

Responsible business practices

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Adherence to high standards of ethical business conduct is the key to success of Magnit's business.

We conduct our business in compliance with applicable legal requirements and best corporate governance practices and fulfil our commitments to responsible business conduct. This approach fosters trust-based relationships with stakeholders and guarantees stability for partners and customers.



2023 results

>7.3 thous.

employees received training in business ethics and anti-corruption policies

0

human rights violations

100%

of information security incidents were successfully resolved

Material topics

- Responsible corporate governance
- Business ethics and anti-corruption
- Human rights
- Interaction with customers
- Cybersecurity and data protection

Contribution to the UN SDGs



Contribution to achievement of the national goals of the Russian Federation

- Decent, efficient work and successful entrepreneurship

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

Economic freedom and responsibility, business ethics

Freedom of business, display of individuality of each company, fair competition are the strength and the main value of entrepreneurship that enable the growth of the country's welfare.

Respect for human rights

Recognising the inviolability of human rights, we do not allow them to be breached in the course of doing business, and build our decision-making system with respect for human rights.

Openness and transparency

We understand that increasing openness and transparency of companies' activity, provision of reliable information about the strategy, performance and contribution of business to the social and economic development of the country strengthen trust in business.

Corporate governance

Corporate governance framework

GRI 3-3



Magnit has in place an effective corporate governance framework that complies with the requirements of Russian laws. The Company is committed to advancing its corporate governance practices, taking into account the interests of shareholders and other stakeholders.

Governance, management and control responsibilities at the Company are vested in shareholders via the General Meeting of Shareholders, the Board of Directors, the collective executive body (the Management Board) and the sole executive bodies (the President and the Chief Executive Officer) pursuant to applicable Russian corporate laws, Magnit's Articles of Association and internal policies.

Corporate governance bodies

GRI 2-9, 2-13

Magnit relies on a robust and effective corporate governance and internal control framework.

The Company's highest decision-making body is the General Meeting of Shareholders.

The Board of Directors is elected by shareholders and is accountable to them. It provides strategic oversight and monitors the activities of Magnit's executive bodies – the CEO (Chairman of the Management Board), President and Management Board.

The executive bodies are responsible for day-to-day management of the Company and perform tasks set by the shareholders and the Board of Directors.

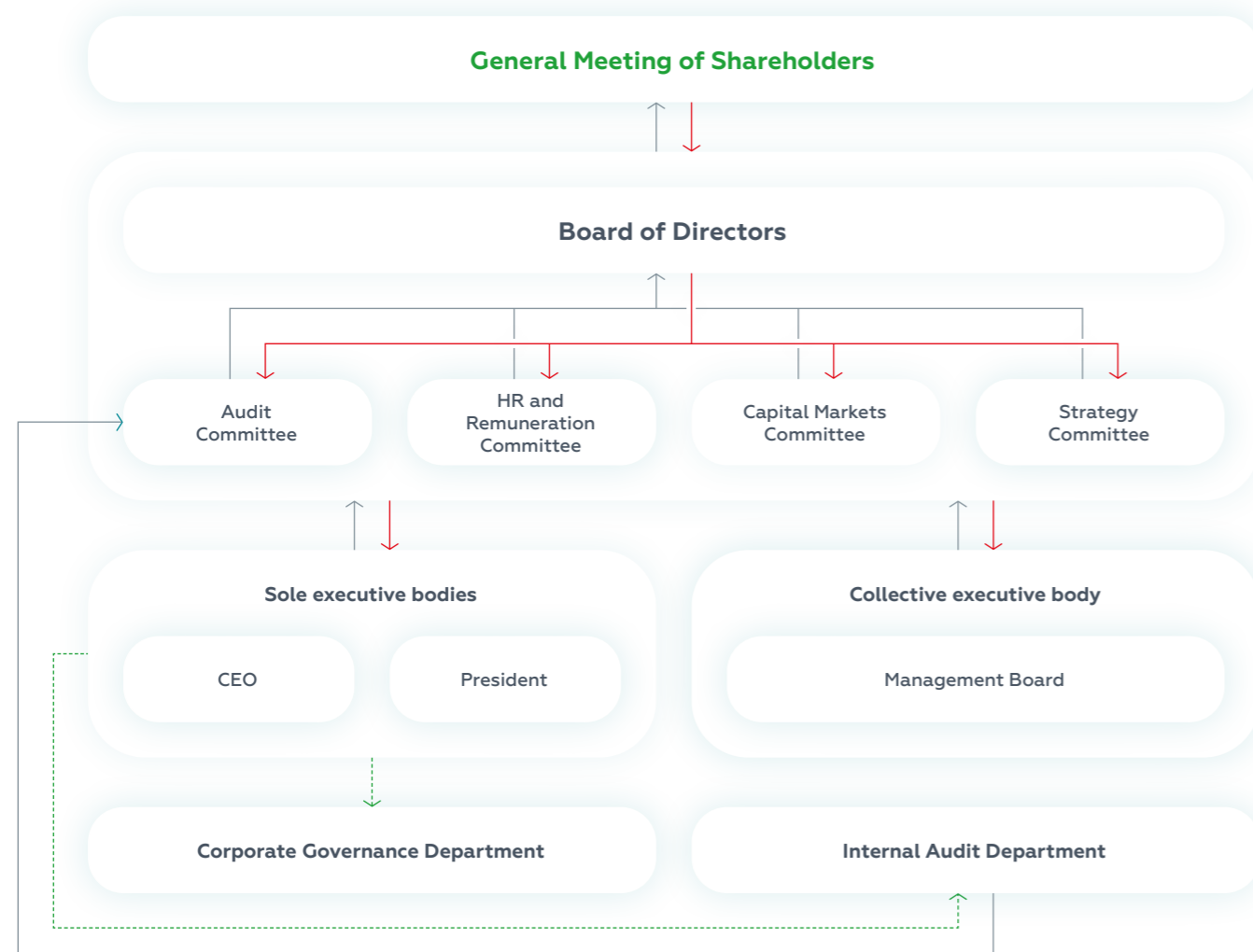
In accordance with the Company's internal regulations, there are four committees under the Board of Directors:

- Audit Committee;
- HR and Remuneration Committee;
- Strategy Committee;
- Capital Markets Committee.

The Internal Audit Department analyses and evaluates the risk management and internal control system, as well as corporate governance.

The Corporate Governance Department carries out the duties of the Corporate Secretary, ensuring efficient shareholder engagement, coordination of the Company's actions aimed at protection of shareholders' rights and interests, as well as support of the Board of Directors.

Management and control structure



- Election, establishment
- Accountability
- Administrative subordination. Department Director is appointed by the Board of Directors

Regulations

In its corporate governance practices, Magnit adheres to the following regulations:

- Russian laws;
- Moscow Exchange listing rules;
- Corporate Governance Code recommended by the Bank of Russia.¹

The Company's activities are governed by its Articles of Association² and internal regulations, which remained unaltered in 2023, with no new by-laws introduced.

The full list of Magnit's public internal documents can be viewed on the [Company's website](#).

¹ For the full Report on Compliance with the Principles and Recommendations of the Corporate Governance Code prepared according to the recommendation letter of the Bank of Russia dated 27 December 2021 No. IN-06-28/102, see Annual Report 2023.
² Approved by the annual General Meeting of Shareholders of PJSC Magnit on 10 June 2021.

General Meeting of Shareholders

The General Meeting of Shareholders is the highest decision-making body of the Company. Shareholders of PJSC Magnit can significantly impact the Company's business by participating in the General Meeting of Shareholders.

The key responsibilities of the General Meeting of Shareholders include:

- approval of the Company's annual report;
- approval of the Company's annual accounting (financial) statements;
- election of the Company's Board of Directors;
- distribution of profits, including dividend payments;
- approval of major and related-party transactions;
- appointment of the Company's auditor.

The procedure for the General Meeting of Shareholders aims to ensure the respect of shareholder rights and meets all the applicable laws and regulations of the Russian Federation.

Detailed information regarding the resolutions of the General Meeting of Shareholders is available on the [Company's website](#) (hereinafter referred to as official Company's website).

In 2023, the General Meeting of Shareholders of PJSC Magnit was held on 28 December through absentee voting, with the following resolutions passed:

- approval of the Company's Annual Report and annual accounting (financial) statements for 2021 and 2022;
- approval of the profit distribution for 2021 and 2022, including the payment of dividends on ordinary registered shares of PJSC Magnit in the amount of RUB 42.0 bln (RUB 412.13 per share);
- election of the Board of Directors;
- approval of the auditors for the Company's accounting (financial) statements prepared according to the Russian Accounting Standards (RAS)¹ and International Financial Reporting Standards (IFRS)².

