

Sustainable sourcing

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Magnit builds a sustainable supply chain to guarantee the transparency and reliability of product supplies.

Whether we manufacture our products or purchase them from external suppliers, we strive to ensure they are of the highest quality and availability. Magnit applies the criteria of environmental and social responsibility both in cooperation with suppliers and in our own production. We support local producers, develop food production, use organic production technologies, and reduce the environmental impact of our product packaging.



Material topics

- Sustainable supply chain
- Product quality and safety

Contribution to the UN SDGs



Contribution to the achievement of the national goals and projects of the Russian Federation

Goal

- Decent, efficient work and successful entrepreneurship

Projects

- Small and medium-sized enterprises
- Personnel performance

Principles of the Social Charter of the Russian Business (Russian Union of Industrialists and Entrepreneurs, RSPP)

Business partners

Our relations with business partners are based on mutual respect.

¹ >90% – the share of domestic products of the total socially important goods in DIXY in 2023.
² In 2022, the share of private labels in the socially important product mix amounted to 33%. The changes are due to the updating of the calculation methodology.
³ 309 new DIXY suppliers in 2023.
⁴ The Company identifies local suppliers depending on the geography of supply – municipality, / district, /subject of the Russian Federation.

Management approach

GRI 2-6, 204-1, 3-3, 13.23.2

When interacting with suppliers, we adhere to the principles of openness and good faith, maintain long-term relationships, regularly optimise procurement and logistics processes, and improve technological solutions. Our supply chain includes 5,156 Russian suppliers, of which 2,513 are local suppliers⁴. We take a responsible approach to selecting suppliers of products and raw materials, tracing their path from the place of origin to the point of sale.

External documents

- Code of Good Practice of Relations between the Retail Chains and Suppliers of Consumer Goods

Internal documents

- Policy on Responsible Supply Chain Management
- Procedure for Selecting Suppliers through the System of Interaction with External Partners
- Procedure for Selecting Suppliers of Fresh Vegetables, Fresh Fruits and Berries, Fresh Mushrooms, and Herbs through the System of Interaction with External Partners

As part of building a sustainable supply chain, the Corporate Relations and Sustainability Department cooperates with the Category Management, Commercial Purchases and Logistics departments to implement joint projects.

Supply chain management system



----> Coordination in implementing the Sustainability Strategy, advisory support

2023 results

1.6 trillion

Magnit purchases

49%

share of local suppliers

411 tonnes

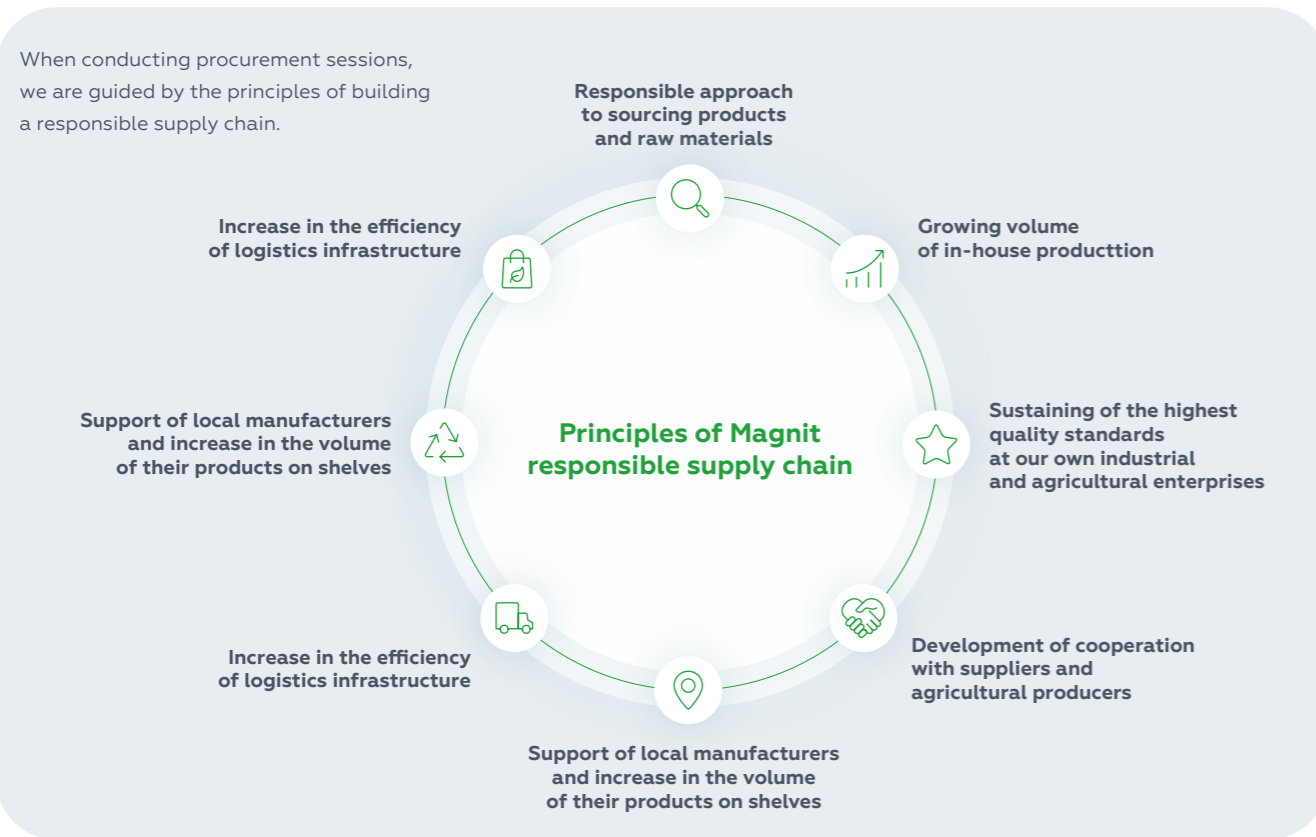
volume of products under agricultural contracts

