



## Report of the supervisory board of Tallinna Kaubamaja Grupp AS regarding the annual report of 2021

*Translation of the Estonian original*

22 February 2022

In 2021, Tallinna Kaubamaja Grupp AS (hereinafter referred to as the Group) achieved good financial results amidst a continuing health crises, but a recovering economic environment. The Group increased its sales revenue in all of the most significant business sectors and restored profitability in most of them. In the assessment of the supervisory board, the Group has fulfilled the goals set for the management for 2021.

The most important development of the financial year occurred in the supermarket segment. The grocery stores of ABC Supermarkets AS, which had been acquired a year before as a strategic step, were integrated with the main processes of Selver AS, taking into consideration the preferences of both the existing and the new customers. The expanded service area of the online grocery store is now the only one in Estonia which covers the entire country, thereby providing the people of rural areas an opportunity to buy groceries from a significantly wider selection. The product selection of the Kulinaaria central kitchen was also significantly updated.

The car trade segment gave an important contribution to the successful economic result of the Group. Thanks to the good selection of makes and the well-considered management of stocks, record sales revenue and profit were achieved and the market share was increased.

In the summer months, large-scale renovation works were performed in the sales areas of Ilumaailm and Toidumaailm of the Tallinn department store of Kaubamaja. Various development projects also continued in the I.L.U. stores and in the security segment throughout the year.

The Group focused on the development of an environmentally friendly and responsible business culture in all operations and developments even more than before. In 2021, the Group continued to develop a thorough self-analysis and sustainability strategy with the aim of ensuring long-term sustainability of the Group. As an important step, as of 2021, fully green electricity is used on all sales premises owned by the Group.

In 2022, developments will continue in the companies of the Group which are targeted towards keeping up with the customers' expectations and increasing the long-term profit and market share. Updating the software of the e-commerce platforms of Kaubamaja and Selveri Köök is planned to increase the reliability of the online stores of the Group and the customers' user convenience. The supermarket segment is planning to open at least three new stores and renovate up to four stores in 2022 to maintain and increase a strong market position. In the department store segment, the Naistemaailm section of the Tallinn department store of Kaubamaja will be fully renovated, a new concept will be developed for the Toidumaailm segment of the Tartu department store, the concept of the I.L.U. stores will be updated, and two I.L.U. stores will be renovated. The physical stores of ABC KING and SHU, which are specialised on shoe sales, will be closed.

The loyalty programme Partnerkaart, which unites the Group's companies, will continue the development of financial services supporting retail trade and creating digital solutions to replace the physical card in 2022. Setting short-term as well as long-term sustainability goals will be focused on to ensure the sustainable development of the Group, with the introduction of the UN's sustainable development goals and the implementation of the goals in the operations being the main direction of the Group in 2022.

The development plans listed above will be drawn up and the activities planned in close cooperation with the supervisory board of the Group. The management board, administrations and the supervisory board work together to develop the company's strategy; thereat, the management board and administrations will be making their management decisions based on the strategic guidelines received from the supervisory board. The members of the supervisory board supervise over the actions of the management board. The



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term of office of the Management Board member Raul Puusepp was extended on 21 February 2020 and his term of office will expire on 6 March 2023. In 2021, the supervisory board has held 12 ordinary meetings and 2 extraordinary meetings. The planning activities of the supervisory board have included the discussion and approval of the budgets and investments prepared by the management board, as well as the establishment of activity objectives and priorities. As regards the execution of supervision over the actions of the management board, the supervisory board's monthly meetings have included discussions about the economic results of the company by months, and specifications related to further action plans. In its supervisory functions, the supervisory board is supported by the audit committee of the Group, focusing on its activities mainly on risk management and the improvement of the internal control system. The audit committee also helps to coordinate the activities of internal and external auditors and discusses all the significant auditors' reports. In its monitoring activities, emphasis is put on the effectiveness of follow-up monitoring. Support to the management board and administrations are also provided. The audit committee works on a monthly basis and documents its operations in compliance with the applicable rules.

The supervisory board of the Group is of the opinion that the management board of the Group has fulfilled its contractual obligations. The goals set by the supervisory board of the Group to the management board are increasing the Group's revenue and market share, sustainable and responsible development of areas of activity, continuous improvement of effectiveness, and maintaining customer loyalty and increasing customer satisfaction.

The supervisory board of the enterprise has approved the 2021 annual report, which was prepared by the management board.

Jüri Käo

Chairman of the supervisory board

Tallinna Kaubamaja Grupp AS

(signed digitally)



kaubamaja

I.L.U.



ABC KING

shu



IKÖÖK



VIIMSI KESKUS

