

External Audit

AO Business Solutions and Technologies (TIN 7703097990), legal address: 5 Lesnaya St., Moscow, 125047, Russia, a member of the Self-regulatory Organization of the Auditors Association “the Commonwealth” (AAC SRO). AO Business Solutions and Technologies is included in the control copy of the register of auditors and audit organisations with the registration number ORNZ 12006020384, and was approved as the auditor of the Company’s consolidated financial statements prepared in accordance with the International Financial Reporting Standards. AO Business Solutions and Technologies was registered in accordance with the legislation of the Russian Federation on 30 October 1992 by the Moscow Registration Chamber.

The Board of Directors approved the Company’s external auditor to provide:

- an independent audit of the consolidated financial statements of the Group prepared according to the International Financial Reporting Standards for the year ending 31 December 2022; and
- an independent review of the interim consolidated financial information of the Group for the six months ending 30 June 2022.

The total remuneration paid in 2022 for the audit and non-audit services to AO Business Solutions and Technologies amounted to RUB 36 million.

Risk Management

General Information

In 2022, Fix Price continued to develop its risk management practices as an integral corporate function.

Participants in the risk management process identify, assess and mitigate risks, and minimise negative implications should they materialise, which all ensure business stability and continuity.

The effectiveness of risk management is improved by engaging a wide range of participants, from managers to line staff. To this end, we promote a risk culture, regularly train employees and run standardised stages of the PDCA¹ cycle.

An independent diagnostic run in late 2021–early 2022 found that Fix Price’s risk management system was consistent with good corporate practices.

Risk management at Fix Price focuses on the following:

- identifying and systematically analysing risks to the Company;
- considering material risks when making management decisions as a matter of course;
- assigning risk management responsibilities;
- developing measures and plans to respond to material risks;
- monitoring risks and the effectiveness of risk management;
- building risk management expertise.

Risk Management Structure and Areas of Responsibility



¹ The PDCA (Plan-Do-Check-Act) / Deming cycle is a decision-making methodology and algorithm for managing processes and achieving objectives

The Board of Directors (via the Audit Committee) determines the underlying principles and approaches that drive the risk management system and evaluates its effectiveness.

The CEO and top managers set up and maintain an effective risk management system, assign authority, duties and responsibilities for specific risk management procedures to unit heads, approve requirements for reporting forms, review key risks and make relevant decisions, and promote a risk-management culture.

The risk management unit facilitates the risk management process at the Company in several ways. It implements the Risk Management Policy within its remit; requests risk updates; coordinates activities of the units, project teams and business units related to identifying and assessing risks and developing risk management measures; provides relevant methodological support; prepares materials for top managers and the Board of Directors; and promotes a risk culture at the Company.

Unit heads, project teams and business units ensure the risk management system runs smoothly within their area of responsibility. In particular, they identify and assess risks, develop relevant measures and ensure their implementation, including the implementation of control procedures. They appoint coordinators or authorised representatives who oversee the day-to-day management of the process and, if necessary, escalate to the risk management unit.

Key Activities in 2022

In 2022, we continued to integrate the principles of risk-based management into the Company's practices.

In the first half of the year, we reviewed the results of a risk management diagnostic conducted in late 2021 and early 2022 by a Big Four management consulting firm. The assessment was conducted using the contractor's model based on best practices in Russian and international retail companies. The diagnostic gauged the system's current maturity level and yielded initiatives and recommendations for future development.

Fix Price launched a global training session for its employees covering basic risk management concepts and integrated risk management systems. We have added risk courses to the mandatory onboarding training programme for new hires and run them on a quarterly basis. We have also made course recordings available to watch for all Fix Price employees.

We continued to develop communication channels to keep employees informed about risks. In addition to the corporate intranet, we set up a Telegram account to expand the target audience to include store and distribution centre employees.

Plans for 2023

In 2023, Fix Price intends to integrate risk management system activities with regular internal control system procedures to build an integrated risk management and internal control system (RMICS). We plan a risk reassessment cycle following an updated methodology and using new templates to consolidate the risk register. In addition, we will regularly monitor the geopolitical and sanctions environment to identify and assess risks and mitigate them accordingly.