300 thous. tonnes

produced in total by Magnit

Magnit strategic goals 2025

Goal	Result
50% of private label and own production packaging to be recyclable, reusable or compostable	68% of private label packaging is recyclable
100% responsible purchases of socially important goods	79.7% – share of domestic products of the total socially important goods ¹ 33% – share of private labels in the Company's socially important product mix ²
100% responsible approach in agriculture and in-house production	76.4% – share of domestic agricultural raw materials used in own production
Partnership programmes for local suppliers and farmers	9% increase in turnover for local suppliers 22% increase in the volume of product supplies under agricultural contracts 849 Russian suppliers became new partners of Magnit ³ Development of agricultural contracts and cooperation with farms



Policy on Responsible Supply Chain Management

The Company has the Policy on Responsible Supply Chain Management effective since 2020. It sets out the key sustainability criteria we expect our suppliers to meet. These criteria include

both business ethics and compliance with labour laws, human rights and environmental impact reduction.

Principles of the Policy on Responsible Supply Chain Management

- Lawful and fair business conduct
- Compliance with the minimum age for employment
- Health and safety of employee at work
- Fair competition and anti-corruption
- Fair pay for all employees
- Access of employees to fair procedures and remedies
- Proper treatment of employees
- Reasonable working hours for all employees
- Protecting and defending the rights of regions, including indigenous peoples
- Working willfully and voluntarily
- Right to trade unions
- Operation based on the principles of sustainable development and environmental impact mitigation

Supplier engagement

Developing strategic partnerships is our priority in supplier engagement. These partnerships allow us to offer a unique range of products to our customers, implement supply chain projects, improve forecast accuracy, optimise costs and delivery times, and use advanced data analytics.

We take part in specialised conferences and food exhibitions every year and hold a large number of events as part of strategic cooperation with partners:

- an annual negotiation campaign to agree targeted commercial and non-commercial terms of business for the following year;
- supplier events to update our strategy status and inform about the changes in commercial policy for the next year;
- trade and procurement sessions in all regions where the Company operates.

- The Company carries out its procurement process using **SRM 2.0 system**, which now comprises more than 12 thousand existing and potential registered partners. In the reporting year, we worked to develop the functionality of the system and:
- created the Supplier's Personal Account module, where we consolidated regulatory and reference documentation on procurement procedures to ensure easy access to the main documents and regulations;
 - added useful services for our partners to the portal such as connection to electronic document management (EDI and UZDO (legally significant electronic document management)), factoring, quick transfer to the RS.Magnit Analytical Supplier Portal and the possibility to submit an application to connect to the service;
 - introduced online mode for trading procedures for tender positions to make the offer preparation process more transparent, quick and convenient;
 - reduced the commercial proposals review period by 60% due to targeted communication between the counterparty and the responsible category manager and a system of internal notifications;
 - developed and implemented the functionality for approving complaints in the system;
 - added technical and operational support to suppliers in the system.

We are currently integrating the SRM 2.0 platform with the portal of MSP Corporation (small and medium-sized entrepreneurship). This will make it easier for small and medium-sized businesses to send commercial proposals to Magnit retail chain and provide the most necessary set of parameters for decision making. We are also developing trade procedures for the fruit and vegetables category and plan to start purchasing this category through the platform in 2024. In addition, in 2024, we intend to implement delivery schedules, promos, price alerts approval and payment details and launch them on the platform.

Key figures 2023

RUB 1.6 trillion

Magnit purchases

5,156

Russian suppliers of Magnit¹

2,513

local suppliers

849

Russian suppliers became new partners of Magnit

361

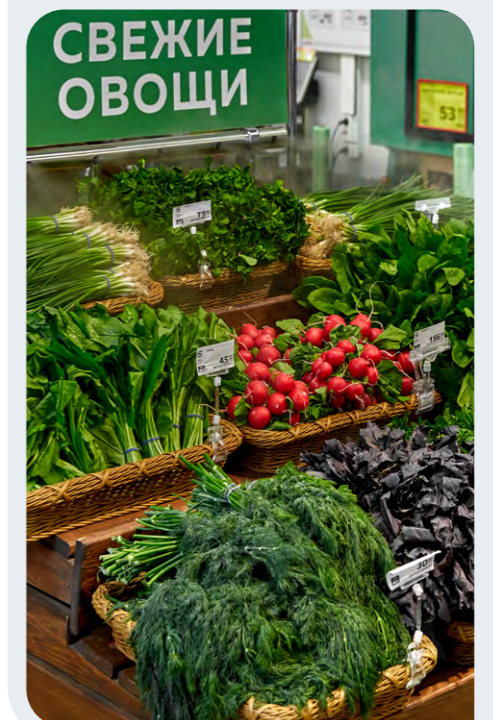
were local suppliers

9%

increase in turnover for local suppliers

49%

share of local suppliers of the total amount



¹ 1,369 – the total number of Russian suppliers of DIXY in 2023.

