tender schedule: the procedures were updated to include an improved methodology for determining the procurement plan for the entire Group, and oversight of implementation of the plan was bolstered in order to identify the reasons for any potential deviations from the plan.

2022 RESULTS

13 %

year-on-year increase in Etalon Group's procurement volume

27 %

year-on-year increase in the number of counterparties

included in the Register of Accredited Contractors and Suppliers, thanks to regional expansion and diversification of the supplier pool

90 %

of the Group's core construction materials are purchased centrally

through a Group-wide trading company

95 %

of applications to supply materials were transferred to the Company's digital ecosystem

90.6 %

of procurements made from SMEs

Procedure for screening suppliers and contractors

To ensure that procurement is competitive, Etalon Group establishes additional criteria for assessing counterparties in terms of their technical and functional capabilities as well as financial and economic requirements. In 2022, together with Etalon Group's oversight units, new, more stringent requirements were developed and incorporated in the form of qualifying benchmarks.

The verification and selection of counterparties are carried out in several stages:

- 1

An initial review of the supplier on the basis of a questionnaire and also on the basis of open and accessible information about the counterparty.
- 2

The standard review by the Economic Security Department is aimed at identifying risks and confirming trustworthiness in the context of counterparties' financial and economic activities, as well as confirming that a counterparty has the necessary experience, permits and special-purpose authorisations.
- 3

The accreditation of counterparties is aimed at populating and updating Etalon Group's Register of Accredited Contractors and Suppliers, and it provides an accredited company with an opportunity to participate in Etalon Group tenders worth RUB 3 million or more. Decisions to add counterparties to or remove them from the register is taken by the standing Accreditation Committee, which includes the heads of Etalon Group companies and specialised units.
- 4

Etalon Group's Tender and Procurement Department monitors the fulfilment of obligations on the part of counterparties selected through procurement procedures. Reviews of counterparties are carried out according to the key criteria, such as quality, compliance with deadlines, safety, fulfilment of contractual obligations, and whether or not they have any outstanding accounts receivable owing to Etalon Group companies. The Department consolidates information on each counterparty and keeps a record of it in company dossiers.
- 5

Companies from the Register of Accredited Contractors and Suppliers that have enjoyed long-term, mutually beneficial partnerships with the Group may be considered for inclusion in the Group's Register of Strategic Partners. The decision to add a company to or remove it from the Register of Strategic Partners is made by Etalon Group's Board of Directors.

>7,000 —→ 1,751

counterparties were in Group's list of potential suppliers

of which were included in the Register of Accredited Contractors and Suppliers and entitled to participate in Group tenders worth RUB 3 million or more.





Minimisation of ESG risks in the supply chain

Etalon Group pays close attention to compliance on the part of its suppliers and contractors with established requirements in the areas of fire and industrial safety, occupational health and safety, waste and natural resources management, and public health. The Company does a lot of work to monitor compliance with these requirements and purchases materials exclusively from environmentally responsible suppliers that have been duly certified.

Progress in minimising ESG risks in the supply chain in 2022:

- **Codes of business ethics were developed and introduced for suppliers and contractors**, stipulating that the Group's partners must comply with sustainability principles. Violators of these requirements are subject to the penalties provided for in the corresponding contracts, including possible removal from the Group's Register of Accredited Contractors and Suppliers.
- **A safety standard for construction sites** was developed and incorporated; in accordance with the applicable methodology, the standard determines the level of safety at a particular property, and it also reinforces the basic requirements of laws on safe working practices and environmental protection.

Supply structure

Etalon Group carries out centralised procurement through its Tender and Procurement Department, while local procurement is carried out by the tender divisions of Etalon Group companies. The Group's procurement activities are conducted through direct interaction with counterparties, without intermediaries.

In 2022, the Group continued taking steps to centralise its procurement. In this context, by-laws aimed at centralising the procurement of construction materials, works and services were developed and approved.

Supply chain

SUPPLIERS	2020	2021	2022
Moscow region			
Number of local suppliers	495	644	745
Number of other suppliers	26	41	65
St Petersburg			
Number of local suppliers	537	637	710
Number of other suppliers	67	56	75
Other regions			
Number of local suppliers	-	-	128
Number of other suppliers	-	-	28
Group total			
Local suppliers	1,032	1,281	1,583
Other suppliers	93	97	168

Procurement volume

PROCUREMENT	2020	2021	2022
Procurement volume, RUB mln	31,836	38,204	43,335
including the volume of procurement from small and medium-sized enterprises (SMEs), ¹ RUB mln	25,955	31,146	39,261
Number of SME suppliers	731	923	1,187

¹ Companies with up to 100 employees.



Procurement automation

One of the Company's strategic priorities is to automate and digitalise its procurement activities.

In 2022, the automation of the centralised procurement of materials continued:

- Thanks to the introduction of specialised software for automated processing of applications to supply materials, up to 95% of applications were transferred to the Company's digital ecosystem, which increased the speed of application processing
- In conjunction with the Project Oversight and Analytics Department, a project was launched to automate procurement procedures using 1C software. In 2022, the Company digitalised tender procedures for a number of stock item groups as well as construction and installation works
- In November 2022, following testing, providers of the largest electronic trading platforms were approved for use for Etalon Group's procurement. Under the new Procurement Regulation, up to 80% of the Group's procurement will be carried out through independent electronic trading platforms

Relations with suppliers and contractors

In order to improve the procurement process, establish beneficial collaboration and improve the quality of services provided by suppliers and contractors, the Company regularly collects and analyses feedback from suppliers and contractors, through two main communication channels:

1

The hotline on the Group's website

2

A checklist that contractors complete after fulfilling a contract. The checklist gives contractors and suppliers space to add all their comments and recommendations concerning their collaboration with Group divisions and companies; that feedback is then taken into account in order to create conditions for mutually beneficial cooperation.

To ensure the quality of services provided by contractors and the overall development of professionalism in the industry, the Company regularly conducts training activities:

- the Group's partners provide training for contractors on the use of new materials and equipment when delivering supplies to properties
- Etalon Group's Quality Department and Testing Laboratory arrange training for contractors where specialised departments demonstrate the standard way to perform certain types of work in accordance with regulatory and technical documentation
- Specialised training for staff regarding equipment installation is carried out by the manufacturer's technical experts





4

SUSTAINABILITY
REPORT
2022

SAFETY





OCCUPATIONAL HEALTH AND SAFETY

GRI 3-3

Occupational health and safety policy

In its operations, Etalon Group is guided by applicable laws and best practices, and also uses digital technologies to monitor compliance with workplace safety requirements.

When carrying out its operations, the Company is committed to ensuring workplace safety in such a way so as to minimise the risks of injury and protect the health of both its personnel and the employees of contractors.

Our top priority is the health and safety of our employees. We pay close attention to regular monitoring of compliance with requirements on occupational health and safety (OHS) and improve our security procedures to avoid accidents at our facilities.

Etalon Group's occupational health and safety policy is based on the following:

The unquestioned priority of protecting the life and health of employees

Providing PPE for employees at construction sites

Strict compliance with applicable laws specifying the requirements for occupational health and safety, and facilitating state oversight and monitoring of compliance with OHS requirements

Arranging OHS training and medical examinations for employees working in hazardous and/or harmful working conditions

Targeted monitoring and assessment of working conditions, including additional multistage monitoring of workplace safety and the development of OHS measures

Protecting the legitimate interests of employees injured in accidents at work as well as the interests of their family members

Etalon Group is guided by standards and policies based on compliance with the requirements of Russian OHS laws:

1

Regulation on the Occupational Health and Safety Management System at Etalon Group

2

Methodology for Determining the Safety Index at Etalon Group Construction Sites

3

Methodology for Monitoring Fire Safety at Temporary Construction Camps at Etalon Group Construction Sites and for Determining the Fire Safety Index

4

Procedure for the Authorisation and Monitoring of Contractors for the Performance of Construction and Installation works at Etalon Group Facilities

5

Rules and Regulations for Providing the Company's Employees with Personal Protective Equipment (PPE) and First-Aid Equipment

Occupational health and safety system

GRI 403-1 GRI 403-2

- 1

Concept:
the Company regularly develops new approaches to OHS management based on the leading global and Russian standards.
- 2

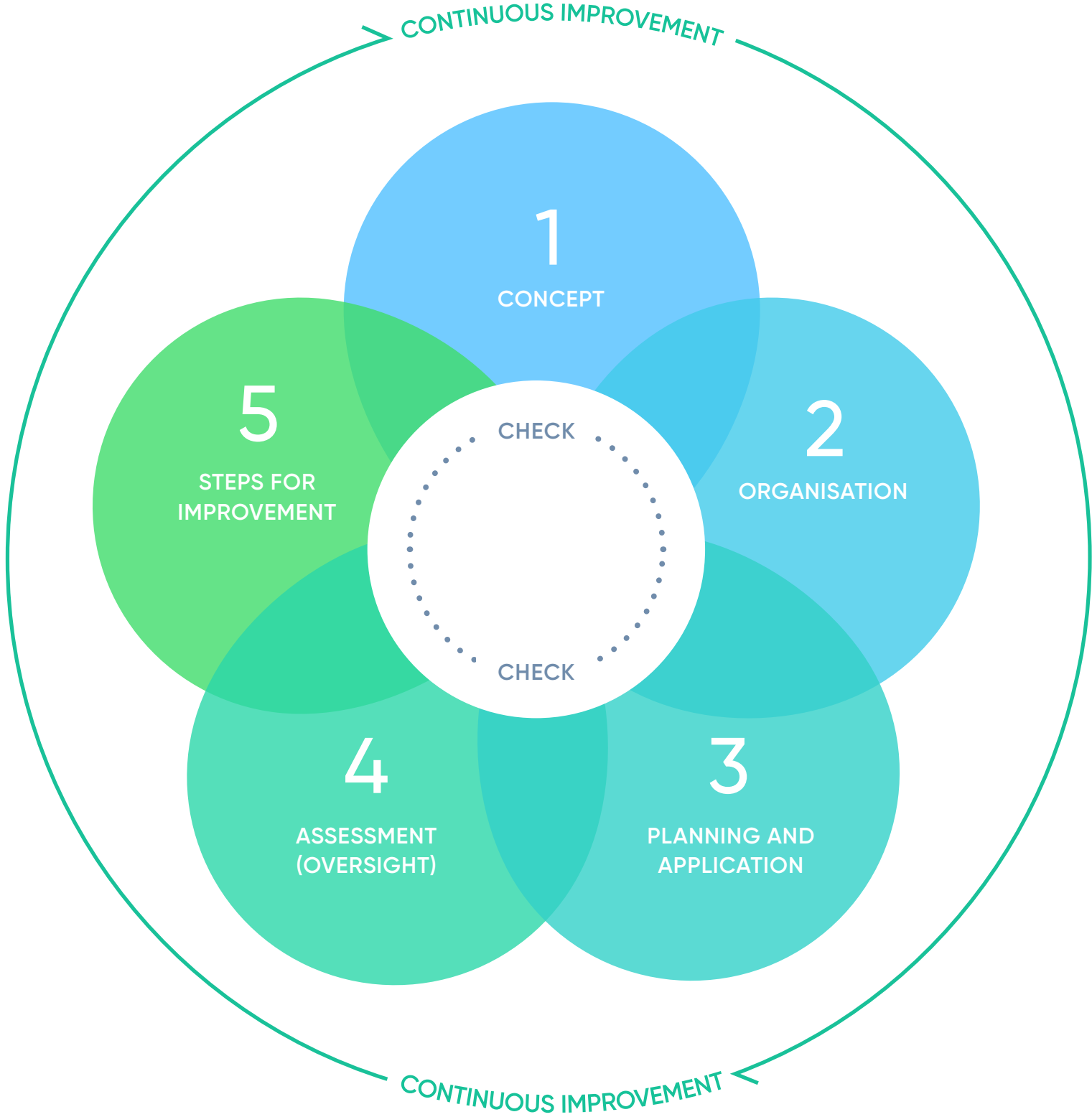
Organisation:
based on standards and regulations, the Company takes actions aimed at the creation, application and functioning of the OHS management system.
- 3

Planning and application:
In achieving every one of its goals, the Company operates in strict compliance with its OHS concept.
- 4

Assessment (oversight):
safe and efficient operations are impossible without oversight of the processes involved in ensuring occupational health and safety: monitoring, measuring and analysing results, as well as their compliance with OHS-related laws, internal policies and approaches.
- 5

Steps for improvement:
The Group constantly analyses its OHS management results and introduces changes to make the system more effective.

Safe operations are an unwavering priority for Etalon Group. We set ourselves a goal and do everything possible to protect our workers from exposure to occupational hazards, to prevent workplace accidents and occupational diseases, and to improve our culture of safe operations and productivity.



Key elements of the OHS system:

- Managers at all levels are personally responsible for ensuring an adequate level of occupational health and safety in the divisions and companies they manage
- The construction process takes place in strict compliance with OHS requirements
- Regular independent risk monitoring is carried out at Etalon Group properties
- Participants in the construction process are motivated to ensure occupational safety and health
- Company employees undergo systematic OHS training

Main indicators of the effectiveness of the OHS system:

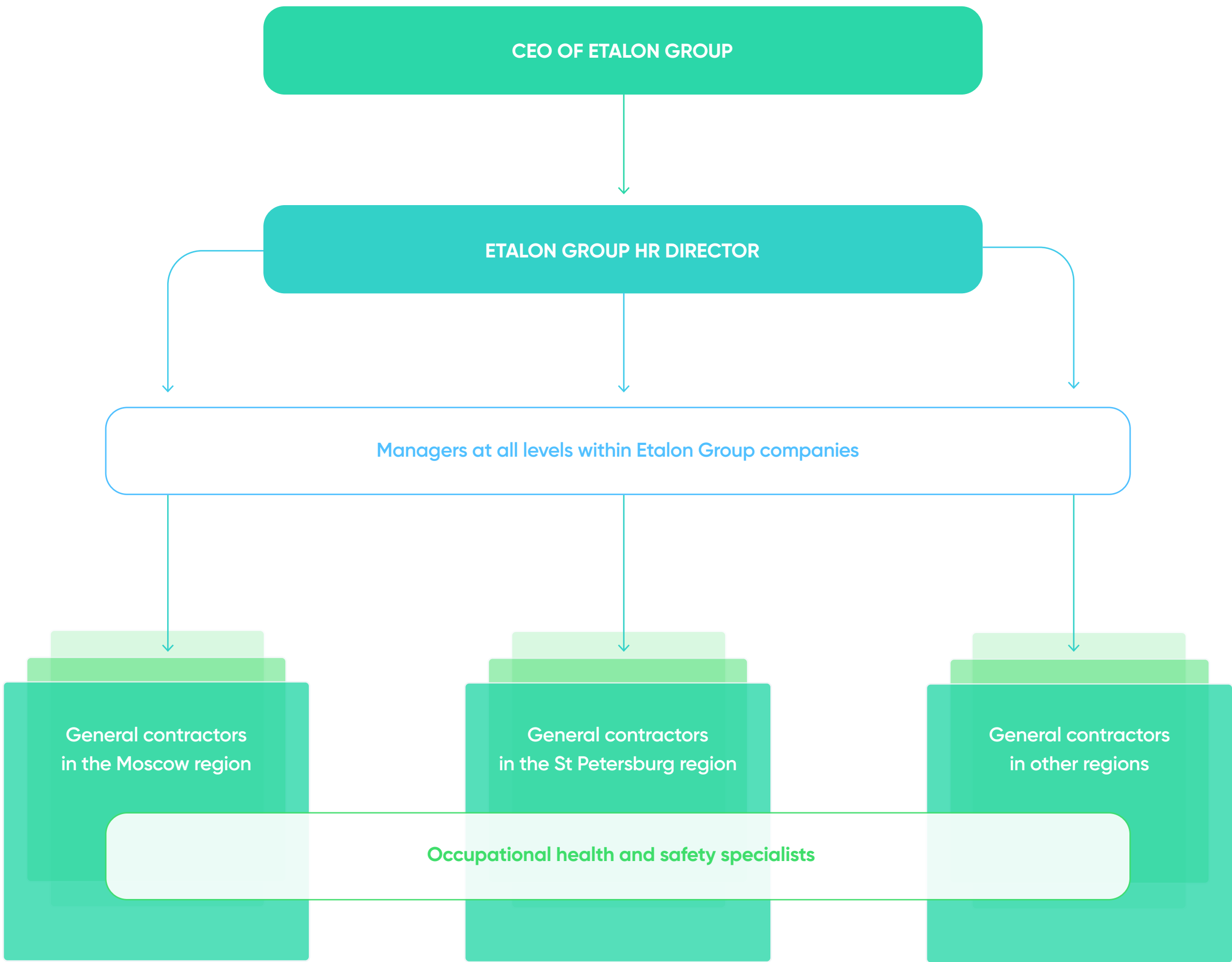
- the level of security and of occupational health and safety at construction sites, as expressed through the safety index and risk assessments (for more about the safety index, see p. 68)
- the accident rate at construction sites
- In the event of an accident or emergency, the Company conducts an investigation to identify the causes of the incident and prevents the recurrence of such events in the future. The OHS service receives monthly reports on compliance with OHS rules and regulations and on the situation regarding workplace injuries from every Etalon Group company. This practice makes it possible to identify and analyse OHS violations at the Group level as well as to identify key areas where the OHS system can be improved in order to minimise safety violations, prevent risks and avoid serious and fatal injuries.



Organisation of the OHS service

GRI 403-8

Etalon Group has established a functional OHS hierarchy as a separate part of its oversight system, which helps ensure that the system operates as intended.



The functional hierarchy is headed by the CEO of Etalon Group, who is responsible for monitoring OHS issues through the HR Director. The functional hierarchy for occupational health safety includes the following Etalon Group divisions and employees:

- Etalon Group HR Director
- Etalon Group's Occupational Health and Safety Department
- Managers at all levels within Etalon Group companies
- OHS departments and OHS specialists at the level of Etalon Group companies

Our construction sites are extremely safe thanks to the precautions we take and the constant improvement of our OHS system.

Contractors also operate at Etalon Group's construction sites. In accordance with OHS regulatory requirements, general contractors are responsible for coordinating the operations of other contractors.

The main duties of staff responsible for occupational health and safety include managing activities in order to prevent occupational injuries and diseases and to comply with OHS requirements at construction sites; studying, incorporating and disseminating OHS-related best practices; conducting safety monitoring; and informing and advising employees on OHS issues.

Construction and installation works are carried out in accordance with project plans and process checklists that are approved in accordance with established procedures.





OHS activities

Risk identification and assessment

GRI 403-2

In the event of any changes or innovations in work practices, the selection of materials, work processes and equipment, Etalon Group employees take steps to identify hazards and assess risks.

The main risk groups are included in a unified register of the main hazards, sources and causes. The safety index and fire safety index are used to monitor these risks. Monitoring results are posted on the bulletin board at each construction site.

Before starting work at a construction site, a list of preventive and oversight measures is drawn up to ensure safe working conditions. In addition to regular monitoring, an additional mechanism for minimising risks is for employees to inform managers or OHS specialists about existing risks as they are discovered.

Employees' job descriptions stipulate that they are obliged to refuse to perform any work that poses a risk to their health or their life. In such a case, the employee has to prepare a memo addressed to their manager that indicates the reasons for refusing to perform the work in question. There is no penalty for refusing to perform work in such a case. The manager is obliged to take measures to eliminate risk factors, and the employee in question will continue their work only once corrective actions have been taken.

Equipment safety protocol

All equipment used by Etalon Group is certified in accordance with Russian legal requirements. The Company also conducts internal equipment inspections to ensure that it is installed properly and serviced on a regular basis.

Preventing workplace injuries

GRI 403-2

In order to prevent injuries and safety violations, the Company implements a range of measures, such as incorporating safe production systems, limiting the total time that employees are in contact with harmful or hazardous production factors, and conducting a preliminary risk analysis and subsequent regular safety monitoring.

A dedicated assessment of working conditions is carried out at all workplaces. Employees performing work duties at construction sites are given protective clothing, footwear and other personal protective equipment, and employees undergo periodic medical examinations based on the results of an assessment of their working conditions. Workplace injuries are investigated in accordance with the laws of the Russian Federation. Contracts concluded with healthcare providers stipulate that a general practitioner will be available on-site for all groups of employees once a month.

Rate of workplace injuries

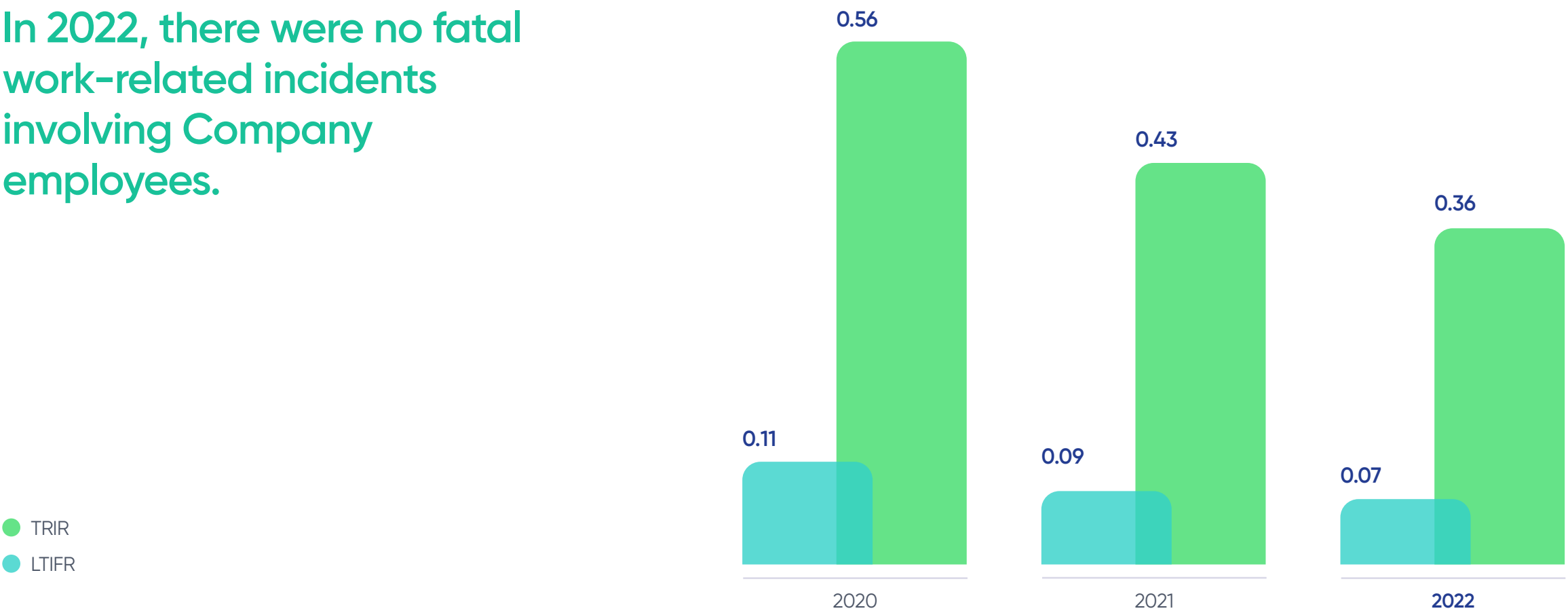
GRI 403-9

SASB F-HB-320a.1

INDICATOR	2020	2021	2022
Number of fatal accidents	-	-	-
Number of employees of contractors (employed at Company properties) injured as a result of work-related accidents	3	2	2
TRIR ¹	0.11	0.09	0.07
LTIFR ²	0.56	0.43	0.36
Number of registered cases of occupational diseases	-	-	-
Number of registered deaths due to occupational diseases	-	-	-

Occupational injury rates

In 2022, there were no fatal work-related incidents involving Company employees.



¹ The total recordable incident rate (TRIR) is the overall number of accidents*200,000 / total number of working hours during the year.
² The lost time injury frequency rate (LTIFR) is the number of lost-time injuries occurring in the workplace*1,000,000 / total number of hours worked by all employees.



Monitoring

GRI 403-4

Strict rules are in place regarding the technical features, installation, use and dismantling of enclosing structures, scaffolding and walkways; observance of hazardous-area boundaries; and the handling of flammable materials, garbage and waste that are mandatory for all Etalon Group employees. At construction sites, all safety fencing is regularly checked for strength and resistance to variable force.

In order to prevent injuries, the degree of risk – the quantitative degree of risk of a workplace accident at the property in question, as calculated in accordance with the Fine–Kinney method – is used at all construction sites. In accordance with the established risk level, the Company takes the necessary measures to eliminate or minimise the risks.

To monitor and maintain a high level of construction safety, the Company developed and introduced a safety index – a workplace safety monitoring system based on BIM technologies – that it continues to refine every year. Independent safety index assessments of individual properties and of all Etalon Group construction sites in general are conducted on a regular basis. The safety index is also used to monitor the impact of the OHS system and the functional hierarchy for the management of OHS processes. The heads of regional divisions are responsible for arranging regular independent monitoring of Company properties based on the safety index.

Managers working for the project owner have the right to monitor the general contractor’s fulfilment of OHS rules and regulations as well as on-site regulations on occupational health and safety, industrial safety and fire safety.

At each construction site, at least two employees during every shift are responsible for continuous monitoring of the collective protection measures in use as well as the fencing around hazardous areas; they make sure there are no uncovered process-oriented openings, holes or open elevator shafts on every floor of the property.

Etalon Group companies also undergo scheduled and spot inspections by regulatory authorities.

Etalon Group uses a three-stage system for monitoring compliance with OHS and fire safety requirements at its construction sites:

Daily:
During workplace rounds throughout the day, the superintendent monitors compliance with OHS requirements. Any violations discovered are immediately rectified.

Weekly:
Site supervisors in conjunction with superintendents carry out inspections; the results are logged, timelines are set for addressing any deficiencies, and the individuals responsible for doing so are appointed.

Monthly:
A commission that includes the construction manager, the site manager and designated representatives of contractors carries out inspections. Following each inspection, a report is drawn up that is then sent to the OHS specialist at the corresponding regional office.

Etalon Group is committed to providing safe working conditions at its construction sites and requires the same on the part of contractors; therefore, the Company carries out strict oversight of compliance with OHS requirements on the part of contractors performing work at Etalon Group properties. For example, it conducts OHS assessments when holding tenders to select contractors and when deciding whether to add a contractor to, or remove one from, its register of accredited companies. Contractors are granted access to sites based on the results of an assessment of their readiness to begin work, which includes, among other things, an assessment of their compliance with OHS and fire safety requirements. Once every two weeks, construction sites are monitored pursuant to the methodology for determining the safety index and degree of risk. Monitoring results, including photographic evidence of violations, are shared on a special platform that can be accessed by all managers of the companies concerned. Based on the monitoring results, the necessary measures are taken to correct any identified violations.

To encourage compliance with the corporate safety culture, the best construction site in terms of occupational health and safety is chosen twice a year; the winning site receives a flag that identifies it as the winner as well as a gift from Etalon Group.



Safety index

Since 2014, the Company has been using its safety index, a tool developed in-house, to determine its degree of compliance with OHS regulations at construction sites. The index is calculated based on an objective assessment of compliance with OHS standards; the same approach is taken to calculate the safety index at all Etalon Group construction sites. The index enables the Company to quickly identify hazards that require immediate intervention.

The safety index at every Etalon Group property is updated at least once every two weeks. The main criterion for assessing the degree to which OHS standards are met is a construction site's compliance with national OHS standards and the Company's internal OHS regulations.

The managers of the general and other contractors that work for Etalon Group are required to ensure that the safety index at Group properties does not fall below the minimum permissible score. Scores can range from 0% to 100%, but the target index for Etalon Group is a minimum of 75%. If an accident results in a serious injury or death, the safety index score for the construction site where the accident occurred drops to 0%.



Average safety index for the year



The safety index makes it possible to conduct effective monitoring of OHS practices and equipment at Etalon Group's construction sites, to receive up-to-date information from monitored sites in real time, to see the locations of safety violations in 3D and to determine the locations of hazardous situations that require immediate intervention.

Deviation of the actual index score from the approved minimum may be one of the elements included in the incentivisation system for the staff from regional offices and general contractors.

Etalon Group's high safety index score is an indicator of the Company's compliance with safety standards and regulations.

Monitoring process using the safety index

When conducting inspections using the safety index, the inspector inputs the appropriate assessment for the control points (positive or negative) or, in case of factors posing a critical degree of risk, enters the relevant information into a separate functional window of the programme. When the inspection is completed, the results are uploaded to the BIM system, including the

safety index for the specific control points and a total for the facility as a whole, as well as the coordinates of control points requiring a prompt response from the relevant employees. The uploaded results and actions needed to rectify the corresponding safety issues are transferred to the relevant Etalon Group employees.

Circles represent control points

- White circles represent control points that have not yet been checked.
- Green circles represent control points that have already been checked.
- Orange circles represent control points that have been checked and where safety violations have been found.



Training

GRI 403-5

To ensure that employees have a high level of competence in terms of OHS matters, the Company arranges systematic training and testing.

The Company has approved a training programme on occupational health and safety, and commissions verify employees’ knowledge. Staff not only undergo training but also take exams at specialised training centres operated by Rostekhnadzor, Energonadzor and other organisations.

The head of every Etalon Group company whose job function involves being at construction sites (including infrequent visits, checks, inspections, etc.) must be OHS-certified in accordance with the procedure established by the applicable laws.

Employees are informed about occupational health and safety during OHS briefings. All new employees are required to familiarise themselves with results of a dedicated assessment of their working conditions and with their job description, including OHS-related duties.

Employees who are required to undergo compulsory training do so at specialised training centres. The results of the training are subsequently monitored by Etalon Group’s commissions to verify employees’ knowledge of OHS requirements.