IN 2022, WE CONTINUED TO INTEGRATE THE PRINCIPLES OF RISK-BASED MANAGEMENT INTO THE COMPANY'S PRACTICES





Key Risks and Mitigants

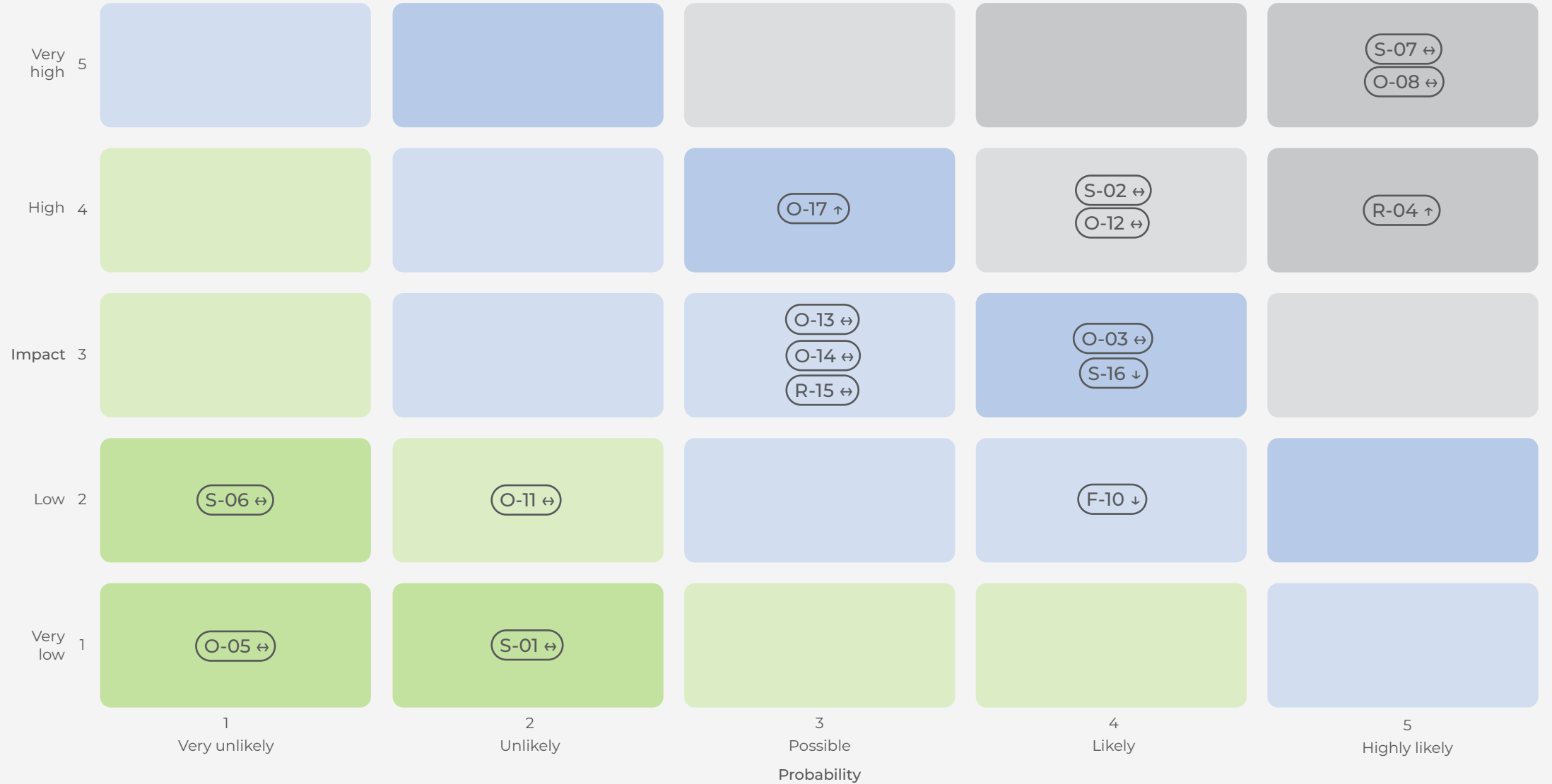
Fix Price distinguishes between:

S strategic risks

O operational risks

F financial risks

R regulatory risks



Type	Risk	Level / Change	Mitigation
S-02	Risk of pressure on gross margin	High / stable	Expanding the Russian supplier base (having a duplicate contract with a second Russian supplier for each item to ensure uninterrupted supply in an emergency); ensuring product rotation and running deeper assortment and COGS analysis; increasing the number of freight forwarders; switching supplies to lower cost options
S-06	Risk of construction and installation contractors refusing to perform work on agreed terms	Low / stable	Ensuring that construction and installation contracts are signed with multiple contractors; finding new contractors, conducting tenders to revise costs
S-07	Staff outsourcing risk	High / stable	Reducing the share of outsourcing; switching counterparties in the event that they fail to provide the Company with a sufficient number of employees in a timely manner and at competitive rates
S-01	Reputation risk	Low / stable	Streamlining the activities of the Ethics Committee; tracking the hotline's performance; complying with the Code of Business Ethics; developing the Group's corporate culture
O-03	Risk of supply chain disruptions	Medium / stable	Reducing the share of imports in purchases; identifying alternative ways to ship goods from China (rail, sea, road); identifying alternatives/replacements from Russian suppliers; increasing the number of freight forwarders to transport goods; switching supplies to lower cost shipping lines
O-08	Risk of higher employee turnover	High / stable	Analysing the labour market; revising salaries or benefits to drive competitiveness
O-12	Information security risk	High / stable	Applying security systems and tools to counter cyber attacks (DDoS protection solutions, antiviruses, WAF, NGFW, etc.); developing and introducing information security regulations; ensuring employment contracts for Group employees are aligned with up-to-date information security regulations; investigating any violations of information security rules and regulations by Group employees; training relevant employees to monitor compliance with information security procedures
O-13	Risk of IT system failure	Medium / stable	Redistributing the IT system load to other systems; forecasting the growing load on systems; upgrading the server fleet in due course; using a testing landscape for fine-tuning; building up a stock of backup telecommunications equipment; embedding a fail-safe connection circuit across all key facilities (offices, data centres, distribution centres); providing redundant communication channels across key facilities (offices, data centres, distribution centres)

Type	Risk	Level / Change	Mitigation
O-05	Risk of trade restrictions in the wake of the COVID-19 pandemic	Low / stable	Closely monitoring changes to the Essentials List; rapidly updating the product range subject to possible restrictions; developing alternative sales channels (online, click & collect, etc.)
O-11	Risks of non-compliance with the requirements of the risk management and internal control system	Low / stable	Enhancing the design of internal controls to improve productivity; automating controls; reviewing and establishing workable standards for controls
O-14	Asset integrity risk (stores, distribution centres, offices)	Medium / stable	Entering into scheduled maintenance contracts; taking out inventory insurance
F-10	Currency risk	Medium / declining	Hedging the currency risk with derivatives; reducing the number of contracts exposed to currency risks; setting upper and lower bounds for exchange differences in contracts with contractors/suppliers
R-15	Fraud and corruption risk	Medium / stable	Updating anti-corruption procedure rules and the Regulations on Tender Procedures; including anti-corruption clauses in contracts for the purchase of goods or services; conducting audits to identify potential cases of corruption by Group employees or suppliers of goods or services
R-04	Risk of changes in the local legislation related to the product range or pricing restrictions	High / growing	Local sourcing; supplier rotation; negotiating engagement terms
S-16	Sanctions risks	High / new (declining)	Communicating with account managers of partner banks to ensure uninterrupted and full service delivery; making a list of business-critical equipment for stores, distribution centres and offices; building up reserves; tracking balances
O-17	Marketing risks	Medium / new (growing)	Opting for more cost-effective marketing activities; implementing SMM in-house within payroll costs to showcase the Company's product range; balancing the budget and marketing mix when selecting the method and channel to communicate with the target audience; establishing our unique selling proposition (USP) through product/price combination and through product category image-building communications

Risks that Materialised in 2022

As the impact of the COVID-19 pandemic on supply chains and consumer mobility was gradually fading, a new significant risk factor emerged: geopolitical tensions, resulting in sanctions and the transformation of Russia's economy. In 2022, key functions were affected by a number of risk events due to external factors.