RS.Magnit Supplier Analytical Portal is an important element of supplier engagement process. At present it brings together over 100 partners that account for more than 30% of the retailer's turnover. We provide suppliers with the opportunity to track business indicators on commercial activity, logistics, marketing key performance indicators (KPIs) online. Advanced analytics allows partners to significantly improve product availability, profitability and forecast accuracy, as well as identify new consumer niches, adjust delivery frequency and promptly solve incidents together with Magnit. In 2024, we plan to expand the list of indicators and add new analytical dashboards, as well as implement the backlog of Magnit partners as a single online information space.

Goods availability management system

In 2023, together with our suppliers, we continued to develop the OSA Magnit on-shelf availability management system. The system allows sharing information on availability of products on shelves. Using the system our suppliers' representatives will respond to the issues related to product display, price tag updates and product replenishment more quickly.

Before a visit to a shop, a merchandiser receives all relevant information from the system, which includes assortment, prices and stock levels, as well as alerts on challenging items. The merchandiser makes adjustments in the store and adds information to the application. After that Magnit responsible employees generate reports for manufacturers. Our joint work allows us to increase the availability of goods on shelves, and the customers get an opportunity to choose and buy all the products they need.



Simplified logistics scheme

In the reporting year, Magnit expanded its work with suppliers using a simplified logistics scheme with an end-to-end supply chain. The suppliers can now ship products to the nearest Magnit warehouse hub¹, from where we distribute goods to logistics centres and deliver them to stores on our own.

The simplified logistics scheme is used mainly by suppliers of cosmetics, household chemicals, grocery, canned products and confectionery. By implementing an end-to-end supply chain, we managed to halve the delivery time and significantly reduce logistics costs for partners.

Supporting local agricultural producers

Management approach

While striving to offer customers a wide range of local quality products, Magnit provides local manufacturers with a possibility of developing the production and sale of products according to a convenient and affordable scheme. We work directly with agricultural producers and farms across Russia, reducing the share of intermediaries in the supply chain.

Magnit supports small farms and producers in organising the storage, sorting, processing and delivery of products

to the retailer, as farmers often lack internal resources. We help agricultural enterprises to improve their logistics and sales efficiency through the retail chain. By cooperating with agricultural producers, we support small businesses, create new jobs and contribute to the regional economy.

Agricultural contracting

Agricultural contracting is one of the mechanisms of cooperation between agricultural producers and retail chains, applied to both large agricultural enterprises and small farms. The development of agricultural contracting is one of Magnit's priorities. In 2023, the volume of deliveries under agricultural contracts reached 411,000 tonnes – a 22% increase compared to the previous year.

Agricultural contracts are long-term agreements with agricultural enterprises for the supply of future crops in fixed amounts with possible prepayment. By entering into such contracts, Magnit improves the efficiency of sales and increases the on-shelf availability of goods. For local producers, this cooperation ensures the availability of jobs and allows forecasting the volume of revenue from sales. Agricultural contracts cover vegetables, cucurbits, fruits, berries and nuts.

Under agricultural contracts, companies receive not only guaranteed sales channels for products at an agreed price, but also support at all stages of interaction with the retailer. Magnit provides agricultural producers with advance payments, which they can use to purchase seeds, fertilisers and machinery; organises independent inspections at the warehouses of enterprises to avoid returns; provides an opportunity to export products by transport of the store chain. Magnit's specialists also provide agricultural support by visiting enterprises

411 thous. tonnes +22% in 2022

the volume of deliveries under agricultural contracts in 2023



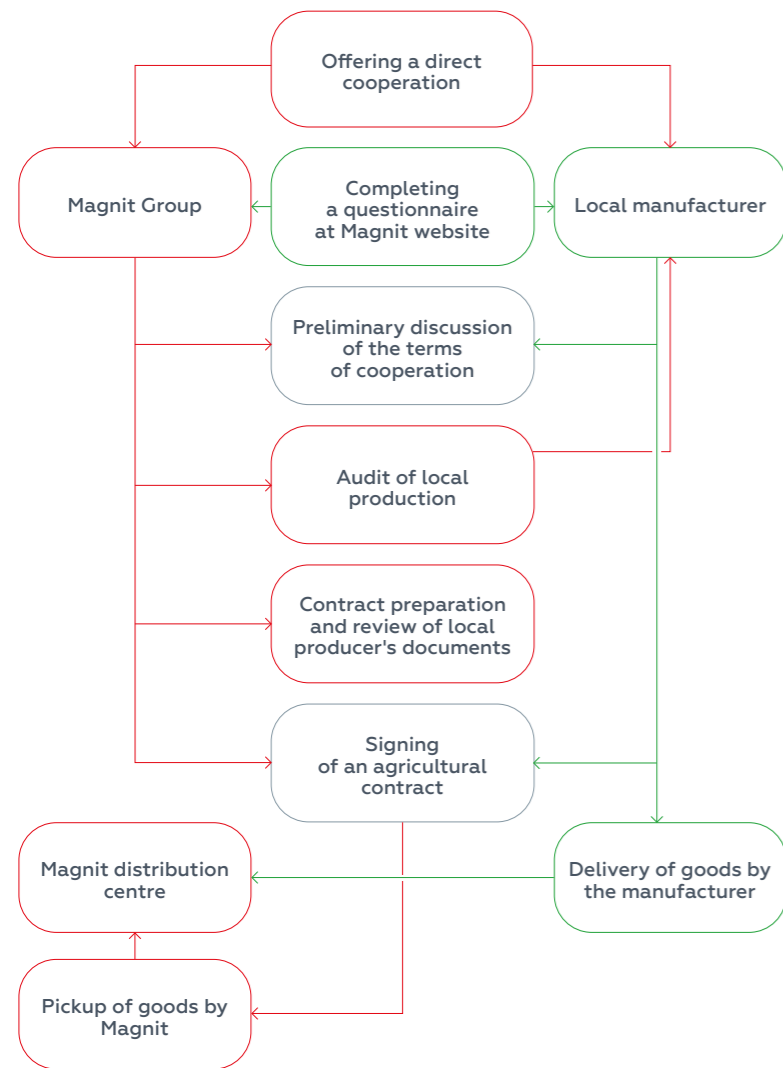
from the moment of preparation for the sowing to harvesting and shipment of products.