Board of Directors

GRI 2-9, 2-10, 2-11

According to the Articles of Association of PJSC Magnit, the Company's Board of Directors shall consist of eleven members, with at least three of them independent directors. Magnit's Board of Directors is elected by the General Meeting of Shareholders.

The members of the collective executive body (Management Board) may not account for more than one-fourth of the members of the Company's Board of Directors. The sole executive bodies (President and Chief Executive Officer) may not simultaneously act as the Chairman of the Board of Directors.

The Board of Directors of PJSC Magnit steers the Company's operations, defines strategic goals and implements effective management practices, while also electing the Management Board, CEO and President. The main objective of the Board of Directors is to increase the value of the business. When making decisions, the Board of Directors takes into account the interests of all shareholders and other stakeholders.

The work of the Board of Directors goes beyond formal meetings. The Board regularly interacts with the management team to streamline cooperation between the executive bodies of the Company and the Board of Directors.

The make-up of the Board is governed by Federal Law No. 208-FZ On Joint-Stock Companies dated 26 December 1995 and also by the Articles of Association, Regulations on General Shareholders Meeting, Regulations on the Board of Directors, and Regulations on the Committees of the Board of Directors.

¹ Russian Accounting Standards (RAS) are a set of accounting rules stipulated by federal laws of the Russian Federation and Accounting Regulations issued by the Ministry of Finance of the Russian Federation.
² International Financial Reporting Standards (IFRS) are a set of documents (standards and interpretations) for the preparation of financial statements enabling external users to make informed financial decisions.



Induction and training of directors

Newly elected members of Magnit’s Board of Directors complete an induction programme, which includes:

- meetings with members of the Management Board and the Company’s senior executives;
- introduction to the Company’s history, strategy, corporate governance system, risk management and internal control system, the distribution of responsibilities among the Company’s executive bodies, and the procedures of the Board of Directors;

- familiarisation with the Company’s documents, including the latest annual reports, the minutes of annual and extraordinary General Meetings of Shareholders, the minutes of meetings of the Board of Directors, and other relevant information about the Company’s activities.

Committees of the Board of Directors

GRI 2-10

In accordance with PJSC Magnit’s internal regulations, there are four committees under the Board of Directors:

- Audit Committee;
- HR and Remuneration Committee;
- Strategy Committee;
- Capital Markets Committee.

The committees are made up from members of the Board of Directors who are elected based on their relevant professional experience and knowledge. When electing members of the committees (including the chairs of the committees), the following aspects must be taken into consideration: the education and professional training of the candidates, their work experience in the Committee’s focus area, their document handling skills, as well as other necessary proficiencies and experience.

The Regulations on the Committees of the Board of Directors of PJSC Magnit govern the make-up and activities of the committees.

The work of the committees goes beyond formal meetings. The committees constantly interact with the management team in order to streamline cooperation between the executive bodies of the Company and the Board of Directors.

Audit Committee



Key responsibilities:

- monitoring and verifying the integrity of financial statements;
- verifying the internal control and risk management system;
- monitoring the effectiveness of internal audits;
- monitoring relations with the external auditor.

HR and Remuneration Committee



Key responsibilities:

- developing and monitoring the Remuneration Policy (including long and short-term incentives);
- endorsing and monitoring senior management appointments (CEO-1/CEO-2 levels);
- developing the talent management strategy;
- assessing the performance of the Board of Directors and management team on an annual basis.

Strategy Committee



Key responsibilities:

- strategic and investment planning;
- identifying priority focus areas;
- endorsing and verifying the business plan and budget.

Capital Markets Committee



Key responsibilities:

- developing and improving corporate governance systems;
- preparing, developing and implementing IR strategies;
- assessing the Dividend Policy and drafting relevant recommendations for the Board of Directors.

Management Board

The Management Board is the collective executive body responsible for the day-to-day management of the Company within its remit as defined by the Articles of Association.

The Management Board shall be guided and bound by resolutions of the Company’s General Meeting of Shareholders and Board of Directors. The Management Board shall report to the Board of Directors and the General Meeting of Shareholders.

The Chief Executive Officer and the President of the Company shall be members of the Management Board by virtue of their office.

The Chief Executive Officer shall act as the Chairman of the Management Board by virtue of office.