Training sessions are conducted not only with Etalon Group staff but also with employees of contractors. In 2022, OHS briefings covered the following main topics:

- the requirement to take OHS issues into account when performing construction and installation works
- the safety index and risk assessment training



OHS training in 2022

	NUMBER OF PEOPLE TRAINED	NUMBER OF HOURS	
		TOTAL	PER PERSON
Moscow region			
Management	-	-	-
Line employees	9	324	36
St Petersburg			
Management	49	969	20
Line employees	72	408	6
Other regions			
Management	3	48	16
Line employees	-	-	-
TOTAL	133	1,749	13

The decrease in the number of OHS training hours per person was due to an extension of existing accreditations. Nevertheless, the Company regularly certifies employees based on their knowledge of OHS standards.



DATA PROTECTION AND CYBERSECURITY

Customers' personal data protection

As the construction industry becomes increasingly digitalised, the risks associated with cybersecurity are growing. The storage of large amounts of information about properties in electronic form, including technical, financial, confidential and other data, as well as the processing of the personal data of our customers raises questions about the construction industry's potential increased vulnerability to hackers. That is why we pay a great deal of attention to protecting our own data and that of our customers by improving cybersecurity. Maintaining data confidentiality and creating secure channels for data transmission are of paramount importance to us.

Etalon Group's Security Division is responsible for developing policies and standards as well as for implementing them and putting the necessary information infrastructure in place.

When collecting, processing and storing personal data, the Company is guided by the laws of the Russian Federation and its own by-laws. In order to ensure the confidentiality of customer data, Etalon Group adheres to the following key documents on information security:

- Information Security Policy
- Personal Data Processing Policy
- Information Security Standards
- Methodological Instructions and Requirements Relating to Information Security
- Information Security Concept

The best industry solutions and state-of-the-art software are used to ensure the protection of information, including personal data:

- Protection against unauthorised or unlawful access
- Centralised anti-virus protection
- Firewalling
- Data leak prevention system
- Data classification system
- Data backup and recovery system

In addition, software is being introduced to manage information security events.

Protection of the Company's information systems

Etalon Group's Security Division successfully countered external cyber threats during the reporting year. The information security department processed more than 1,000 negative events that could have posed a threat to cybersecurity. No fewer than 10 of them were classified as highly pernicious incidents, and the necessary response measures were taken in a timely manner, enabling Company to avoid suspending any services.

In order to mitigate risks, the Company upgraded the security measures it deploys to protect against attacks on its information systems; these measures identified 327 and blocked 254 malicious e-mails, including links to malware, and also blocked more than 25,000 phishing messages.

Etalon Group's Security Division developed and introduced a staff training system during the reporting year aimed at raising awareness of various cyber threats and forms of cyber fraud. To date, 1,500 Etalon Group employees have successfully completed training and testing.





RISK MANAGEMENT

A fast-changing environment was the driver behind the rapid transformation of the Company's business and improvements to its risk management system.

Approach to risk management

Integrated risk management system

Etalon Group's risk management complies with the generally accepted conceptual framework for risk management.

Risk management is carried out as part of the core function of all Etalon Group employees, which includes the identification, analysis, assessment and prioritisation of risks as well as the development and implementation of a set of procedures for responding to risk events and monitoring the effectiveness of the risk management process.

Risk management is an integral part of Etalon Group's strategic management, operational management, business planning and investment activities.

Risk management is aimed at providing a reasonable guarantee that the Company will be able to achieve its strategic goals and maintain its risk level within limits that are acceptable to the Company's management.

Development of the risk management system is one of the factors involved in improving the quality of strategic management decisions during a period of high uncertainty, and making it possible to identify, monitor and minimise the negative impact of critical risks on the Company's activities during periods of high volatility.

The risk management system includes the following:

- aligning the Company's risk appetite with its strategy, ensuring that management takes the Company's risk appetite into account when assessing options for strategic development, setting goals accordingly and developing mechanisms for managing the associated risks
- improving risk management decisions, taking a careful approach to ensure that the risk management methodology chosen is suitable
- reducing the number of unforeseen events and losses in business activities by improving the ability to identify potential events and to establish methods for managing them
- identifying and managing the full range of risks by responding effectively to interdependent risks and applying a uniform methodology to manage repeated risks
- improving capital utilisation by obtaining reliable information on risks in order to make an impactful assessment of the total capital requirements and to improve how capital is utilised

Etalon Group's risk management principles

1 Integrated approach

The Company takes a systematic approach to managing all types of risks inherent in its business. Etalon Group supports cross-functional interaction and coordination of business units when managing risks outside their specialisations, while also taking into account the interplay of risks facing different units. A single channel is in place for informing management about the entire spectrum of risks in order to ensure that the information provided for each decision-making level is complete, sound and comparable.

2 Continuity

Implementing a set of consistent risk management procedures on a regular basis.

3 Feasibility

Analysing the ratio of the cost of reducing a risk to the potential damage from its realisation.



Compliance system

Etalon Group’s main objectives are to be highly competitive in its target market segments, combining economic success with social responsibility, which is inextricably linked with the need to operate in line with the compliance system for managing compliance risks.

The compliance system is a set of elements that are part of Etalon Group’s corporate culture, values and ethics, organizational structure, and rules and procedures regulated by the Group’s corresponding by-laws, and its policy for managing risk and counteracting threats, all of which ensure that Etalon Group’s employees adhere to the Company’s compliance principles regardless of their position.

Areas of compliance:

Anti-corruption compliance

Covers the risks of the commission of anti-corruption offences by employees, the likelihood of involving the Company (through its employees) in situations connected with a risk of legal violations or loss of reputation.

Tax compliance

Covers tax risks and helps configure business processes to ensure that they are in line with frequently changing regulatory documents from the Federal Tax Service and the Ministry of Finance.

Construction compliance

Aimed at creating mechanisms for protection against failure to meet deadlines and substandard workmanship, prevention of safety violations, and non-compliance with occupational health and safety requirements.

Antitrust compliance

Covers the risks of negative repercussions associated with antitrust violations (including when dealing with securities); is aimed at identifying violations by the Company, and not by the regulator; helps to prevent or considerably reduce the risks of prosecution and of the resulting costs for the Company for the payment of fines and legal fees.

Compliance in the area of labour relations and management of conflicts of interest

Facilitates oversight of compliance with labour law on the part of both staff and management; stipulates the procedure for identifying and resolving conflicts of interest, with the Company’s interests taking prevalence over personal interests.

Procurement compliance

Facilitates the creation of an open and transparent procedure for selecting contractors on the most favourable terms for Etalon Group and promotes competition.

Data protection compliance

Prevents information leaks, insider trading and market manipulation, protects against the actions of unfair competitors, and ensures the protection of personal data.

Legal compliance

Aimed at avoiding lost profit for the Company. It is carried out by analysing the compliance of the Company’s activities with the applicable laws and identifying risks of failure to comply with contractual obligations and of facing civil and/or administrative liability.

In order to develop its compliance system, Etalon Group took the following measures in 2022:

1

In the area of tax compliance:

Developed a tax clause – a condition requiring that the parties to a contract comply with the requirements of tax laws and stating the consequences of violations of this obligation

2

A foundational document was prepared

draft Etalon Group Compliance Policy

3

Data protection compliance

- The Policy and Regulation on Personal Data Processing within JSC Etalon Group were approved (order No. 80 of 3 September 2021).
- Consent forms for the processing of personal data were updated.
- A new consent form for the processing of website users’ personal data was introduced.



Organisation of risk management

In developing its risk management system, Etalon Group takes into account the generally accepted conceptual framework for risk management:

- ISO 31000, Risk Management – Guidelines
- GOST R ISO 31000-2019, Risk Management – Principles and Guidelines
- the Committee of Sponsoring Organizations of the Treadway Commission (COSO) document “Enterprise Risk Management: Integrating with Strategy and Performance” (2017)
- the COSO document (concept) “Internal Control – Integrated Framework” (2013)
- the risk management standards developed by the Federation of European Risk Management Associations (FERMA) (2002), which take into account international practices (including those on risk management related to compliance with FATCA requirements) and have been adapted to the business environment that Etalon Group operates within with due regard for the specifics of the Company’s activities and management structure

Division of powers concerning risk management

The Board of Directors determines the general requirements for the risk management system, approves key risk management parameters (risk appetite), determines Etalon Group’s strategy and approves the nature and parameters of acceptable risks when making decisions in the process of achieving the Group’s strategic goals.

The Board of Directors delegates to the Audit Committee responsibility for oversight of the effectiveness of risk management and for making proposals to improve the risk management system.

Etalon Group management (the Management Board) takes decisions within its remit with due regard for the risk management parameters approved by the Board of Directors.

In 2022, by decision of Etalon Group’s Management Board¹, a Risk Management Committee was established that is responsible for the following:

- developing and coordinating organisational and administrative documents for the risk management system
- developing a methodology and tools for identifying, assessing and managing risks
- analysing and clarifying the role and responsibilities of the Company’s employees and business units involved in risk management (including the identification of risk owners), and taking actions to improve their risk management competencies
- organising the process of establishing and updating the list of risks, assessing them in accordance with the applicable methodology, and preparing and maintaining a risk map
- arranging regular monitoring and the preparation of reports in the area of risk management
- developing proposals regarding the acceptable level of risk (risk appetite) when preparing Etalon Group’s strategy, and making management and investment decisions
- developing and monitoring the implementation of action plans to prevent, manage or respond to realised risks
- taking part in the external audit process

Risk reporting

Etalon Group² prepares risk reports on a regular basis.

Internal corporate reporting:

- A risk report for Etalon Group JSC’s Risk Management Committee: in accordance with the Committee’s meeting schedule but at least once every six months
- A risk report for the Audit, Finance and Risk Committee under Etalon Group JSC’s Board of Directors: as required but at least once every six months
- A report for Etalon Group JSC’s Board of Directors: at the recommendation of the Audit, Finance and Risk Committee, at least once a year

Reporting for external users:

- A section on risks for quarterly reports from companies that are issuers of equity securities as well as during the preparation of each securities prospectus. The information in the prospectus / quarterly reports must be disclosed in accordance with the laws of the Russian Federation on securities
- A section on risks for Etalon Group’s Annual Report: once a year in accordance with the timing of the publication of the Annual Report

More detailed information on Etalon Group’s compliance system as well as its risk methodology, risk management, reporting principles and main risks (macroeconomic, regulatory and operational) is provided in the [Annual Report, page 132](#).

An overview of the Company’s ESG risks is provided below.

¹ The Audit, Finance and Risk Committee under the Board of Directors of Etalon Group JSC (the subsidiary that manages the Group’s Russia business).

² Etalon Group JSC (the subsidiary that manages the Group’s Russia business)



ESG risks

While ESG risks are a separate, special focus of the Company's risk management, they remain directly or indirectly interconnected with the main group of risks covered by traditional risk management.

In order to manage this risk group, the Company has to have specialised competencies in order to create a qualitative methodology, as well as in-house expertise for auditing social, environmental and corporate risks that could have an impact on the Company's financial performance. This approach makes it possible to see new business development opportunities in the long term.

ESG factors

RISK	DESCRIPTION OF THE RISK AND ITS POTENTIAL IMPACT ON THE COMPANY	PREVENTING/MINIMISING THE CONSEQUENCES OF REALISATION THE RISK AND CREATING NEW OPPORTUNITIES
Climate risks		
Physical risks	<p>Possible risks associated with climate change in the Company's regions of operations could have a direct or indirect negative impact on various stages of investment and construction projects. Physical risks arise as a result of increased damage and other losses from acts of nature linked both to long-term climatic trends (changes in weather conditions, rising sea levels) and to sudden extraordinary events (natural disasters, extreme weather conditions).</p> <p>The realisation of physical risks could lead to the following negative scenarios:</p> <ul style="list-style-type: none">• the tightening of the requirements outlined in applicable laws regarding the energy-efficiency rating of housing at the design or construction stage• the disruption of supply chains and an increase in the cost of building materials• construction delays and resulting increases in project costs• ill health among employees at construction sites, leading to a decrease in labour productivity• damage to utility systems, construction equipment and erected structures as a result of local extreme acts of nature	<p>Risk minimisation:</p> <ul style="list-style-type: none">• A business process has been created for completing the corresponding sections of project documentation that makes it possible to increase a building's energy-efficiency rating both at the project stage and during delivery.• A working group of specialised business units has been established to improve procurement activities in light of the market's main development trends and challenges. The Company has tightened the eligibility criteria for participants in procurement procedures and improved its methodology for conducting procurement through electronic trading platforms; the concept of category management in procurement and measures for sustainability and corporate social responsibility (ESG principles) will be incorporated for the first time when selecting suppliers.• Potential deviations from construction schedules are analysed by the Group unit that is responsible for oversight for each project, which enables the risk manager to take proactive decisions.• A plan is developed for organising work at each project's construction site that takes into account all applicable regulations, including measures to prevent potentially adverse environmental impacts.• The Company's safety index and risk assessment methodologies are used to monitor the status of construction sites, and the monitoring data is uploaded into the corresponding software platform. This approach makes it possible to respond in a timely and appropriate manner to violations of rules and regulations concerning occupational health and safety (OHS) and to inform managers, including top management, on a timely basis about status of construction sites, including in terms of compliance with OHS rules and regulations. <p>Opportunities:</p> <ul style="list-style-type: none">• encouraging the incorporation of innovative solutions into the Company's projects as a way of increasing product appeal• developing modular housing with greater energy efficiency and with the possibility of assembling structures so as to minimise environmental impact while significantly reducing the time needed to carry out construction and installation works



ESG factors

2/5

RISK	DESCRIPTION OF THE RISK AND ITS POTENTIAL IMPACT ON THE COMPANY	PREVENTING/MINIMISING THE CONSEQUENCES OF REALISATION THE RISK AND CREATING NEW OPPORTUNITIES
Climate risks		
Transition risks ¹	<ul style="list-style-type: none">the increased uncertainty caused by the global transition to a carbon-neutral economy means generating significant investments in the development of innovative energy-efficient solutions for constructionthe tightening of environmental regulations, on the part of both regulators and buyers, brought about by increased competition in the area of eco-friendly construction	<p>Risk minimisation:</p> <ul style="list-style-type: none">Updating of the Company's strategy takes into account the global agenda and the pursuit of carbon neutrality. A comprehensive, balanced approach to the choice of strategic development enables the effective management of innovation-related investments. The development of state-of-the-art, energy-efficient construction technologies is one of the key aspects of the Company's strategy (the Company has launched test production of modules and is preparing to open the first phase of its own production facilities by the end of the year).The Company's participation in the testing of green construction standards helps improve the quality of internal management expertise in relation to social, environmental and corporate issues.The use of new technologies lowers construction costs and increases margins.
Social risks		
Risks relating to personnel management	<ul style="list-style-type: none">the risk of a shortage of highly specialised construction workers in the labour marketthe risk of a reduction in the overall qualifications of employees as a result of the rapidly changing technological and information environmentincentivising, onboarding and retaining employees	<p>Risk minimisation:</p> <ul style="list-style-type: none">The Company collaborates with leading universities in the construction industry to create joint educational programmes and to arrange internships for students, and it also provides opportunities for further employment. The Company also conducts guest lectures and organises job fairs and other events at specialised universities.The Company's regional expansion is creating opportunities for attracting a variety of highly qualified personnel from beyond Moscow and St Petersburg. This approach has enabled the Company to strengthen its competencies in key areas.The Company pays special attention to its employees' professional development as well as to the creation of an efficient and cohesive team working in a healthy, comfortable atmosphere. The onboarding programme helps new employees familiarise themselves with the Company's operations, standards and values. <p>Opportunities:</p> <ul style="list-style-type: none">creating a strong and recognisable corporate brand that attracts young and experienced specialists in the labour marketestablishing a robust pool of candidates who can fulfil the Company's key requirements while it is developing new technologies in the areas of construction and management (taking into account the development of modular housing construction, design robotisation and AI analytics)playing a role in building HR capacity throughout the industry at a time of unification, standardisation and digitalisation of construction companies (which makes it possible to collaborate and establish joint ventures for the implementation of major strategic government projects) <p>Notes</p> <p>For more information on HR risks, see the overview of key risks (operational risks) in Etalon Group's Annual Report; for information on HR-related activities and opportunities, see the "Our Team" section of the Sustainability Report.</p>

¹ Risks associated with far-reaching market, technological, legal and other changes caused by the transition to a low-carbon economy.