Magnit undertakes to provide full support under the agricultural contract.

 <p>Entering into a contract</p> <p>We independently prepare and send the contract to the manufacturer for signing after we have received the required set of documents from the manufacturer</p>	 <p>Help in drafting documents</p> <p>Before starting the deliveries, we provide information on supporting documents and check the correctness of their preparation</p>	 <p>Incident settlement support</p> <p>We work to resolve incidents related to the preparation of documents or supplies in order to avoid product return</p>	 <p>Logistics support</p> <p>We inform the manufacturer about the acceptance of goods in online mode and provide support in logistics operations</p>
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¹ Magnit warehouse hubs operate on the basis of distribution centres in the central, southern, northern and eastern parts of the country.

Agricultural contracting mechanism



→ Actions of Magnit
→ Actions of a local agricultural producer
→ Joint actions

We currently cooperate with 134 agricultural producers in different regions of Russia – from Dagestan in the south to Pskov region in the north-west and Krasnoyarsk region in the east. Our partners are enterprises of different sizes: the smallest and the largest farms have 20 and 86,000 hectares of land, respectively. Partner farms can specialise in several or only one type of products, which is enough to sign a contract with Magnit.

Our goal is to reach one million tonnes of products under agricultural contracts and gradually increase the share of agricultural contracts in covering the retailer's needs. Magnit also aims to give suppliers the opportunity to sell goods in shops in the region they operate and to offer unique or niche product categories.

Supplies under agricultural contracts in 2023

411 thous. tonnes +22% compared to 2022

volume of product supplies under agricultural contracts

63% +24 p.p. by 2022

of the retailer's needs for the main categories are covered by deliveries under agricultural contracts

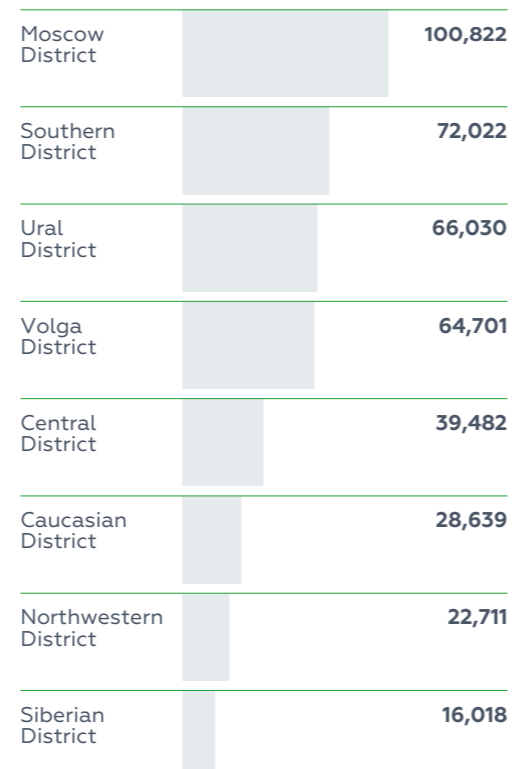
134 **in 39**

agricultural partners regions

134

product items

Geography of product supplies under agricultural contracts in 2023, tonnes



Cases of successful cooperation

Magnit has been developing agricultural contracting since 2016 by offering favourable terms of cooperation to agricultural producers, as well as a wide range of services, such as quality audits, business development advisory services and support in resolving operational issues. In 2023, together with ATP LLC, we began providing services for the construction of vegetable storage facilities for our contractors and developed standard solutions of high quality. We implemented such a construction project for Granada LLC: two out of four storage facilities were built in 2023. They are scheduled to be put into operation in March 2024. As early as at the beginning of 2024, our partners under agricultural contracts received modern vegetable storage facilities, which allowed them to increase volumes and improve product quality. We plan to expand the scope of our activities.

Since 2020 Magnit has been cooperating with the peasant farm enterprise of V.N. Starostin in the Novgorod region. Due to the mutually beneficial and reliable partnership between the enterprise and the retail chain, the farm acquires equipment, increases production volumes and expands the range of products supplied. For example, in addition to its main product range, the farm started to supply yellow carrots, which are in demand among consumers when cooking pilaf. The enterprise has plans to develop further.