Should the powers of the Chief Executive Officer be terminated, up to the moment when the Board of Directors elects a new Chief Executive Officer, the President shall act as the Chairman of the Company’s Management Board by virtue of office.

Corporate Secretary

The Corporate Governance Department of PJSC Magnit discharges the responsibilities of the Corporate Secretary.

The main objective of the Department is to maintain effective communication with the shareholders, coordinate the Company’s actions to protect the rights and interests of the shareholders and ensure effective operation of the Board of Directors.

The main responsibilities of the Corporate Governance Department are as follows:

- to participate in improving the Company’s corporate governance system and practices;
- to participate in preparing for and holding of General Meetings of Shareholders;
- to support the work of the Board of Directors and its committees
- to participate in implementing the Company’s disclosure policy and ensure safekeeping of the Company’s documents;
- to ensure interaction between the Company and its shareholders and to participate in preventing corporate conflicts;
- to ensure interaction between the Company and regulatory authorities, organisers of trading activity, the registrar and other professional participants of the securities market within the remit of the Corporate Governance Department;

- to immediately inform the Board of Directors of any breaches of laws and the Company’s by-laws, where ensuring compliance with such laws and by-laws is the responsibility of the Corporate Governance Department;
- to ensure that the procedures established by laws and the Company’s by-laws to protect the shareholders’ rights and legitimate interests are put into practice and to oversee their implementation.

The Corporate Governance Department reports to the President and CEO and is accountable to the Board of Directors.

Internal control and risk management system

GRI 2-25

The internal control and risk management system:

- provides reasonable assurance that Magnit achieves its mission and values, as well as business targets;
- gives accurate and clear representation of the Company’s current affairs and prospects;
- ensures the integrity and transparency of Magnit’s accounts and reports;
- ensures reasonable and acceptable levels of risks assumed by the Company.

The Company’s Board of Directors and Management Board ensure the effective operation and development of the internal control and risk management system. This helps control the Company’s strategic and operational goal achievement, the reliability of information disclosure, and compliance with external and internal requirements.

Goals of the internal control and risk management system:

- strategic goals ensuring the accomplishment of the Company's mission and efficient management of its operations
- operational goals related to the efficient and effective use of the Company's resources
- goals ensuring the accuracy of the Company's accounts and reports
- goals related to compliance with applicable laws and the Company's by-laws.

Objectives of the internal control and risk management system:

- reduce the number of unexpected events in the Company's operations
- define and manage Company risks to provide reasonable assurance that the Company will achieve its goals
- ensure the right balance between risk appetite and development strategy
- improve managerial decision-making, including risk response decisions
- develop a risk-oriented corporate culture with the corporate bodies and management disseminating knowledge and skills across the Company and engaging employees along the way.

The control and risk management system is governed by the following internal regulations

- Internal Control and Risk Management Policy of Magnit¹;
- Regulations on Risk Management at Magnit Group Companies;
- Risk Register.

For more details on Magnit's policy, see our [website](#).

Core principles

Comprehensiveness and continuous operation

Risk management and internal control are undertaken on a constant and cyclical basis and cover all areas of the Company's operations across the governance hierarchy

Integration with governance

Risk management is an integral part of the decision-making process. It supports sound management decisions and factors in the probability and consequences of risks

Distinction of decision-making levels

Risk management decisions shall be made at various governance levels subject to the significance of the risk and area of the Company's activities

Responsibility

All subjects of internal control are responsible for compliance with risk management and internal control standards and approaches within their respective remit

Distribution of responsibilities and powers

The responsibilities and powers of the internal control and risk management bodies are distributed to reduce the risk of error and/or fraud