ESG factors

3/5

RISK	DESCRIPTION OF THE RISK AND ITS POTENTIAL IMPACT ON THE COMPANY	PREVENTING/MINIMISING THE CONSEQUENCES OF REALISATION THE RISK AND CREATING NEW OPPORTUNITIES
Social risks		
Occupational health and safety (OHS) risks	<ul style="list-style-type: none">the fact that it is impossible to completely rule out job-related risks when engaging in work-related processesinsufficient OHS oversight, which increases the threat of the realisation of risks that can lead to workplace accidents (the realisation of such risks can have very negative financial and reputational consequences)the speed of management’s OHS-related decisions (in the context of tightening regulations and improving technical/technological oversight tools)	<p>Approach to risk mitigation:</p> <ul style="list-style-type: none">The Company is committed to minimising the possibility of injury as well as to creating the safest working conditions possible to ensure the health of both its own employees and of the employees of contractors.The Company has adopted standards and policies based on compliance with the requirements outlined in Russian laws concerning occupational health and safety, the Regulation on Etalon Group’s Occupational Health and Safety Management System, the Methodology for Determining the Safety Index at Etalon Group’s Construction Sites, the Methodology for Monitoring Fire Safety at Temporary Construction Camps at Etalon Group Construction Sites and for Determining the Fire Safety Index, the Procedure for the Authorisation and Monitoring of Contractors for the Performance of Construction and Installation works at Etalon Group Facilities, and the rules and regulations for providing Company employees with personal protective equipment and first-aid equipment.In the event of any changes or innovations in work-related practices, the selection of materials, work processes and equipment, Etalon Group employees take action to identify hazards and assess risks. The main risk groups are included in a unified register of the main hazards as well as the sources and causes thereof. The safety index and fire safety index are used to monitor these risks. Monitoring results are posted on the bulletin board at each construction site. <p>Risk minimisation:</p> <ul style="list-style-type: none">strict compliance with legal requirements relating to safetyinternal protocols for inspecting equipmentmultiphase safety monitoring at all facilities using BIM-based technologiesthe systematic improvement of the methodology for calculating and monitoring the safety index with the inclusion of additional components (for example, the fire safety index, human error)a single digital space for monitoring the construction process enables the Company to quickly identify areas that pose a risk of work-related injuries and to take proactive measuresthe extensive possibilities provided by analysis of safety indicators provide the basis for the systematic improvement of the occupational health and safety system <p>Opportunities:</p> <ul style="list-style-type: none">increasing labour productivityimproving the Company’s appeal as an employerproviding services to third-party companies pertaining to the implementation of industrial safety standards based on Etalon Group’s proprietary developments <p>Notes</p> <p>For more information on this risk, see the overview of the main risks “Accidents at construction sites” in the Company’s Annual Report; for information on activities and achievements in the area of occupational health and safety, see the “Occupational health and safety” section of the Group’s Sustainability Report.</p>



ESG factors

4/5

RISK	DESCRIPTION OF THE RISK AND ITS POTENTIAL IMPACT ON THE COMPANY	PREVENTING/MINIMISING THE CONSEQUENCES OF REALISATION THE RISK AND CREATING NEW OPPORTUNITIES	
Social risks			
Impact on local communities	<p>The Company's implementation of investment and construction projects, in particular in new regions, can have an additional impact on sociocultural and historical aspects of the life of local communities (which in turn can cause a negative public reaction and lead to the realisation of risks, including reputational and financial risks):</p> <ul style="list-style-type: none">insufficient attention to communication with local communities can lead to reputational risks and reduce consumer demandrisks stemming from the insufficient consideration of requests from local communities when creating an architectural and urban-planning concept for projects in the Company's regions of operations	<p>Risk minimisation:</p> <ul style="list-style-type: none">In every region where it operates, the Company supports various educational, environmental, historical, educational, sports-related, social and charitable projects aimed at creating a favourable social and cultural environment and a healthy society, promoting socio-economic development and creating a favourable business climate in its regions of operations, providing decent working conditions and supporting social and emotional well-being among the population:<ul style="list-style-type: none">developing the urban environmentbuilding preschools and schoolssupporting local communitiessupporting students and specialised educational institutionshelping preserve historical memorysupporting culture and creative associationsbeing respectful of cultural heritagepromoting healthy lifestylestaking care of employeesThe detailed elaboration of a project's architectural and urban-planning concept in light of the social, cultural and historical features of the region of operations (including taking into account controlled-access areas, favourable environmental conditions for future residents, traffic load, etc. when selecting sites); the Company is committed to creating sustainable ecosystems and analyses the historical, current and possible condition of sites intended for future development and the overall social impact at all stages of project implementation.High standards for the development of a living environment increase the comfort of residents and create certain demands regarding housing quality in general, thereby setting the bar for the industry.The construction of large residential complexes involves the creation of commercial infrastructure, which creates new jobs and drives economic development in the region in question.	<p>Opportunities:</p> <ul style="list-style-type: none">strengthening the Company's brand position in its regions of operations (creating a stable customer base, increasing repeat sales)building the capacity of the Company's project teams through the implementation of new projects – both large-scale and local – in the regions where the Company operatessuccessful experience in implementing regional projects enables the Company to encourage additional investments
Risks associated with changing consumer preferences in response to sustainability factors	<ul style="list-style-type: none">the risk of changing priorities where consumers prefer to buy housing with a high energy-efficiency rating and a sustainable living environmentthe integration of energy-efficient and environmentally friendly solutions into the Company's product could increase project-related costs	<p>Risk minimisation:</p> <ul style="list-style-type: none">The Company conducts a regular multi-level audit of consumer demand for housing in all its regions of operations. Data is analysed, after which the library of product solutions is supplemented or changed if necessary.The Company develops new homebuilding technologies for improving quality, reducing production cost and construction timeline, including by construction of buildings made out of prefabricated components.	<p>Opportunities:</p> <ul style="list-style-type: none">expanding the Company's product line to meet a wide range of consumer demands in various regions of operationsincentivising innovative Company projectsstrengthening of the Company's brand and recognition in its regions of operations



ESG factors

RISK	DESCRIPTION OF THE RISK AND ITS POTENTIAL IMPACT ON THE COMPANY	PREVENTING/MINIMISING THE CONSEQUENCES OF REALISATION THE RISK AND CREATING NEW OPPORTUNITIES
Corporate governance risks		
Risks of counterparties' non-compliance with legal regulations and of violations of contractual obligations by customers and other stakeholders	<ul style="list-style-type: none">• higher prices for resources and/or services used by the Company in the construction process as well the increased cost of construction and installation works could drive up the cost of real estate under construction and, as a result, have a negative impact on the Company's consolidated financial performance.• failures to meet delivery deadlines or to provide agreed volumes of materials could lead to construction delays, which, in turn, could damage the Company's reputation in the eyes of customers and lead to a loss of homebuyers.• risks of contract termination or delays in payments from customers, forced changes in projects and factors affecting subcontractor risks	<p>Risk minimisation:</p> <ul style="list-style-type: none">• based on a decision of the Board of Directors of Etalon Group JSC in 2022, measures were taken to develop a new Regulation on the Group's Procurement Activities. As part of the updated procedures, a methodology was developed for generating a procurement schedule for Etalon Group as a whole, as well as for monitoring its implementation and identifying potential reasons for deviations from the schedule. Posting the schedule in the public domain ensures that the Group's procurement procedures are transparent and accessible to all participants• improving the management structure and business processes, as well as other measures covered in more detail in the "Operational risks" section of the Group's Annual Report <p>Opportunities:</p> <ul style="list-style-type: none">• building new supply chains for materials and equipment• automating the procurement process and taking a centralised approach to the selection of suppliers enable the Company to establish a uniform set of high standards for partner companies while also reducing overhead costs• creating a flexible, sustainable system for managing the Company's internal processes, which balance all of the Company's realised risks, thus minimising possible negative scenarios
Risks associated with corruption and uncompetitive behaviour	<ul style="list-style-type: none">• Corrupt actions and uncompetitive behaviour can lead to a high risk of state intervention as well as penalties, substantial legal fees and considerable reputational damage. Such risks can have a significant impact on financial performance.	<p>Risk minimisation:</p> <ul style="list-style-type: none">• ensuring strict compliance with regulations, developing internal policies and compliance with said policies, and monitoring compliance with rules and procedures for combating corruption, fraud and violations of corporate ethics (employees of the Company and of contractors are required to familiarise themselves with Etalon Group's main policies in the area of corporate ethics and anti-corruption, including human rights provisions)• increasing the transparency and accessibility of information disclosed by the Company and improving functional structures as well as standards and practices relating to information disclosure <p>Opportunities:</p> <ul style="list-style-type: none">• developing the corporate culture and improving corporate governance standards in accordance with best practices, which can boost the efficiency of Etalon Group's business processes and support the Company's investment case <p>Notes</p> <p>For more information on activities and achievements in the area of corporate ethics and disclosure, see the "Business conduct" and "Shareholder interactions" sections of the Group's Annual Report.</p>



5

SUSTAINABILITY
REPORT
2022

TRANSPARENCY



CORPORATE ETHICS

GRI 2-23

At the core of Etalon Group’s corporate culture and policies are high ethical standards; zero tolerance for human rights violations, discrimination and corruption; as well as the principles of fair competition.

The Company has documents in place that enshrine the fundamental values and principles of corporate behaviour as well as methods for monitoring the rules of corporate ethics:

- Etalon Group Code of Corporate Ethics
- Regulation on Conducting Tenders
- Anti-corruption Policy

The rules of corporate conduct apply both to relations between co-workers and to relations with the Company’s business partners.

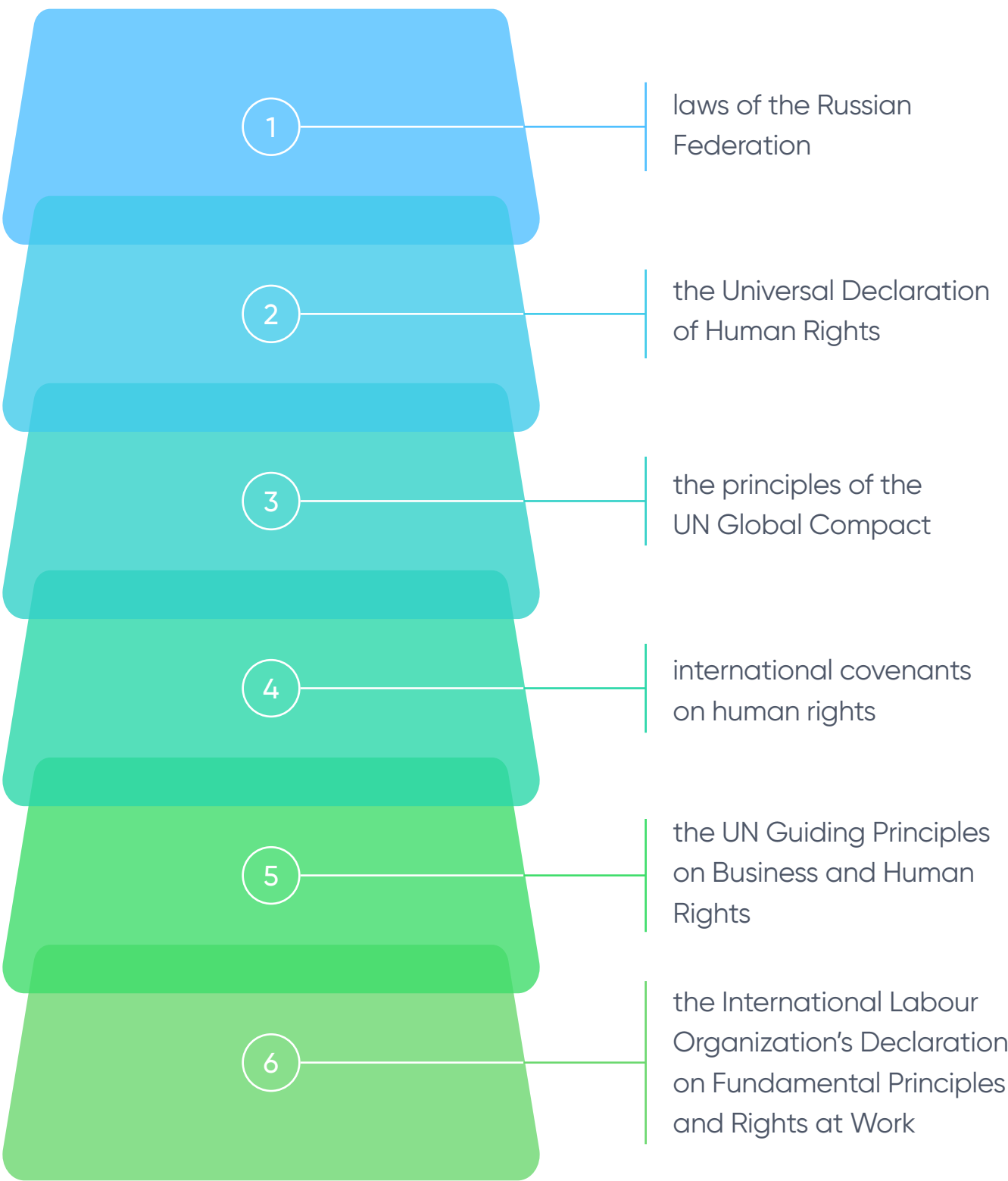
Respect for human rights

GRI 408-1 GRI 409-1 GRI 412-1

Etalon Group supports and protects the internationally proclaimed human rights and complies with legal requirements in this area.

In line with high ethical standards, the Company strictly observes and carefully monitors compliance on the part of its partners with fundamental human rights enshrined at the Russian and international levels.