Soyuz Volgograd LLC is one of our partners that has grown significantly during its cooperation with Magnit. At the beginning of our joint work, five years ago, the farm had 30 hectares of available land, and it supplied only onions, while today the farm cultivates 800 hectares, 350 hectares of which are irrigated. The farm supplies about 35 items, some of which are exclusively for Magnit. Open dialogue, clear goal-setting, joint consultations helped the farm to grow into a large production facility, expand technical support and land reserves.

We are currently developing a loyalty programme for our regular and reliable suppliers and an electronic platform for centralised purchasing.

Interested agricultural enterprises can obtain all necessary information on agricultural contracts on our [Magnit Agricultural Contracting](#) website, where they can also learn about support options and receiving legal advice, and submit an application for signing a contract. We share information about agricultural contracts in various online channels: social networks,

messengers, search engines, so that as many farmers as possible could learn about opportunities for cooperation. In the future, we plan to transform the website into a farmer portal, which will provide a more detailed information on farmer grants and joint procurement, as well as tools useful for market participants.

Cooperation with farms

Magnit actively develops cooperation with small farms. Our goal is to offer customers the freshest and most natural local products at affordable price and at the same time to give farmers the opportunity to sell their products in the most convenient way. The Company has established a separate division – the Farmer’s Products project, dedicated to farm products. At the same time, individual quality experts and technologists perform quality control of farm products.

Farm products are available in Magnit's convenience stores, as well as in supermarkets and hypermarkets. In large shops such products are sold in a special zone – Farmer's Basket. We also place Farmer's Shops in our stores if there is space behind the checkout area.

We take a special approach to cooperation with farmers by shifting our focus from legal details to building trusting relationships and effectively sharing knowledge and experience. In 2023, we amended the Farmers' Agreement to make it even simpler and easier to understand.

Partnerships and the creation of a stable sales channel for farmers, along with the quality and safety of products, are Magnit's priorities in its work with farms.

We provide assistance and advisory support to farmers in organising the production cycle and document management, and perform product quality assessments in independent laboratories. Magnit launches quality support even before signing a contract with a farmer to assess the most important processes that need to be improved to ensure a high level of quality and food safety. In 2023, we cooperated with more than 20 farmers on safe product release, helped them build the quality management workflow required by the law, provided product certification support, and explained how to comply with hygiene and sanitary requirements and its importance in food industry. Magnit undertook a significant part of control of farm products for compliance with the requirements of food legislation: in 2023, we held more than 900 product tests in independent accredited laboratories and testing centres.

Aggregation is one of Magnit areas of work with farmers.

- The aggregator target model includes:
- centralized purchases and supplies of farm products;
 - farm product storage and processing infrastructure (for example, washing and packing);
 - advice for farmers;
 - assistance in drafting documents and working with labelling systems;
 - data analysis;
 - training of farmers;
 - co-financing of purchases of raw and packaging materials;
 - agricultural insurance.

Farmer's Shop

means that Magnit leases space in its stores to local producers for them to sell their products independently. As part of this, we cooperate with MSP Corporation that helps local producers start business on the leased site. In 2023, we launched two Farmer's Shop projects.



Farmer's Basket

is a separate display window for local products in the shop, which is sold alongside usual Magnit products



Cooperation with farmers in 2023

	Dairy products and cheese, meat, poultry and fish:	Fruit and vegetables:
Partner farms	>170	>58
Turnover of farm products in the retail chain	>RUB 2.5 billion	>RUB 5.5 billion
Items of farm products available in the shops	>1.7 thous.	>114

We regularly monitor consumer demand for farm products. Research results show that customers are interested in consuming such products. In our communications with customers, we emphasise that farm products are local products from our native land. Magnit also takes into account consumer expectations of the farm product quality and provides farmers with the necessary support. In order to familiarise customers with farm products in the reporting year, we organised events where the producers had an opportunity to tell about their products in shops.

Magnit is expanding the range of products purchased from farmers. In addition to vegetables and fruit, cheese and dairy products, we arranged for the supply of meat, poultry, sausages and eggs in 2023. Next year we plan to continue actively filling our shop shelves with farm dairy products, cheese, sausages, meat, poultry, adding sauces, herbal tea and honey.

Farm products aggregator in Tula region

Launched at the end of 2022, the pilot project on aggregation of farm products in Tula region continues with success. Since the start of the project, we have worked with more than 150 farmers in Tula region, but only 25 of them have joined the aggregator – 21 farmers from Tula region and four from neighbouring Kaluga, Smolensk and Voronezh regions. To expand product range and increase project efficiency, we analyse possible inclusion of farmers from neighbouring regions in the Tula cluster, if they offer products not available from Tula farmers.

Farmers' products are supplied to 190 Magnit shops in eight product categories: frozen and dairy products, meat products, poultry, fresh fruit and vegetables, cheese and eggs. Product procurement amount in 2023 reached about RUB 300 million. Next year we plan to increase this value by 10%.

At the beginning of the project, we focused on improving product competitiveness. We have now also increased our focus on providing the necessary product range in all categories of farmer's products.