Balance

Costs associated with control procedures shall be commensurate with the risk

Risk-focused approach

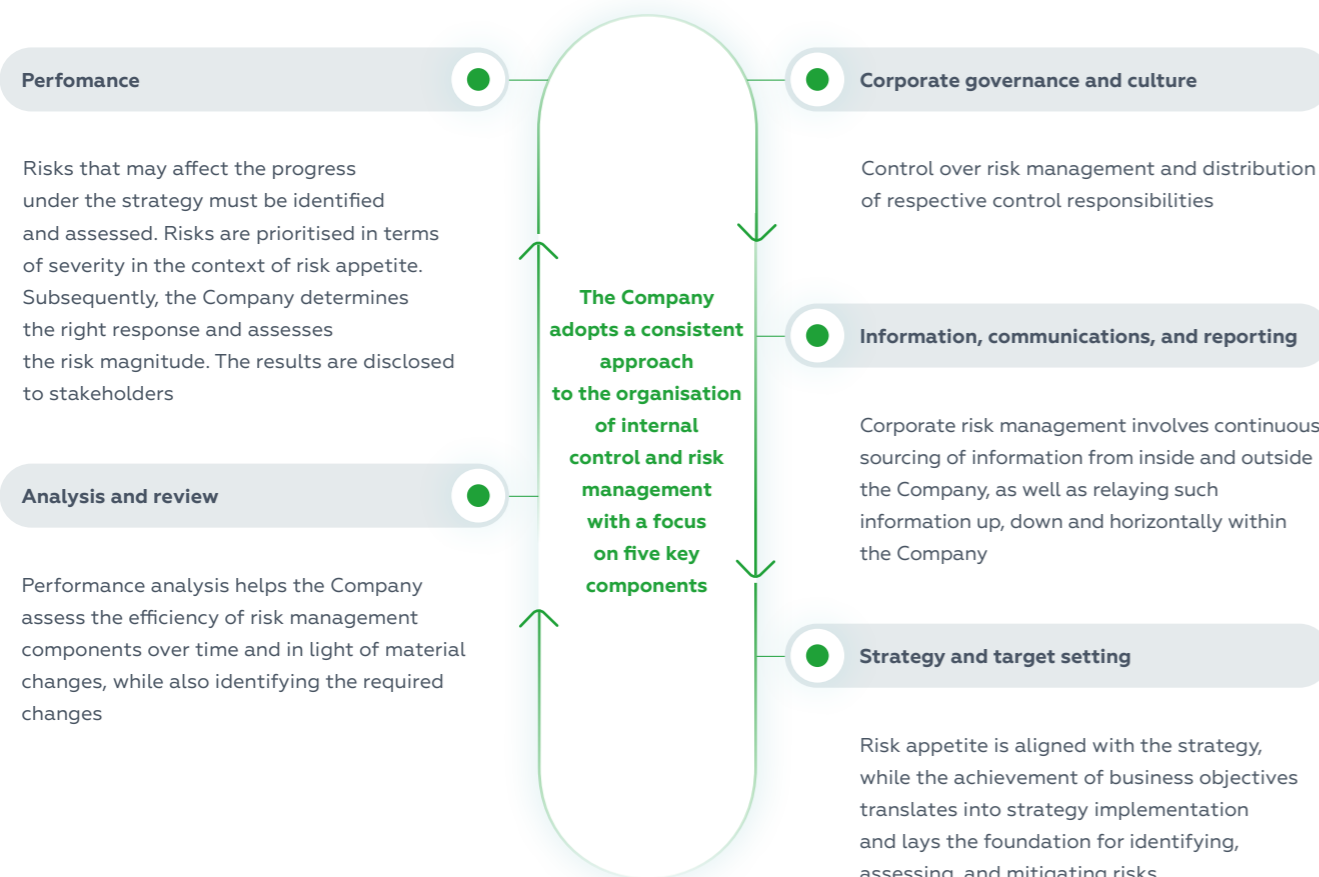
Control procedures shall be established for business lines based on their significance in terms of the Company's operational efficiency

Reasonable assurance

The implementation of risk management measures shall be deemed effective if it reduces the risk to an acceptable level

Ongoing improvement

The Company monitors its risk management system and engages in its constant development and improvement



¹ Approved by the Board of Directors on 12 December 2019 (Minutes w/o No. dated 13 December 2019).



The Company applies a three lines of defence model¹ to coordinate risk management and internal control processes by clearly defining and delimiting respective functions and responsibilities.

Three lines model



In the first line of defence, risks are managed by business process and business unit owners. They are responsible for embedding risk controls into decision-making processes and key business operations. Business units are responsible for identifying, mitigating, managing, analysing and reporting on key risks. Heads of business units draft, implement, and ensure the operation of controls in business processes.

The second line of defence consists of the Risk Management Office, Economic Security Department, Department for Compliance and Antitrust Practices, Financial Control and Operational Controlling Office, etc. They draft and implement risk management and internal control methodologies,

set standards and coordinate the Company's activities related to risk management and internal control, ensure monitoring of the development and functioning of controls related to the first line of defence, and provide advice on risk management.

The third line of defence is operated by the Internal Audit Department, which provides independent performance assessment of internal controls and risk management and gives recommendations for their improvement.