Concerning human rights, the Company is guided by the following key external documents:



Etalon Group supports equal opportunities; creates a working environment free of harassment and persecution; does not discriminate on the basis of race, nationality, religious beliefs, gender, origin, age or other grounds; and expects employees and contractors to treat one another with respect and dignity, and to integrate these principles into all processes in the value chain.

The Company does not permit any form of child or forced labour, and it makes every effort to create favourable working conditions, to ensure equal pay for work of equal value, to protect families and mothers, and to enable rest and leisure, education and participation in cultural and sporting life.

All employees and contractors are required to familiarise themselves with the human rights provisions included in Etalon Group’s main policies regarding corporate ethics and anti-corruption.

In addition, when screening contractors and suppliers, the Company’s Security Division conducts procedures to confirm that they have an impeccable reputation and follow fair business practices.

As of 2022, 100% of employees and counterparties were briefed on the Company’s requirements and policies, including human rights provisions.

The Company operates a hotline for confidential reports of violations of business ethics and applicable laws as well as corruption and abuse of power within the Company. The main goals, objectives and principles of the hotline, its operating procedures and the distribution of tasks and responsibilities between Etalon Group divisions and its subsidiaries are specified in the Regulation on the Hotline for Countering Fraud, Corruption and Embezzlement.

Any employee, client, partner or person not related to the Company who has information regarding employees or counterparties of Etalon Group involved in corrupt behaviour, violations of business ethics or of Etalon Group policies and procedures, violations of applicable laws, or other violations and/or abuses of office may send a message to hotmail@etalongroup.com or call **8 800 300 81 03** to report this information.

When processing information, the confidentiality of the identity of the applicant, and of the information submitted is ensured, as is the anonymity of applicants who do not wish to disclose their personal data. Any measures of influence against the person who provided the information are prohibited.



Etalon Group's main impacts in the area of human rights

GRI 2-26

1 As an employer, the Company:

- ensures decent working conditions
- prohibits the use of child and forced labour
- prevents discrimination and harassment
- ensures work-life balance

THESE PRINCIPLES ARE OBSERVED THANKS TO:

- strict compliance with the law, in particular the provisions of the Labour Code
- decent wages based solely on professionalism
- the development of human resources
- equal conditions for career growth and salary increases regardless of gender, age, religion, skin colour or other factors
- support for employees in difficult life circumstances or upon the birth of a child (flexible working hours, material assistance, social benefits)

CHANNELS OF COMMUNICATION ON HUMAN RIGHTS VIOLATIONS:

- the Company's specialised services: HR, security, etc.
- the Etalon Group hotline (anonymous reporting is possible)
- the Corporate Conduct Officer

2 As a developer, the Company:

- is responsible for protecting the environment
- ensures that work is performed in a safe manner
- develops infrastructure, including social amenities, that respects equal rights and opportunities

THESE PRINCIPLES ARE OBSERVED THANKS TO:

- compliance with environmental laws, including by conducting environmental impact assessments and taking measures to limit the impact on the environment at all stages of a project
- use of resource-efficient equipment as well as environmentally friendly materials and technologies
- collaboration with leading experts and local residents for optimal project development (for example, the [Generation ZIL platform](#), which enables open discussions concerning the Zil-Yug project)
- construction of commercial infrastructure and social amenities, including schools and preschools
- a wide range of convenient, high-quality services for tenants

CHANNELS OF COMMUNICATION ON HUMAN RIGHTS VIOLATIONS:

- the Etalon Group hotline (anonymous reporting is possible)
- the service company's call centre

3 As a contractor, the Company:

- ensures compliance with industrial safety requirements
- cares for the environment

THESE PRINCIPLES ARE OBSERVED THANKS TO:

- compliance with high standards of occupational health and safety as well as environmental safety
- compliance with and continuous monitoring of the sustainability of the supply chain (a high degree of environmental, social and financial responsibility on the part of partners as well as their compliance with legal requirements), including through the competitive selection of partners and a formalised screening system

CHANNELS OF COMMUNICATION ON HUMAN RIGHTS VIOLATIONS:

- the Etalon Group hotline (anonymous reporting is possible)
- the service company's call centre

No human rights violations were identified within Etalon Group in 2022



Code of Corporate Ethics

Compliance with the principles of business ethics bolsters Etalon Group’s reputation today and supports the Company’s future sustainability.

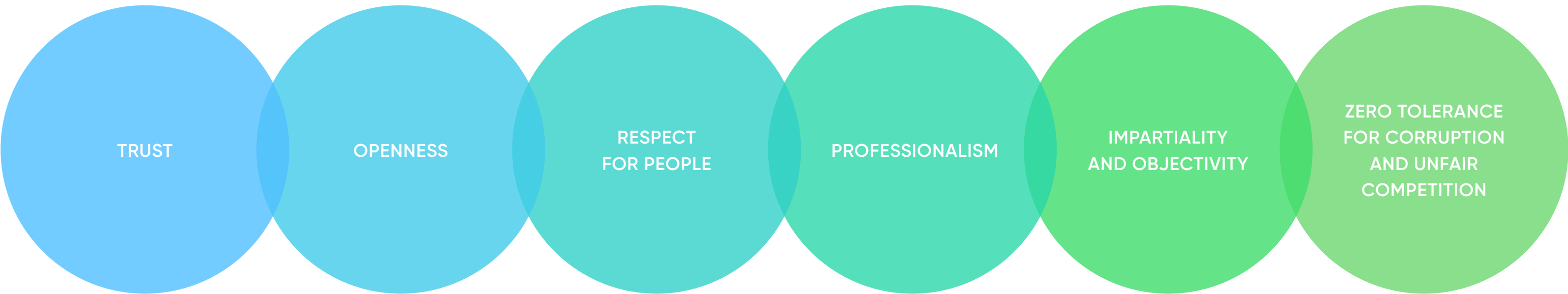
Handling matters of corporate ethics

The Code of Corporate Ethics reflects the commitment of Etalon Group and its management to high ethical standards of business conduct (conducting business openly and fairly); these standards were designed to improve the corporate culture, to ensure adherence to best corporate governance practices and to protect the business reputation of Etalon Group companies.

Issues related to the clarification and monitoring of compliance with the Code of Corporate Ethics are the responsibility of Etalon Group management and the Corporate Conduct Officer.

In 2022, no conflicts of interest were identified within the Company.

Group ethics guidelines



Parties involved in handling ethical issues

1

Board of Directors and CEO

- Setting policies and standards
- Providing a personal example of high standards in terms of the corporate management culture

2

HR Management Division

- Informing all employees about the Code of Corporate Ethics and other standards of corporate conduct
- Conducting training and reviews on issues relating to ethical behaviour

3

Security Division, Corporate Conduct Officer

- Providing advice on corporate ethics and conflicts of interest
- Registering and responding to violations

4

Internal Audit Service

- Monitoring compliance with by-laws
- Analysing violations and formulating conflict resolution measures

Monitoring

In order to verify compliance on the part of employees with the Company’s corporate ethics principles, Etalon Group conducts ethics reviews. When undergoing a review, employees complete a Declaration on Ethics and Conflicts of Interest in the form of a questionnaire. The questionnaires are then analysed and a report is generated with suggestions for conflict resolution measures, which is sent for review to the CEO and the Chairman of the Board of Directors.

Advice and whistle-blowing

For advice or to report violations of corporate ethics, Etalon Group employees may contact their immediate supervisor, the Corporate Conduct Officer or the hotline. The Company guarantees confidentiality in respect of any person reporting a violation of corporate ethics. Based on the reports received by the Corporate Conduct Officer, a decision is made aimed at preventing violations of corporate ethics, eliminating conflicts of interest or explaining the procedure for applying the Code. The Officer may convene a commission on corporate conduct to address challenging situations.

In the event of a violation of internal regulations by a Company employee, disciplinary measures are applied to the employee in accordance with labour laws. If there is reason to believe that an employee has committed an administrative or criminal offence, information on the alleged violation is transmitted immediately to the relevant state oversight body responsible for investigating administrative or criminal offences.

Hotline

Since 2020, the Company has been operating a hotline for combating fraud, corruption and embezzlement. In 2022, the hotline received 15 reports, including one from a Company employee. All reports were carefully reviewed; six of them were recognised as violations on the part of Company employees. Following an official investigation in each case, precautionary steps were taken, ranging from preventive measures to dismissal.



Anti-discrimination policy

GRI 406-1

In addition to Russian laws, Etalon Group's internal policies, including the Code of Corporate Ethics and the Regulation on Conducting Tenders, are aimed at countering discrimination.

In all its activities, Etalon Group takes a zero-tolerance approach to discrimination in all its forms, including on the basis of age, race, ethnicity, gender or any other grounds. The Company also prohibits any form of harassment, including sexual harassment and coercion in verbal, written, visual, physical or other form.

Employees' career growth, as well as their salary, benefits and bonuses, depends solely on their professional competencies.

The Company encourages so-called work dynasties, where professional skills are passed down from one generation to the next, but prohibits protectionism based on nepotism, limiting cases of direct or indirect subordination involving relatives.

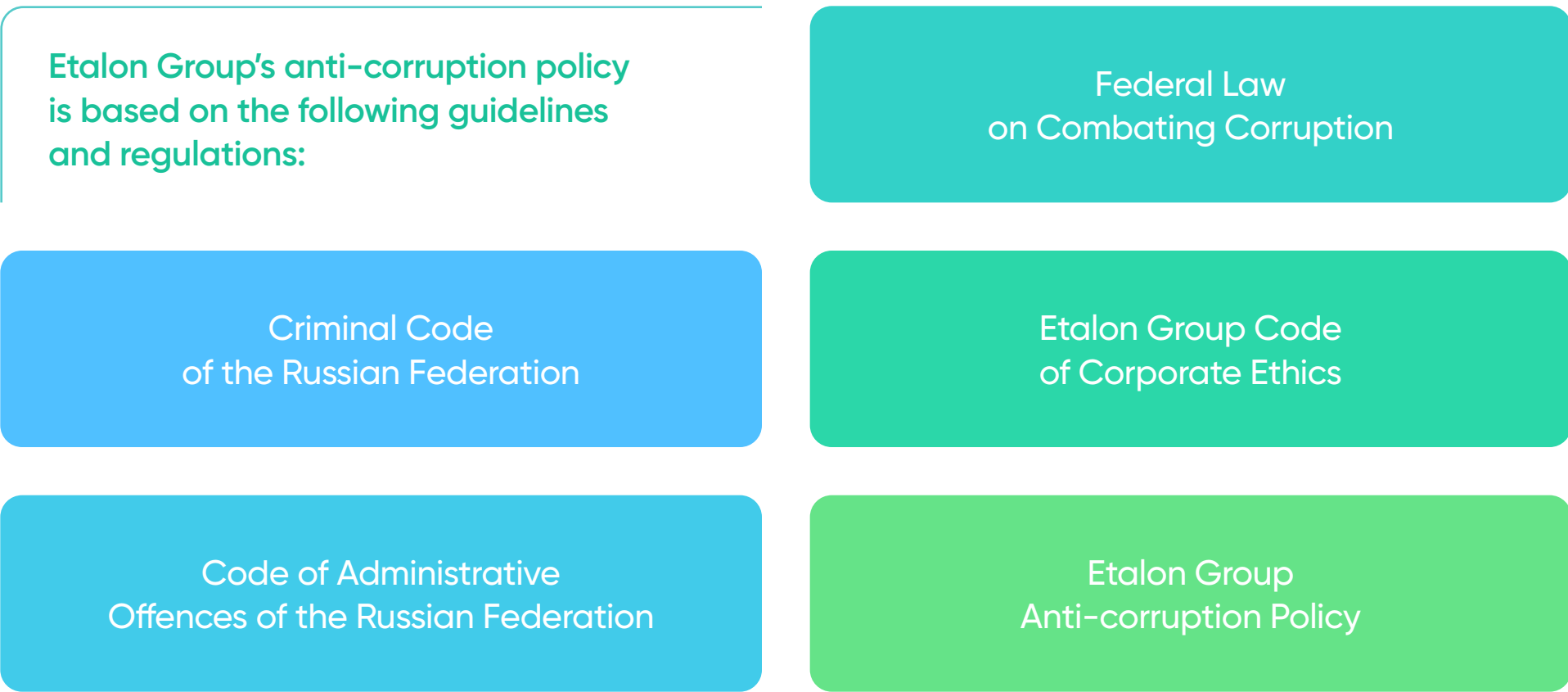
Cases of discrimination can be reported to the Corporate Conduct Officer through official communication channels – for example, by contacting the hotline. The Company guarantees anonymity and that there will not be any negative repercussions for the career of employees who contact the Corporate Conduct Officer.

In 2022, no cases of discrimination were identified within the Company.

Anti-corruption Policy

The Group has a strict zero-tolerance policy for corruption in all its forms and manifestations in its relations with all stakeholders: shareholders and investors, counterparties, representatives of government agencies, subsidiaries, employees and others.

Regulatory framework



Etalon Group and its management are committed to improving corporate governance practices and the corporate culture, thus maintaining its excellent business reputation. All Company employees, regardless of their position, must comply with the requirements of the Code of Corporate Ethics and the Anti-corruption Policy.

Etalon Group welcomes and encourages compliance with the requirements of its anti-corruption policy on the part of counterparties and other third parties, and also strives to advance a culture of anti-corruption within the Company and in society in general. Notably, the Company conducts its anti-corruption efforts in cooperation with state and regulatory authorities as well as with local communities and associations, partners and counterparties

Anti-corruption management system

GRI 205-1

GRI 205-2

Management principles

Etalon Group has established several anti-corruption goals. First, the Company is committed to minimising the risk of involving Etalon Group itself or members of its Board of Directors, its CEO or its employees in corrupt activities, including by

- clarifying the provisions of anti-corruption laws and Company by-laws
- enshrining official obligations to comply with them
- developing procedures to prevent corrupt practices

Second, in its relations with shareholders, the investment community, counterparties, members of management bodies, employees and other parties, Etalon Group is committed to creating a company brand with zero tolerance for corruption in all its form and manifestations.

In accordance with the Group's Anti-Corruption Policy, senior executives demonstrate how to meet these standards by setting an example through their own ethical behaviour. The CEO of Etalon Group is responsible for orchestrating all measures aimed at living up to the principles and requirements of the anti-corruption policy, including the appointment of individuals responsible for the development, implementation and oversight of anti-corruption procedures. In addition to communicating to employees the importance of avoiding corrupt activities, Etalon Group conducts integrity due diligence in relation to all counterparties.

Members of the Board of Directors and of Board committees as well as all Etalon Group employees, regardless of their position, are personally responsible for compliance with the principles and requirements of the anti-corruption policy as well as for actions or omissions on the part of their subordinates that violate these principles and requirements.



Anti-corruption Policy

Monitoring and risk assessment

Etalon Group regularly monitors compliance with anti-corruption procedures, including through periodic audits by the Internal Audit Service. To protect potentially vulnerable business processes, the Company periodically updates its industry-specific corruption risk factors, and develops and incorporates suitable corruption prevention procedures to respond to identified risks.