Key indicators

- Creation of an alienable business model for an aggregator of farm products
- **25 farmers** farmers from Tula region and from neighbouring regions have join the aggregator
- **to 190 Magnit shops** are supplied with farmers' products
- **10%** plan to increase this value in 2024

In some regions of Russia, Magnit has entered into agreements of intent to cooperate with third-party aggregators, such as Eat Farm Products, which supplies products from the Tver, Yaroslavl, Lipetsk and Moscow regions, and Food Miles in the Leningrad region. In addition, we are working on organising cooperation with regional aggregators from the Volgograd region, the Chuvash and Udmurt Republics on a full packaged offer of farm products.

In 2024, we plan to develop aggregation of farm products in the regions, share experience with other aggregators and scale the aggregator model through cooperation with local partners. We also work on building an agricultural insurance mechanism.

We regularly hold trade and procurement sessions in Russian regions, where we tell farmers in detail about the opportunities

of working with Magnit. Farmers are notified of the sessions through the regional ministries of agriculture and industry and trade. At the sessions, our potential partners can learn about Magnit's requirements for suppliers and receive step-by-step instructions, for example, on the procedure for preparing a commercial proposal. In total, we organised 86 sessions, conferences and workshops for suppliers and farmers in 2023, which is 39% more than last year.

Cooperation with the agribusiness cluster in Bashkiria

In May 2023, Magnit signed a cooperation agreement as part of an agribusiness cluster in the Republic of Bashkortostan. The cluster involves the development of a single supply chain: from the producing farmer to a shop. Magnit's cooperation with agricultural producers, including through the conclusion of long-term agricultural contracts on prepayment terms, will allow farmers to obtain a reliable sales channel, while the retailer will have an opportunity to buy vegetables and fruit directly from the producer, control the entire production chain, exchange information with farmers and increase the share of quality products on shop shelves.

Order chatbot

To make communication with farmers as simple as possible, Magnit is developing a chatbot to notify farmers on the order status online. Currently, farmers receive notifications about purchase requests by email.

The chatbot will send orders to farmers and they will only have to accept or reject them.

Competition of the best domestic brands

In 2023, Magnit became a partner in the Best Domestic Brands competition organised by the Agency for Strategic Initiatives and the Roscongress Foundation.

We developed our own "Farm Products" nomination and selected four winners who got an opportunity to sell products in Magnit, as well as the marketing support: the contracts have already been signed or are awaiting the signature. One of the companies has already started supplying its products to the retailer.

In 2024, we plan to establish a "Magnit's Choice – Best Farmer's Brand" nomination and expand support for the winners. We also intend to provide the top 100 contestants with the opportunity to participate in individual meetings and consultations with our representatives.

"Magnit helped us reach a new level by increasing our brand awareness and accessibility of our products to customers. As a start-up Russian brand, this is a significant step forward for us. Magnit was the first to give an opportunity for Myasnoi Gastronom, as a small business entity, to enter the federal chain on affordable terms. A large sales channel offering further development became a result of implementing our company's farming project through the retailer."

Olga Tarakanova
Myasnoi Gastronom

Responsible own production

Management approach

Magnit is the only retailer in Russia producing food in its own industrial and agricultural facilities.

In-house production allows total control of the entire supply chain "from field to shelf" offering customers quality products at best price. Magnit has 14 industrial and six agricultural enterprises producing more than 450 product items or 48,000 tonnes of food products per month.

We are consistently expanding the range and volume of products manufactured by Magnit, thereby improving the sustainability of our supply chain. We are confident in the quality of products and compliance with all the requirements and standards of the production process. We can also determine the required volume and range of products and ensure the on-shelf availability of goods. Our production processes are built on the principles of environmental and social responsibility of business: lean production¹, use of resource-saving technologies, making purchases from small producers.

In 2023, we adopted a seven-year Own Production Strategy which highlighted three strategic missions for the development of the Company's own production:

- providing Magnit with unique products;
- creating a sufficient volume and level of service for the category of products with low supply;
- improving the efficiency of the supply chain for all product categories.

In accordance with the aforementioned missions, three areas of development were formulated with a separate investment programme for each of them:

- contract manufacturing and agricultural contracts;
- production of ready-to-eat food;
- creation of unique products under private labels.

The structure of own production management has also been changed in accordance with the above three areas.

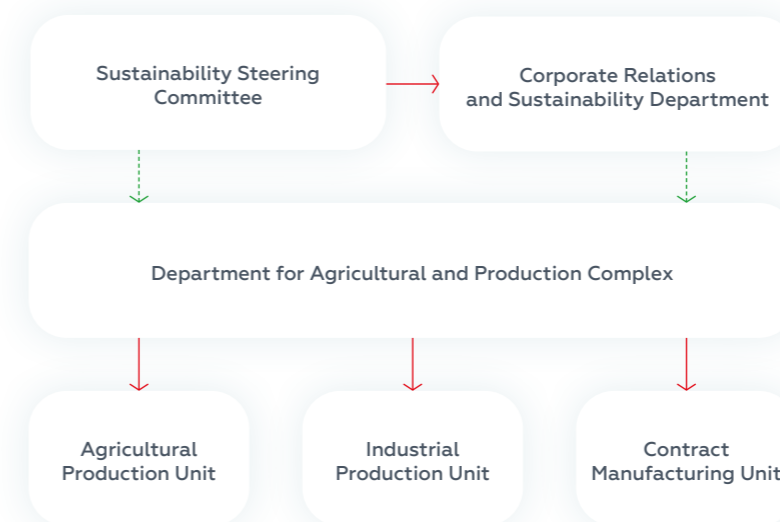
External documents

- Russian Federation Food Safety Doctrine
- National and international standards, guidelines and recommendations for sustainable production, food systems, and agriculture

Internal documents

- Own Production Strategy
- Own Brand Packaging Policy
- Quality Food & Non-Food Safety Policy

Own production management structure



→ Administrative subordination
 -.-> Coordination in implementing the Sustainability Strategy, advisory support

¹ Lean production is a management approach that involves optimising business processes and reducing losses to improve product quality.