Event	Response measures
Assortment management	
Many manufacturers of consumer goods leaving the Russian market or reducing the available product range	Searching for substitute products or alternative suppliers
Continued zero-COVID policy in China, international (primarily maritime) transport operators announcing the suspension of operations in Russia in March	Giving suppliers longer order lead times (earlier booking), searching for new freight forwarders and flexibly planning performance metrics amid changing costs and the time of delivery to Russia
Many partner banks added to various financial sanctions lists, hence more complicated transactions under contracts with foreign suppliers	Opening correspondent accounts with banks in other countries, including branches and subsidiaries in various jurisdictions, and using alternative currencies for settlement
Adverse impact of the adopted Resolution No. 713 of the Council of Ministers of the Republic of Belarus On the Price Regulation System, dated 19 October 2022	Developing and introducing new price points, promptly replenishing stocks at distribution centres and only affording shelf space to targeted SKUs
Supply chain	
International container lines suspending operations in Russia and with Russian customers	Identifying contract opportunities and signing contracts with alternative operators
Overloaded seaports in China and low throughput capacity at Russia's active seaports	Leveraging multimodal transportation; flexibly combining multiple modes of transport: by sea, rail and road; early demand planning; and enabling just-in-time delivery
Significant increase in standard container shipping costs	Regularly meeting and negotiating with suppliers
Limited labour availability for transportation (drivers) and warehousing due to seasonality and other factors	Reviewing employment terms and expanding the list of recruitment channels
Lack of handling equipment that meets certain specifications in the market	Limited reliance on used equipment and sourcing from other countries
More complicated procedures for obtaining product permits and certifications	Facilitating interactions between the manufacturer, the courier service (in the absence of international service operators) and certification laboratories
Marketing management	
A mismatch in timing between the publication of marketing communications and the actual on-shelf availability for some SKUs	Shifting the focus of marketing communications from product details to the image
Legal restrictions on using certain communication and promotion channels in Russia	Using available communication channels relevant to the target audience
Changes in legislation related to advertising on the internet	Adjusting business processes related to drafting and publishing promotional messages and adding provisions in line with the regulatory requirements
Surging service provider costs	Streamlining the marketing and advertising tactics on a regular basis without compromising their effectiveness



Sustainability Risks

In November 2021, the Board of Directors of Fix Price set up a Sustainability Committee. The first sustainability report prepared in accordance with GRI¹ and SASB² standards was published in summer 2022.

At present, the Company does not perform separate ESG risk assessments, but the current registry contains the following sustainability-related risk areas:

- personnel management;
- employee training and development;
- occupational safety;
- product quality;
- compliance;
- internal controls;
- information security;
- anti-corruption efforts.

As climate change becomes an increasingly urgent issue, this year we publish our first disclosure on the Company's climate impact guided by TCFD recommendations. For more details, see the dedicated [section on page 79](#). Fix Price plans to identify climate risks and add them into the risk register and the risk map in future reporting periods.

Ethics and Anticorruption

Fix Price Group PLC is committed to conducting business in an ethical manner. The Company has an Anti-Bribery and Corruption Policy that provides a set of principles, procedures and specific measures aimed at preventing and eradicating corrupt practices, minimising the causes and conditions that generate corruption and forming anti-corruption mindsets among the Group's employees with respect to any manifestation of unfair behaviour.

In order to combat corruption, the Group performs the following activities:

- safeguarding against corruption, including by identifying and subsequently eliminating causes of corruption, and training Group employees;
- detecting, preventing and impending corruption-related offences, and exposing and investigating these offences in accordance with the Company's policy and other regulations;
- minimising and/or eliminating of the consequences of corruption-related offences for the Group.

The Company's CEO is responsible for the implementation of anticorruption measures.

The Company conducts anti-corruption webinars for employees and provides access to anti-corruption video resources.

All employees agree to abide by the Group's Anti-Corruption Policy and anti-corruption agreements are signed by Group suppliers, contractors and partners.

¹ Global Reporting Initiative

² Sustainability Accounting Standards Board



Complaints on ethical issues, conflicts of interest, suspected corruption and other suspicious activities can be emailed to Fix Price's Ethics Committee: kommitet_po_etike@fix-price.ru