Information sharing and training

GRI 205-3

The Company is open about its stance against corruption; welcomes compliance with the principles and requirements of its anti-corruption policy on the part of all counterparties, employees and other individuals and entities; and promotes advancements in its anti-corruption culture through information sharing and training. Introductory training is conducted for new employees, and periodic information seminars are held in person or remotely for existing employees. Ethics reviews are conducted annually for senior executives and middle management.

Any employee, customer, partner or person not related to the Company who has information regarding employees or counterparties of Etalon Group involved in corrupt behaviour, violations of business ethics or of Etalon Group policies and procedures, violations of applicable laws, or other violations or abuses of office may report such violations through the available channels, including Etalon Group's hotline for combating fraud, corruption and embezzlement.

In 2022, Etalon Group's hotline received and resolved four reports concerning abuse of power. That said, no cases of corruption were identified.

No reports of corruption were submitted to the hotline in 2022.

HR management

In addition to carrying out integrity due diligence in respect of counterparties, the Company also considers the professional reputation of applicants for vacant positions. When signing an employment contract, employees are required to familiarise themselves with the Code of Corporate Ethics and Anti-corruption policy.

Participation in charitable activities and sponsorship

Etalon Group does not finance charitable or sponsorship projects in order to obtain commercial advantages in specific Company projects.

Social and political activities and dealings with government officials

Etalon Group does not participate in the activities of political or religious organisations and does not finance their activities.

The Company does not make facilitation payments to government authorities, public officials or others, and also refrains from covering any expenses for or on behalf of government officials or their close relatives or in order to obtain commercial benefits for Etalon Group projects.

In combating corruption, Etalon Group cooperates with state and regulatory bodies as well as with companies and associations, partners and counterparties.

Effecting payments

Etalon Group does not solicit its representatives or other third parties to perform any actions that contravene its anti-corruption policy or applicable anti-corruption laws, and it also does not effect payments if there is reason to believe that all or part of said payments will be used for corrupt purposes.

Working with counterparties

Etalon Group makes reasonable efforts and takes measures to avoid entering into business relations with unreliable counterparties and to avoid getting involved in corrupt activities. To do this, the Company scrutinises each counterparty's business reputation, adds anti-corruption clauses to contracts and finds out whether a counterparty has its own policies regarding ethics and corruption.

When joining organisations and associations as well as joint ventures, the Company strives to comply with anti-corruption principles and requirements. Etalon Group advocates the adoption of similar anti-corruption policies in joint ventures, organisations and associations in order to prevent or uncover violations so as to avoid the Group's involvement in corrupt activities.

Informing contractors about the anti-corruption policy in 2022

NUMBER OF COUNTERPARTIES INFORMED ABOUT THE COMPANY'S ANTI-CORRUPTION POLICY AND PROCEDURES	MOSCOW REGION	ST PETERSBURG	OTHER REGIONS	TOTAL
Number of suppliers	1,811	1,782	234	3,827
Number of contractors	2,409	2,030	190	4,629

According to the Code of Ethics, all suppliers and contractors working with the Company must be familiar with Etalon Group's anti-corruption policy.

Audit, control and reporting

Etalon Group conducts internal and external audits on a regular basis in order to verify that information concerning the Company's financial and operating position in its accounting and other systems is complete and accurate and also in compliance with Company by-laws and legal requirements. Audits verify the implementation of key business processes, confirm that payments have been made and review their rationale and legality, and also check compliance with anti-corruption requirements.

Compliance on the part of employees and contractors with the principles and requirements of the anti-corruption policy is subject to review by senior management.

Responsibility for compliance with the anti-corruption policy

According to Etalon Group's anti-corruption policy, an internal investigation is initiated in response to any reasonably justified suspicion or established fact of corruption. Employees found guilty of violating anti-corruption laws or the Company's anti-corruption policy may be subject to disciplinary action as well as other forms of liability in accordance with applicable law.



CORPORATE GOVERNANCE

GRI 2-12

Etalon Group considers business ethics to be of the utmost importance, in particular internationally recognised principles concerning sustainability and corporate social responsibility. The Company actively encourages its employees to comply with the Code of Ethics, which formulates and enshrines the core principles for the type of collective and individual behaviour that is required in the workplace. The Company prides itself on strictly adhering to these high standards in its relations with shareholders, investors, government agencies, business partners and employees, as well as when applying these standards during the implementation of projects in every area in which Etalon operates.

Governance framework

Management of the Company's operations at various levels is carried out by the General Meeting of Shareholders as well as the Board of Directors and its committees. The committees, for their part, act in strict accordance with the Company's statutory documents, decisions adopted by the General Meeting of Shareholders as well as applicable legislation.

Etalon Group implements a system of corporate governance that successfully combines elements of management and cooperation. This approach provides a solid foundation for effective decision-making.



Sustainability management

Strategic issues related to sustainability come under the purview of Etalon Group's Board of Directors. The Investor Relations and Information Disclosure Committee is responsible for ESG issues.

Operational management of the Company as a whole, including in this area, is the responsibility of the CEO and his deputies in the corresponding areas of business development. At the level of ESG-related operational processes, the coordinating body is the Corporate Investment and Strategy Division, which includes the Investor Relations and Sustainability Department.

The implementation of policies and processes related to corporate social responsibility within Etalon Group and individual subsidiaries – including issues of monitoring compliance with anti-corruption laws and internal policies, personnel management, procurement, environmental issues, etc. – fall under the purview of the responsible divisions and departments.



GENERAL MEETING OF SHAREHOLDERS

The Annual General Meeting of Shareholders (AGM) was held on 21 December 2022, with the owners of 35.37% of voting shares taking part. The AGM considered and adopted the following decisions by the required majority of votes:

1

To consider and approve the Company's consolidated financial statements and Etalon Group PLC's individual financial statements for the 12 months ended 31 December 2021, together with the reports of directors and the report of the auditor on the above-mentioned statements, and to ratify the steps taken by the Secretary to present the financial statements to the Registrar of Companies of the Republic of Cyprus.

2

To appoint NSP Sagehill Partners Ltd as the Company's auditor to perform its duties from the conclusion of this meeting until the next Annual General Meeting of Shareholders, where the Company's financial statements will be presented.

3

To authorise the directors to determine the auditor's remuneration.

BOARD OF DIRECTORS

The Board of Directors' primary objective is to ensure the Company's long-term sustainability and success, leading to stable, lucrative returns for shareholders. Setting and overseeing the fulfilment of strategic goals as well as ensuring effective management of the Company's financial and human resources are important elements of the Board's remit. The Board also analyses the effectiveness of existing management practices and determines the Company's appetite for possible risks that could arise in the future. Thus, the Board of Directors leads by example in establishing a high-performance management culture.

The Board of Directors' advisory functions are an important part of its activities: the Board complements and supports the executive team as it implements the Company's strategy.

The Board of Directors includes independent directors and non-executive directors. The essential features of independent directors are their autonomy, independence of decision-making and impeccable business reputation. Independent directors play an important role in determining the Company's development strategy and assessing the performance of the risk management and internal control systems.

The non-executive directors provide an essential independent element to the Board and a solid foundation for strong corporate governance. They are responsible for constructively challenging the strategies proposed by the executive directors and scrutinising the performance of the management team in achieving stated goals and objectives. They also play a key role in the functioning of the Board and its committees.

In order to judge the performance of the Board of Directors and its committees as well as the compliance of their work with the Group's development needs and to identify areas where the work of the Board of Directors and its committees could be improved, the Board of Directors conducts an annual self-assessment concerning its performance and that of its committees.



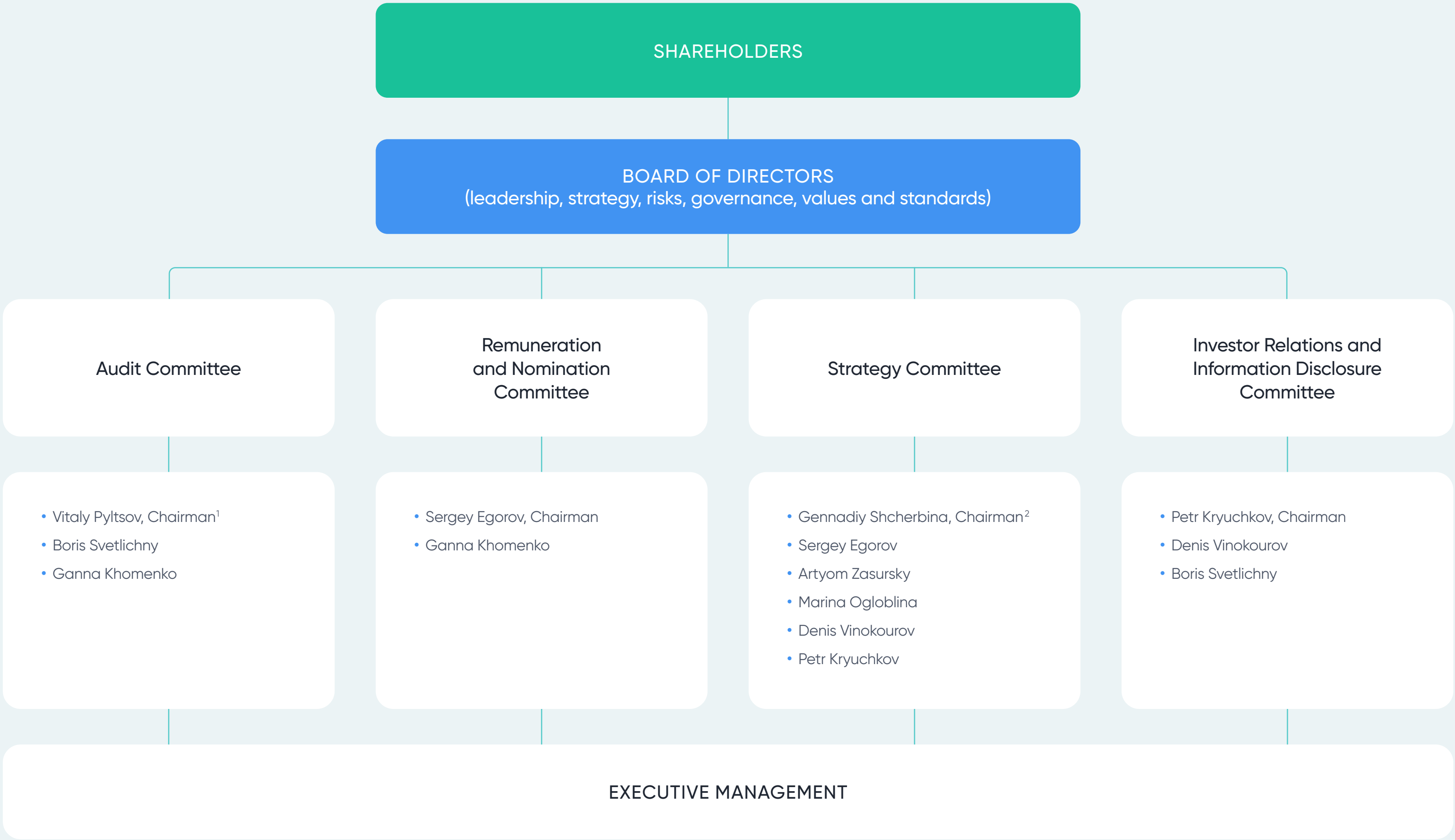
As of 24 April 2023, the Board of Directors consisted of eight members, including one executive director and seven non-executive directors, five of whom are independent.



Corporate governance structure

GRI 2-9

As of 24 April 2023, the Board of Directors and its committees were structured as follows:



More detailed information on Etalon Group's Board composition, meeting agenda and Board remuneration policy is provided in the [Annual Report](#), page 148–151.

¹ Since 4 April 2022. Martin Cocker held this position until 4 March 2022. On 11 March 2022, after the end of the reporting period, Martin Cocker resigned from the Board of Directors and its committees.

² Since 16 February 2023.



BOARD COMMITTEES

GRI 2-9

The Board has delegated specific responsibilities to four committees: the Audit Committee, the Remuneration and Nomination Committee, the Strategy Committee, and the Investor Relations and Information Disclosure Committee.

All committees act within their remit, report to the Board on their activities and take decisions or make recommendations to the Board concerning issues within their remit.

Audit Committee

1/2

Responsibilities

- monitoring the integrity of the financial statements of the Company and the Group prepared under International Financial Reporting Standards (the "Financial Statements")
- reviewing the Group's internal controls and risk management systems
- monitoring and reviewing the effectiveness of the Group's internal audit function ("Internal Audit")
- making recommendations to the Board, for shareholders' approval at a general meeting, concerning the appointment of the external auditor and approval of the remuneration and terms of engagement of the external auditor
- reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements
- developing and implementing a policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by an external audit firm

The Audit Committee held a number of meetings in 2022, where the key matters for consideration were the following:

- the year-end financial results, together with the corresponding report of the external auditor
- the half-year interim results, together with the corresponding report of the external auditor
- matters raised by the external auditor as part of the audit process and requiring the attention of management as well as the actions taken by management to address those matters
- reviewing the results of the tender for auditing consolidated and individual financial statements
- reviewing the performance and independence of the external auditor
- recommendations to the Board of Directors on the appointment of an external auditor and the fee for audit services
- approving any non-audit services proposed to be undertaken by the external auditor during the year
- receiving reports from Internal Audit on the results of their engagements and considering the remedial actions taken by management in respect of any matters arising
- reviewing the accounting policy adopted by the Group and approving any changes to this policy on the recommendation of management or the external auditor

External audit

The Audit Committee is satisfied with Deloitte's performance. The Audit Committee also reviewed and approved the non-audit services that Deloitte provided for the Group and confirmed that the provision of such services did not affect the auditor's independence. The Audit Committee regularly meets with the external auditor without management present.

Due to the current geopolitical situation, however, Deloitte informed the Company that it could no longer act as the Company's auditor, so the Annual General Meeting of Shareholders appointed NSP Sagehill Partners Ltd as the Company's new auditor.

Internal audit

The Group's Internal Audit function provides independent, objective assurance and advisory oversight of the Company's operations and systems of internal control and helps the business accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.

The Audit Committee regularly meets with the head of Internal Audit without management present



Audit Committee

2/2

Internal control and risk management systems

The Audit Committee and the Board as a whole continue to ensure that effective risk management systems are adopted to make certain that key risks faced by Etalon Group are identified and evaluated. Appropriate limits and controls are set, maintained and monitored to ensure compliance. In particular, the risk management framework identifies risks that might, if not properly managed, materially affect the Group's ability to achieve its objectives or that could lead to a material misstatement in the Group's financial results.

The Audit Committee periodically reviews risk management policies and systems to ensure that they remain appropriate, relevant and comprehensive, taking into account any variations in market conditions and the Group's activities. Reviews also consider whether identified risks are being managed effectively.

The Audit Committee is responsible for overseeing how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework. In this, the Audit Committee is assisted by the Internal Audit function.

While progress is being made in this area, the Audit Committee continues to monitor the Group's risk management processes and to ensure that they are supported and adjusted.

Although only members of the Audit Committee are entitled to attend meetings, the lead partner of the external auditor, the head of Internal Audit and other members of senior management are invited to attend meetings as necessary and appropriate.