Own production facilities

The Company comprises 14 industrial and six agricultural enterprises located in the Krasnodar Krai, the Moscow, Saratov, Tver, Samara, Lipetsk, Belgorod, Penza and Orenburg regions, as well as in the Republic of Bashkortostan. Our products include groceries, coffee and tea, confectionery, pasta and pastry, fresh vegetables, greens and mushrooms. In 2023, we produced 300,000 tonnes of own goods.

In total, Magnit's private label portfolio comprises more than 5,000 items, including fruit and vegetables, bread, groceries, confectionery, cheese, milk and dairy products, meat, soft drinks and snacks, canned and frozen foods, cosmetics and household goods. Magnit's private labels are My Price, Magnit, and Magnit Freshness, etc.

Krasnodar Industrial Park

Magnit is developing its own industrial park Krasnodar as part of its production complex. Currently, the industrial park is home to the Company's two largest production enterprises – Kubansky Kombinat Khleboproduktov (Kuban Cereal Products Plant) and Konditer Kubani (Kuban's Confectioner). In 2024, we plan to launch two new own facilities at the park – a leaf vegetable growing centre and the production of ready-to-eat food. Zelen Yuga (Southern Greens) will produce ten types of leaf vegetables: both traditional parsley, dill, scallion, and rare arugula and basil, etc. Kubansky Kulinar (Kuban's Cook) will produce ready-to-eat meals, cooked food and frozen products, which will enable us to offer our customers an even wider range of our high-quality products.

We also invite external residents to the industrial park, encouraging to share their experience and the use of new, resource-saving technologies.

Magnit's largest agricultural enterprise Green Line is a greenhouse complex in the Krasnodar region, where we grow cucumbers, tomatoes, herbs, aubergines, and mushrooms – not only champignons, but also oyster mushrooms, shiitake, and Armillaria. One of our most important tasks is to produce our own mycelium for growing mushrooms. This will enable Magnit both to satisfy own production needs and make supplies to the market. Mycelium-growing concept is developed together with the Faculty of Biology of Lomonosov Moscow State University. In 2024, we plan to start construction of a mycelium growing facility.

Magnit conducts research studies in various areas of activity. For example, we practice breeding and grow new potato varieties – red and purple – to offer our customers a diverse range

Key indicators

300 thous. tonnes

produced in total by Magnit

5.2 thous. employees

at own production facilities

>1.2 thous.

of private label product items

189.8 thous. tonnes per year

production capacity of industrial enterprises

108.9 thous. tonnes per year

production capacity of agricultural enterprises

76.4%

share of domestic agricultural raw materials used in own production

of products. We cooperate with scientific institutions and the Ministry of Agriculture of the Russian Federation as part of the potato breeding development programme. In 2024, we will increase the areas under domestically-bred potatoes and continue to share our experience and research results with Magnit's partners and suppliers under agricultural contracts, promoting domestic potato varieties. Our R&D unit enables us to regularly launch new unique products, create goods with innovative formula, improve packaging and make it more environmentally friendly.

Product quality

GRI 13.10.4

FB-FR-260a.2

Magnit's own production facilities have implemented the Food Safety Management System based on HACCP¹. All the Company's own industrial enterprises are certified in accordance with GOST R ISO 22000-2019² and FSSC 22000³ v.5.

The enterprises have 13 laboratory centres, where more than 3.5 thousand of quality and safety tests of raw materials and products are performed every day. Comprehensive audits of enterprises are carried out twice a year. In addition, we organise regular food safety trainings for employees.

In 2023, Magnit's largest production facilities – Kubansky Kombinat Khleboproduktov LLC (Kuban Cereal Products Plant) and Konditer Kubani LLC (Kuban's Confectioner) – confirmed compliance with FSSC 22000 standards for the third time, while Tverskoye, a subsidiary of TD-Holding LLC – for the fourth time.

We care about consumer safety and the nutritional value of our products. At our own production facilities, we comply with all the requirements of food production standards: for example, according to HACCP, potentially allergenic foods are produced in a separate area, all ingredients are indicated on the product labels. Magnit is constantly analysing trends in consumer demand and offering new, healthier products – for example, our confectionery facilities produce sugar-free or reduced-sugar marmalade and truffles.

Organic production of champignons

In early 2023, the mushroom farming facilities TK Zelenaya Liniya LLC (Green Line) greenhouse complex received a Roskachestvo certificate confirming compliance with organic production requirements and became the first retailer in Russia with its own organic production. The certificate confirms that the champignons are grown without the use of GMOs⁴, plant protection agents or soil improving substances.

During the certification process, all aspects of production were checked, including detergents used by employees.

Magnit can now place the unified state mark of organic products on the champignon packaging. Next year we plan to expand the production of organic mushrooms.