Remuneration and Nomination Committee

Responsibilities

The Committee advises the Board of Directors on the remuneration of executive management and other senior employees, and reviews the terms and conditions of employment agreements for all senior appointments.

The Committee is also responsible for drafting the selection criteria and appointment of members of the Board of Directors and for reviewing the Board's structure, size and composition on a regular basis. In undertaking this role, the Committee considers the skills, knowledge and experience required at a given stage of Etalon Group's development and the requirements of current legislation, and makes recommendations to the Board as to any changes.

The Committee also considers and makes recommendations regarding the membership of the Audit Committee, Strategy Committee, and Investor Relations and Information Disclosure Committee.

The Committee held a number of meetings in 2022 where it considered changes in the membership of the Board of Directors and its committees.

Strategy Committee

Responsibilities

The Strategy Committee's terms of reference set out its responsibilities in detail. In summary, the Strategy Committee's role is to assist the Board in fulfilling its oversight responsibilities relating to Etalon Group's medium- and long-term strategic direction and development. The Strategy Committee provides recommendations and expertise so that strategic options may be explored fully before being tabled at Board meetings for deliberation and approval.

Investor Relations and Information Disclosure Committee

Responsibilities

The Investor Relations and Information Disclosure Committee is responsible for improving communication between institutional investors, shareholders and other stakeholders arising from the Company's public status and determining the key principles for information disclosure. The Committee analyses Etalon Group's Information Disclosure Policy on a regular basis and makes recommendations to the Board regarding any changes.

CHIEF EXECUTIVE OFFICER

Etalon Group's Chief Executive Officer is Gennadiy Shcherbina, whose key responsibilities are:

1

implementation of strategic and business decisions as approved by the Board of Directors

2

management of day-to-day operations

3

representation of Etalon Group's interests in negotiations pertaining to any transactions made by Etalon Group companies



6

SUSTAINABILITY
REPORT
2022

APPENDIX





SUSTAINABILITY REPORT: APPROACH AND METHODOLOGY

Key objectives of the Report

In addition to helping Etalon Group comply with international standards and best practices, the publication of this report makes the Company’s business more transparent at the strategic and operational levels while also taking a step towards building more open and trust-based relations with stakeholders.

Reinforcing the relationship between our non-financial and financial performance enables us to improve the quality of our management reporting and decision-making.

In collecting and disclosing non-financial information relating to our performance, we set the following goals for ourselves:

- to develop processes for managing the non-financial aspects of our business through the incorporation of best practices
- to improve our system for analysing and managing non-financial risks
- to strengthen our brand and enhance our reputation by building trust-based relations with consumers, partners and other stakeholder groups, including through the development of feedback channels
- to improve our investment case

We are confident that an increased focus on sustainability issues will expand the scope of our operations and create new opportunities for business development.

Principles followed in preparing the Report

Sustainability context

The Report presents balanced information on Etalon Group’s sustainability-related activities, including environmental, social and corporate governance aspects.

Materiality

The Report focuses on material corporate governance topics as well as indicators relating to our environmental and social impact.

GRI 3-1

GRI 3-2

GRI 3-3

Methodology used to determine the material topics covered in the Report

1/2

Every year, we conduct a comprehensive analysis to identify a list of material topics for disclosure in light of the specifics of our business and areas where we are developing. Based on this analysis, we determine a preliminary list of topics, which is then submitted to the Company’s management for discussion.

Context for determining the preliminary list of material topics:

- key events that had an impact on the industry in 2022
- the main events and changes that occurred within the Company in the reporting period
- internal ESG policies, standards and approaches
- industry regulations and standards

When determining material topics, the main criteria are their importance to stakeholders, the scale of the Company’s impact in a given area and the availability of complete and transparent data.

In identifying material topics for the Report, we were guided by the regular analyses of market conditions and the situation in the industry conducted by the Group’s divisions as part of their daily activities. These analyses enabled us to identify bottlenecks and growth points in the current turbulent market landscape. Feedback from stakeholders in the context of events held by the Company or with its participation – such as question-and-answer sessions for employees with the Company’s management, direct engagement with investors, dialogue with existing and potential suppliers, etc. – made it possible to identify the most important issues for stakeholders and to rank them in order of importance.



Methodology used to determine the material topics covered in the Report

2/2

A materiality analysis conducted in 2022 showed that the list of material topics previously disclosed in other Company reports remains relevant. Moreover, the analysis identified additional ESG-related topics for disclosure that are material for both internal and external audiences. Thus, the following material topics are disclosed in the Report for 2022:

Material topics previously disclosed in Etalon Group’s reports:

- 1. Stakeholder engagement
- 2. Corporate governance standards
- 3. Innovation
- 4. Equal opportunities
- 5. Concern for the environment
- 6. Occupational safety
- 7. Impact on community development

Topics that were expanded based on an ESG analysis for 2022:

- 8. Sustainable supply chain
- 9. Cybersecurity

Taking the views of stakeholders into account

The Company takes a systematic approach to its interactions with stakeholders, making it possible to reflect information that is relevant to them in the Report. More details about our approach can be found in the section “Stakeholder engagement”.

Completeness

The Report contains information on the main entities within Etalon Group and on its material impacts (economic, environmental and social). The Company aims to disclose the information in the report to as full an extent as possible or to indicate other sources where that information is presented.

Balance

The Report includes information both on the Company’s achievements and on growth points for its business.

Comparability

In presenting information in the Report, we were guided by the GRI Standards. As a result, information about Etalon Group can be presented in a way that makes it possible to compare its activities with those of other companies.

Accuracy

In preparing the Report, we aimed to accurately reflect the results of the Company’s activities in order to enable stakeholders to make an objective assessment. The Report presents both qualitative descriptions and quantitative data based on financial reporting and internal records.

Timeliness

The Report provides stakeholders with up-to-date information on operations in 2022 and is published before the end of the third quarter of the year following the reporting year.

Clarity

The information in the Report is presented in a form that is clear, easily understandable and accessible to a wide audience. Highly specialised terminology is used only when necessary.

Reliability

The Report presents reliable information that can be verified and confirmed.



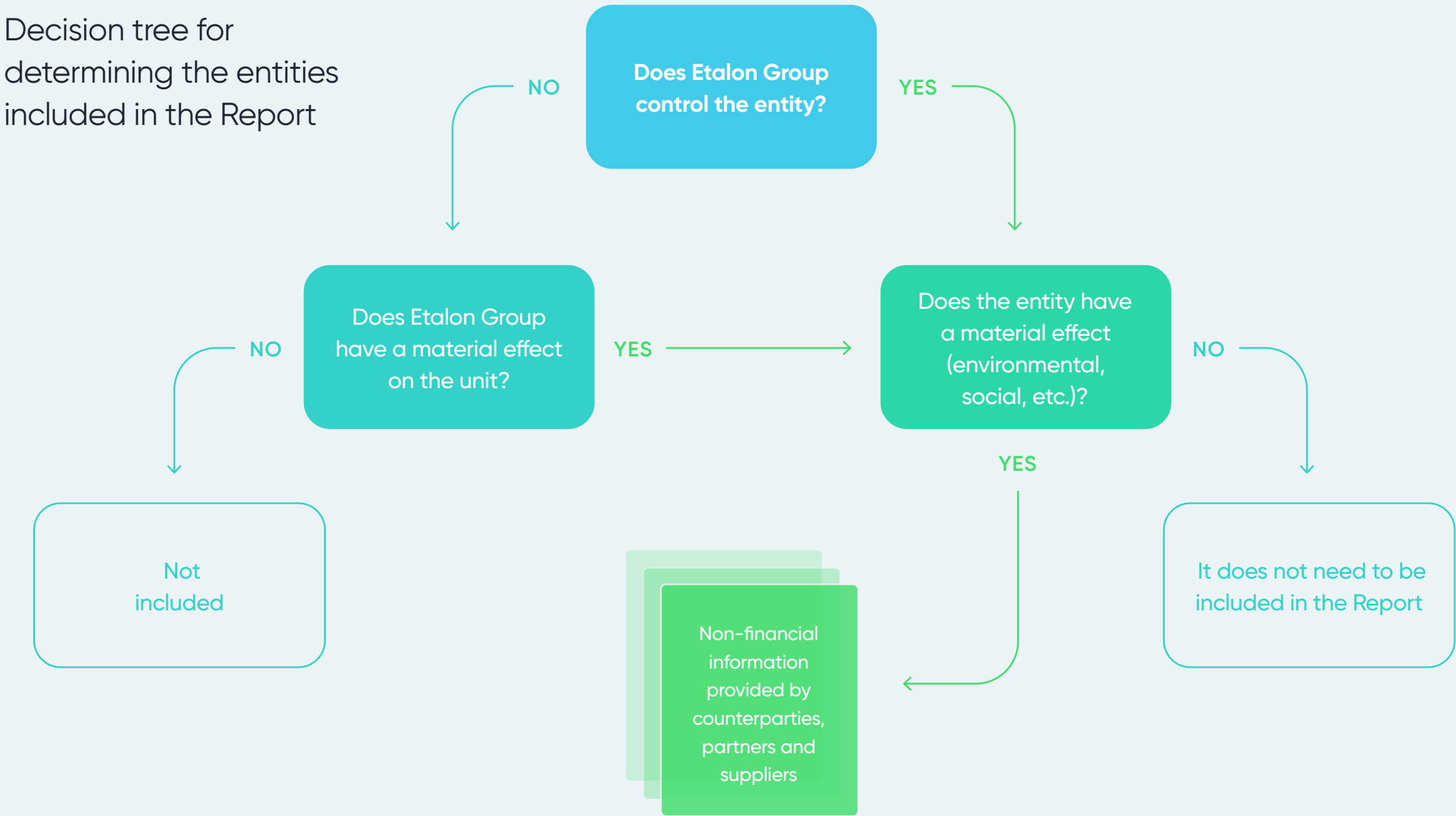
Entities covered by the Report

GRI 2-2

The Report covers all Etalon Group entities that have a material impact on sustainability and units under the Company's control or on which the Company has a material effect. The Report discloses data for 2022; trends from previous years are also presented for a number of metrics. In the case of certain policies and initiatives, information right up to the beginning of 2023 is presented.

Business units controlled by Etalon Group that have a material impact on the Group's performance are included in the scope of the Report.

Decision tree for determining the entities included in the Report



Data sources

Personnel, social benefits and entitlements	HR management and payroll systems
Data on occupational health and safety	The Company's own data and data from contractors
Environmental data	The Company's own data and that of its subsidiaries engaged in property construction, as well as partial data from contractors
CO ₂ emissions data	The Company's financial statements, data from the Company's internal records and calculations from partner companies

Scope of the Report

Unless specified otherwise, the gross and specific indicators presented in the Report fall within the scope of the following areas:

1

Indicators regarding personnel as well as social benefits and entitlements are within the scope of the Company's centralised accounting function, which in 2022 included all Company subsidiaries and business units controlled by the Company.

2

Metrics relating to occupational health and safety fall within the purview of Company subsidiaries engaged in property construction.

3

Engagement with local communities applies to the regions where the Company and its subsidiaries operate.

4

Environmental indicators, excluding CO₂ emissions, cover construction and construction-related resource consumption as well as the degree of adverse environmental impact.

5

CO₂ emissions are disclosed in line with the GHG Protocol's operational management criterion:

Scope 1: fuel burned by vehicles or diesel generators

- data from the development and construction division
- data on the Company's transport fleet

Scope 2: consumption of energy (electricity, heat) from third-party suppliers

- consumption at construction sites

Scope 3: other indirect emissions

- business travel: Etalon Group JSC
- consumption of electricity and heat at residential complexes operated by Etalon Group



Changes to the Report

In 2022, we expanded the scope and topics of disclosure in an effort to improve our approach to the ESG agenda.

Based on the GHG Protocol, we collected data according to the operational control criterion. Emissions from entities controlled by Etalon Group were included in the calculation:

Scope 1

Direct CO₂-equivalent emissions are produced by the combustion of fuel by the Company's vehicles and construction equipment. Data on the consumption of fuel is collated in RAS financial reports.

Scope 2

Indirect CO₂-equivalent emissions are calculated based on the consumption of energy supplied and generated by third-party suppliers for facilities owned or controlled by the Company. Data collection covers construction sites owned by the Group. Data on the amount of energy (electricity, heat) consumed is collected based on the invoices issued by suppliers.

Scope 3

In the context of Scope 3 emissions under the GHG Protocol, data was collected and indirect CO₂-equivalent emissions were calculated in 2022.

UPSTREAM EMISSIONS	DOWNSTREAM EMISSIONS
Business travel	Emissions from the use of sold products
Business trips by employees of the management company Etalon Group JSC	Energy consumption in the operation of residential complexes built by the Company
Source: supplier data	Source: data from energy suppliers

One of the most important changes was the decision to pay more attention to the role of climate change in our list of material topics. To achieve the UN's goal of combating climate change, we took our first steps towards calculating our carbon footprint: we developed a methodology for calculating CO₂-equivalent emissions in relation to Scopes 1 and 2 and partly in relation to Scope 3.

In May 2022, Etalon Group completed a deal to acquire the Russian assets of the Finnish developer YIT. One of the major benefits of the deal was the acquisition of a methodology for calculating the carbon footprint of YIT projects, which had also been incorporated into the company's Russia division.

The methodology makes it possible to calculate CO₂-equivalent emissions based on the LCA approach, from the investment stage to a building's final delivery. Building on the experience and competencies gained as a result of the synergy between the two companies, Etalon Group is developing its own approach to the digitalisation of its carbon footprint, in terms of the construction process, throughout the life cycle of its projects (scope 3).

Standards applied in preparation of the Report

When disclosing data, we were guided by the GRI 2021 Global Standards – GRI 1, GRI 2 and GRI 3 – as well as individual thematic GRI 2016 Standards.

In addition to the GRI Standards, the report includes a variety of data in accordance with the SASB Real Estate and SASB Home Builders Standards.

CO₂ emissions are disclosed on the basis of the GHG Protocol.

In addition to these disclosure standards, the following standards were taken into account in the process of analysing, assessing and preparing various data for the Report:

- **GOST R ISO 14064–2021** – national standard of the Russian Federation on greenhouse gases
- **GOST R ISO 14067–2021** – greenhouse gases; production-related carbon footprint: requirements and guidelines for quantification purposes
- **GOST R Green standards** – green apartment buildings: assessment methodology and criteria for design, construction and operations



GRI STANDARDS

GRI STANDARD	REPORT SECTION/COMMENTARY		DISCLOSURE
General Disclosure			
Organisation's profile			
2-1	Organizational details		
	Name of the organisation	ETALON GROUP PLC	Fully disclosed
	Location of headquarters	Parent company ETALON GROUP PLC (Cyprus), main operating company JSC Etalon Group (St Petersburg)	Fully disclosed
	Number of countries where the organisation operates, and the names of the countries where it has significant operations and/or that are relevant to the topics covered in the Report	As of July 2023, Etalon Group operates in the following regions of Russia: Moscow, Moscow region, St Petersburg, Omsk, Ekaterinburg, Tyumen, Kazan and Novosibirsk	Fully disclosed
	Ownership and legal form	Etalon Group in Brief, p. 5	Fully disclosed
2-6	Activities, value chain and other business relationships		
	Activities, brands, products and services	Etalon Group in Brief, p. 5	Fully disclosed
	Markets served, including geographical locations where products and services are offered, sectors served, types of consumers and beneficiaries	Etalon Group in Brief, p. 5 Our Customers, p. 36	Fully disclosed
	Scale of organisation	Etalon Group in Brief, p. 5 Our Team, p. 26	Fully disclosed
	Supply chain	Responsible Supply Chain, p. 56	Fully disclosed
2-7	Employees	Our Team, p. 26	Fully disclosed
Strategy			
2-22	Statement on sustainable development strategy	Chairman's Statement, p. 16	Fully disclosed

GRI STANDARD	REPORT SECTION/COMMENTARY		DISCLOSURE
Ethics and integrity			
2-23	Policy commitments	Corporate Ethics, p. 80	Fully disclosed
2-26	Mechanisms for seeking advice and raising concerns	Corporate Ethics, p. 80	Fully disclosed
Governance			
2-9	Governance structure and composition		
	Governance structure; committees responsible for economic, environmental and social topics	Corporate Governance, p. 89	Fully disclosed
2-12	Role of the highest governance body in overseeing the management of impacts	Corporate Governance, p. 85	Fully disclosed
Stakeholder engagement			
2-29	Approach to stakeholder engagement		
	List of stakeholder groups engaged by the organisation	Stakeholder Engagement, p. 19	Fully disclosed
	The organisation's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the Report preparation process.	Stakeholder Engagement, p. 20	Fully disclosed
Reporting practice			
2-2	Entities included in the organization's sustainability reporting	Sustainability Report: Approach and Methodology, p. 93	Fully disclosed
3-1	Process to determine material topics	Sustainability Report: Approach and Methodology, p. 92	Fully disclosed
3-2	List of material topics	Sustainability Report: Approach and Methodology, p. 92	Fully disclosed



GRI STANDARDS

GRI STANDARD		REPORT SECTION/COMMENTARY	DISCLOSURE
2-3	Reporting period, frequency and contact point		
	Reporting period	About the Report, p. 4	Fully disclosed
	Reporting cycle (annual or biennial etc.)	Annual	Fully disclosed
	Contact point for questions regarding the Report	About the Report, p. 4	Fully disclosed
2-5	External assurance	About the Report, p. 4	Fully disclosed
Management approach			
3-3	Management of material topics		
	Explanation of the material topic and its Boundary	About the Report, p. 4	Fully disclosed
	The management approach and its components	Stakeholder Engagement, p. 19 Environmental Stewardship, p. 40 Our Team, p. 26 Social Responsibility, p. 46 Corporate Ethics, p. 80 Responsible Supply Chain, p. 56	Fully disclosed
Procurement practices			
204-1	Percentage of local suppliers	Responsible Supply Chain, p. 60	Fully disclosed
Anti-corruption			
205-1	Operations assessed for risks related to corruption	Corporate Ethics – Anti-corruption Policy, p. 83	Partially disclosed
205-2	Communication and training about anti-corruption policies and procedures	Corporate Ethics – Anti-corruption Policy, p. 84	Fully disclosed
205-3	Confirmed incidents of corruption and actions taken	Corporate Ethics – Anti-corruption Policy, p. 84	Fully disclosed

GRI STANDARD		REPORT SECTION/COMMENTARY	DISCLOSURE
Environmental topics			
301-1	Materials used by weight or volume	Environmental Stewardship, p. 42	Fully disclosed
302-1	Energy consumption within the organisation	Environmental Stewardship, p. 43	Partially disclosed
303-1	Interactions with water as a shared resource	Environmental Stewardship, p. 42	Partially disclosed
303-3	Water withdrawal	Environmental Stewardship, p. 42	Partially disclosed
303-4	Water discharge	Environmental Stewardship, p. 42	Partially disclosed
305-1	Direct (Scope 1) GHG emissions	Environmental Stewardship, p. 43	Partially disclosed
305-2	Energy indirect (Scope 2) GHG emissions	Environmental Stewardship, p. 43	Partially disclosed
305-3	Other indirect (Scope 3) GHG emissions	Environmental Stewardship, p. 44	Partially disclosed
305-7	Emissions	Environmental Stewardship, p. 44	Partially disclosed
306-2	Management of significant waste-related impacts	Environmental Stewardship, p. 42	Partially disclosed
306-3	Waste generated	Environmental Stewardship, p. 42	Fully disclosed
306-4	Waste diverted from disposal	Environmental Stewardship, p. 42	Partially disclosed
Social topics			
Employment			
401-1	New employee hires and employee turnover	Our Team, p. 30	Fully disclosed
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Our Team, p. 29, 33, 34	Fully disclosed
401-3	Parental leave	Our Team, p. 35	Partially disclosed



GRI STANDARDS

GRI STANDARD		REPORT SECTION/COMMENTARY	DISCLOSURE
Labour–management relations			
402-1	Minimum notice periods regarding operational changes	Our Team, p. 34	Fully disclosed
Occupational health and safety			
403-1	Occupational health and safety management system	Occupational Health and Safety, p. 63	Fully disclosed
403-2	Hazard identification, risk assessment and incident investigation	Occupational Health and Safety, p. 66	Fully disclosed
403-4	Worker participation, consultation and communication on occupational health and safety	Occupational Health and Safety, p. 67	Partially disclosed
403-5	Worker training on occupational health and safety	Occupational Health and Safety, p. 69	Fully disclosed
403-8	Workers covered by an occupational health and safety management system	Occupational Health and Safety, p. 65	Fully disclosed
403-9	Work-related injuries	Occupational Health and Safety, p. 66	Partially disclosed
Training and education			
404-1	Average hours of training per year per employee	Our Team, p. 29	Partially disclosed
404-2	Programmes for upgrading employees' skills and transition assistance programmes	Our Team, p. 29	Partially disclosed

GRI STANDARD		REPORT SECTION/COMMENTARY	DISCLOSURE
Diversity and equal opportunities			
405-1	Diversity of governance bodies and employees	Our Team, p. 34	Fully disclosed
Non-discrimination			
406-1	Incidents of discrimination and corrective actions taken	Corporate Ethics – Anti-discrimination Policy, p. 83	Fully disclosed
Child labour			
408-1	Operations and suppliers at significant risk of incidents of child labour	Corporate Ethics – Respect for Human Rights, p. 80	Fully disclosed
Forced or compulsory labour			
409-1	Operations and suppliers at significant risk of incidents of forced or compulsory labor	Corporate Ethics – Respect for Human Rights, p. 80	Fully disclosed
Human rights			
412-1	Operations that have been subject to human rights reviews or impact assessments	Corporate Ethics – Respect for Human Rights, p. 80	Fully disclosed
Local communities			
413-1	Operations with local community engagement, impact assessments and development programmes	Social Responsibility, p. 46	Fully disclosed



SASB STANDARDS

In addition to GRI Standards, the Company has disclosed information in this Report in line with the individual SASB standards listed below.

SASB STANDARD		REPORT SECTION/COMMENTARY
Home builders		
Land Use & Ecological Impacts		
IF-HB-160a.4	Integration of environmental considerations into site selection, site design, and site development and construction	Environmental Stewardship, p. 40
Workforce Health and Safety		
IF-HB-320a.1	Total recordable incident rate (TRIR)	Occupational Health and Safety, p. 66
Design for Resource Efficiency		
IF-HB-410a.3	Number of homes delivered certified to a third-party multi-attribute green building standard	Environmental Stewardship, p. 45

SASB STANDARD		REPORT SECTION/COMMENTARY
Real Estate		
Energy Management		
IF-RE-130a.2	Total energy consumed	Environmental Stewardship, p. 43
IF-RE-130a.4	Portfolio energy rating	Environmental Stewardship, p. 43
Water Management		
IF-RE-140a.2	Total water withdrawn	Environmental Stewardship, p. 42
Management of Tenant Sustainability Impacts		
IF-RE-410a.2	Metered grid electricity consumption and water withdrawals	Environmental Stewardship, p. 42



KEY PERFORMANCE DATA

ITEM	GRI STANDARD	UNIT	2020	2021	2022
Employees					
Number of employees taking part in the orientation programme		pers.	344	113	821
Number of employees taking part in the life and health insurance programme	401-2	pers.	2,585	2,560	3,936
Number of employees taking part in private health insurance programmes	401-2	pers.	2,029	2,202	3,538
Breakdown of managers at all levels by age and sex	405-1	pers. (%)			
Under 30 y. o.			78 (8%)	89 (8%)	85 (7%)
30–50 y. o.			752 (72%)	823 (73%)	906 (73%)
Over 50 y. o.			208 (20%)	223 (20%)	253 (20%)
Women			326 (31%)	454 (40%)	448 (36%)
Men			712 (69%)	681 (60%)	796 (64%)
Breakdown of employees by age and sex	405-1	pers. (%)			
Under 30 y. o.			706 (15%)	827 (71%)	948 (16%)
30–50 y. o.			2,811 (61%)	3,062 (64%)	3,634 (62%)
Over 50 y. o.			1,089 (24%)	876 (18%)	1,297 (22%)
Women			1,378 (30%)	1,384 (29%)	2,041 (35%)
Men			3,228 (70%)	3,381 (71%)	3,838 (65%)

ITEM	GRI STANDARD	UNIT	2020	2021	2022
Staff training	404-1	hrs pp			
Management			34	34	40
Line employees			31	22	25
Women			24	17	14
Men			37	28	44
Water management	303				
Total water sourced	303-3	ths m³	1,275	874	667
Total waste water discharged	303-4	ths m³	845	1,148	783
Recycled and reused water		ths m³	2.5	1.5	1.7
Proportion of recycled and reused water		%	22	22	26
Waste management	306				
Construction materials used		ths tonnes	1,056	1,664	1,842
Waste generated	306-3	ths tonnes	168	709	914
Hazardous waste (class 1–3)		ths tonnes	–	–	–
Non-hazardous waste (class 4–5)		ths tonnes	168	709	914



KEY PERFORMANCE DATA

ITEM	GRI STANDARD	UNIT	2020	2021	2022
Greenhouse gas emissions (GHG)					
Direct (Scope 1) GHG emissions	305-1				
Etalon Group's consumption of petrol		ths liters	84.9	148.7	108.5
Etalon Group's consumption of diesel		ths liters	215.2	393.7	364.5
CO ₂ emission from consumed petrol ¹		tonnes	189	331	241
CO ₂ emission from consumed diesel ¹		tonnes	576	1,054	976
Total emissions of CO ₂		tonnes	765	1,385	1,217
Energy indirect (Scope 2) GHG emissions ²	305-2				
Electricity purchased for consumption		mln kW·h	23.3	39.1	42.8
CO ₂ emissions from electricity		tonnes	10,463	17,612	19,247
Heat energy in hot water and steam		Gcal	41,902	25,893	27,040
CO ₂ emission from hot water and steam		tonnes	13,283	8,208	8,572
Total emissions of CO ₂ ³		tonnes	23,746	25,820	27,981

ITEM	GRI STANDARD	UNIT	2020	2021	2022
Other indirect (Scope 3) GHG emissions	305-3				
Electricity purchased for consumption ⁴		mln kW·h	68.2	83.0	87.1
CO ₂ emissions from electricity		tonnes	30,711	37,334	39,177
Heat energy in hot water and steam ⁴		Gcal	369,937	386,245	466,536
CO ₂ emission from hot water and steam		tonnes	117,270	122,440	147,892
Total emissions of CO ₂		tonnes	147,982	159,774	187,069
Energy purchased for consumption	302-1				
Electricity		mln kW·h	23.3	39.1	42.8
Heat energy in hot water and steam		Gcal	41,902	25,893	19,918
Air emissions	305-7				
NOx		tonnes	44.7	30.5	147.0
SOx		tonnes	6.1	2.6	16.2
Volatile organic compounds (VOCs)		tonnes	13.1	8.3	13.1
Particulate matter (PM)		tonnes	7.9	5.0	23.5
Other standard categories of atmospheric emissions used in relevant regulations		tonnes	49.1	13.1	40.9

¹ Calculated according to: the Decree of the Ministry of Natural Resources of Russia No.15-r on approval of guidelines for conducting a voluntary inventory of greenhouse gas emissions in the constituent entities of the Russian Federation; and the Order of the Ministry of natural Resources of Russia No.371 on approval of methods for quantifying greenhouse gas emissions.

² Emissions from energy consumed at development sites.

³ Calculated using Defra and IEA emission factors.

⁴ Energy consumed at residential complexes operated by Etalon Group.



KEY PERFORMANCE DATA

ITEM	GRI STANDARD	UNIT	2020	2021	2022
Occupational health and safety	403-9				
Number of fatal accidents		Number	-	-	-
Number of employees of contractors (employed at Company properties) injured as a result of work-related accidents		pers.	3	2	2
TRIR ¹			0.11	0.09	0.07
LTIFR ²			0.56	0.43	0.36
Number of registered cases of occupational diseases		Number	-	-	-
Number of registered deaths due to occupational diseases		Number	-	-	-
Average safety index for the year		%	86	87	89
Community development programmes	413-1				
Number of events/programmes		Number	17	19	20
Amount invested in the development of local communities		RUB mln	3.8	2.5	2.4

ITEM	GRI STANDARD	UNIT	2020	2021	2022
Charity					
Number of charity events/programmes		Number	14	28	48
Amount of charitable assistance provided		RUB mln	46.3	53.9	154.4
Responsible supply chain	204-1				
Total suppliers, incl.		Number	1,125	1,378	1,751
Local suppliers		Number	1,032	1,281	1,583
Other suppliers		Number	93	97	168
Procurement volume		RUB mln	31,836	38,204	43,335
including the volume of procurement from small and medium-sized enterprises (SMEs) ³		RUB mln	25,955	31,146	39,261
Number of SME suppliers		Number	731	923	1,187

¹ The total recordable incident rate (TRIR) is the overall number of accidents*200,000 / total number of working hours during the year.

² The lost time injury frequency rate (LTIFR) is the number of lost-time injuries occurring in the workplace*1,000,000 / total number of hours worked by all employees.

³ Companies with up to 100 employees.

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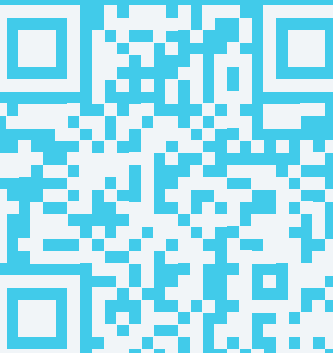
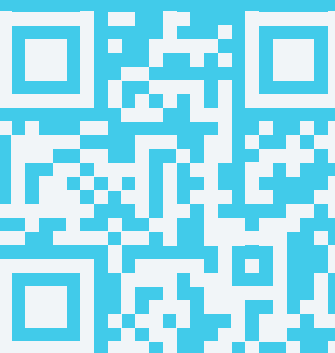
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