¹ HACCP or Hazard Analysis and Critical Control Points is a food quality system based on the analysis of risks and critical control points.

² GOST R ISO 22000-2019 Food Safety Management Systems.

³ FSSC 22000, Food Safety System Certification 22000, is an audit and certification scheme for the food safety management system.

⁴ GMO – genetically modified organisms.

Lean production and green technologies

For several years, we have been applying lean production principles at our facilities to optimise processes, reduce losses, increase resource efficiency and improve product quality.

We implement the lean production programme by collecting work-improvement suggestions from employees. In total, we received around 800 suggestions in 2023, about 100 of them had an economic component. To date, 60% of these ideas have been implemented or are at the final stages of implementation. In 2023, we updated our methodology for the work-improvement suggestions by adding an equipment utilisation efficiency indicator, including loss tree, five whys, and the Ishikawa diagram tools.

Our production facilities constantly use such green and resource-saving technologies as

- rainwater collection and its utilisation for composting;
- use of entomophages¹ in agricultural facilities;
- feeding plants with carbon dioxide from boiler houses;
- robot automation of some processes to optimise the use of resources.



Heat recovery in greenhouse complexes

In 2023, we implemented a project for heat recovery and heating of the greenhouse complex – a heat pipeline was installed from the generating unit to the greenhouse complex. In winter, it allows us to heat the greenhouses using own generation.

Thus, we were able to reduce CO₂ emissions by 4.4% and save RUB 5 million a year on utility bills for heating.

Development of sustainable packaging

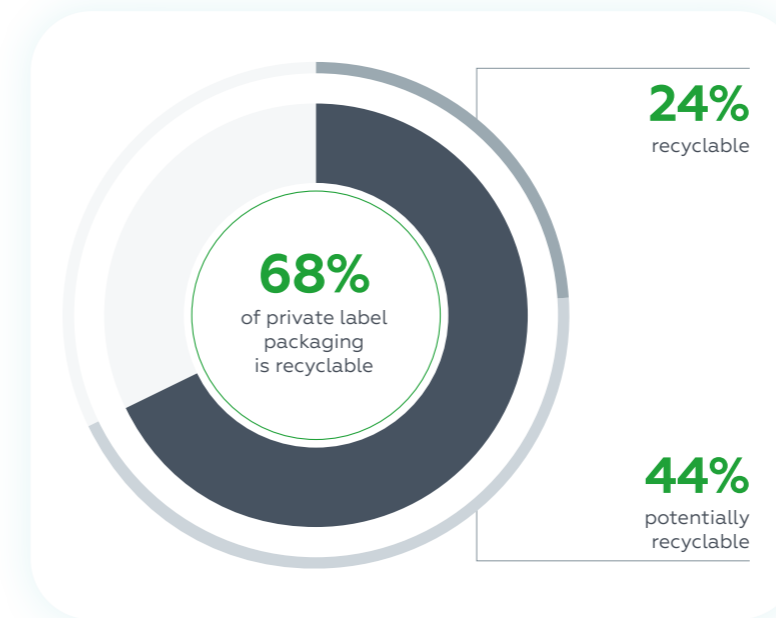
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We are constantly improving the environmental friendliness of the packaging of our goods and striving to make the packaging more sustainable. Our target to make 50% of private label and own production packaging to be recyclable, reusable or compostable has been almost achieved. In early 2023, we assessed the private label packaging based on the Sustainable Packaging Voluntary Industry Standard developed together with ECR Sustainability Russia² in 2022. Currently, 68% of private label packaging is recyclable: 24% is recyclable and 44% is potentially recyclable. Chilled and frozen products are the most challenging categories for sustainable packaging.

In the reporting year, we organised a series of training workshops for private label suppliers on the application of the Sustainable Packaging Voluntary Industry Standard, and participated in the development of recommendations

on sustainable packaging for distance selling services as part of the ECR Sustainability working group.

Magnit plans to reduce the share of non-recyclable private label packaging and identify possible alternatives to replace this packaging. For example, we introduced recyclable and potentially recyclable packaging for Skrepyshi confectioneries. For in-house products, we are implementing a project to transit from combined packaging made of paper, foil and plastic to packaging made of a single material, such as recyclable plastic.



One of the areas of our work in 2024 is the introduction of returnables in Magnit's domestic supplies. We plan to explore the possibility of replacing corrugated cardboard boxes, which need to be recycled, with plastic crates that can be collected and reused.

Next year we plan to develop green packaging for private label external suppliers. We are working on implementing a product lifecycle management system, which will include the assessment of the environmental friendliness of packaging of private label suppliers. One of the goals is to control the sustainability of packaging at the product development stage.

Plans for 2024 and the medium term

In 2024, we plan to continue projects aimed at improving the sustainability of the supply chain and our own production:

- develop interaction with suppliers and offer new cooperation options;
- improve IT systems for suppliers and expand the categories of suppliers presented;
- increase the competitiveness of the procurement process;
- expand the range and increase the volume of products supplied under agricultural contracts;
- develop farm aggregators in the regions;
- increase the use of sustainable packaging in the own production and cooperate with suppliers on matters related to the use of more environmentally friendly packaging.

¹ Entomophages are insect predators used as plant protection agents instead of pesticides.
² ECR Sustainability Russia – is a non-profit partnership for the exchange of sustainability practices and experience between FMCG manufacturers and retailers.