Internal control and risk management system improvement

In improving our internal control and risk management system throughout 2023, we aimed to reflect the scale of our business, retail focus, diversified lines of operations, and regulatory environment in which we operate.

In 2024, we plan to integrate risk management into our new subsidiaries, business areas and acquisitions, and will focus on further enhancing employee competences in internal control and risk management.

The Company's key risks

The Company identifies the most significant risks, assesses them, and develops procedures to mitigate any negative impact. We then monitor the effectiveness of our risk impact procedures.

Highlights in 2023

- Risk quantification rolled out to cover all of the Group's business processes;
- Risk registers of the Company and its subsidiaries updated;
- Internal control projects successfully implemented;
- Risks of key projects quantified;
- Risk management workshops held for senior executives and project managers;
- Risk management training course for the Corporate Academy developed and implemented.

Risk management

No.	Risk description	Risk management	
1	Risk of changes in consumer preferences and demand	<ul style="list-style-type: none"> • Product mix adjustments 	<p>Risk level</p>
2	Higher prices of imported equipment and materials	<ul style="list-style-type: none"> • Search for alternative suppliers 	
3	Understaffing as a result of reduced labour market capacity and increased payroll costs	<ul style="list-style-type: none"> • Expanded range of social benefits for rank-and-file employees; • Introduction of flexible working hours where possible; • Employee development, inclusion of employees in the talent pool, promotions in line with the career track; • Employer brand development; • Labour market monitoring and employee engagement surveys 	
4	Risk of regulatory changes	<ul style="list-style-type: none"> • Monitoring of legislative changes 	
5	Higher competition risks	<ul style="list-style-type: none"> • Ongoing monitoring of the competitive landscape 	
6	Disruptions in supplies of equipment, spare parts and materials	<ul style="list-style-type: none"> • Engagement of third-party transportation companies; • Search for alternative channels to secure deliveries of spare parts for vehicles; • Search for alternative suppliers; • Reliance on internal resources if counterparties fail to provide support under existing contracts; • Development of corporate procedures to procure spare parts and consumables 	<p>Risk level</p>

¹ A control model developed and recommended by the Institute of Internal Auditors (IIA).



Ethical business and anti-corruption

Management approach

GRI 3-3

Magnit adheres to the principle of zero tolerance to corruption. We uphold high ethical standards and adopt the best Russian and international practices. The Company expects its employees and business partners to comply with applicable business ethics and anti-corruption standards and requirements.

The following sustainably interacting structural divisions of the Company are responsible for managing business ethics and anti-corruption issues:

- Department for Compliance and Antitrust Practices;
- Security Department (Economic Security Department, Format Security Department);
- Risk Management Department;
- Internal Audit Department.

Cooperation with the Security Department, as part of anti-corruption efforts, is carried out in order to:

- make conclusions on the identification of conflicts of interest in relation to the Company's employees and candidates for vacant positions;
- have official investigations by the Security Department of cases of corruption reported by the anti-corruption hotline specialist, as well as other cases.

Department for Compliance and Antitrust Practices regularly updates compliance risk data for the Risk Management Department's risk matrix.

Monthly reports on the anti-corruption hotline performance are submitted to the Internal Audit Department and the Format Security Department.

At the same time, the Company engages its HR Department to resolve conflicts of interest in relation to employees and candidates for vacant positions, as well as other operational issues.

Interaction with the Corporate Relations and Sustainable Business Development Department and the Marketing Department as part of the Company's charitable, volunteer and sponsorship activities includes checking counterparties for reliability and assessing activities for compliance risks.

No.	Risk description	Risk management
7	Restrictions on settlements with counterparties	<ul style="list-style-type: none"> • Switching to alternative payment tools
8	Information security risks	<ul style="list-style-type: none"> • Functioning of access control procedures and mechanisms, approved access matrices; • Establishment of a software and infrastructure change management system; • Data backup, duplication of key information systems; • Functioning of a centralised monitoring system for information security events; • Additional investments in the development of information technologies
9	Risks related to availability of seed lots and supplements for the Company's Mushroom Complex, lack of fungal mycelium, availability of crop protection agents for greenhouses	<ul style="list-style-type: none"> • Development of alternative supply channels; • Signing contracts with domestic producers of mycelium projects to produce and select mycelium; • Development of crop protection agents and supplements together with producers
10	Climate-related risks (physical and transitional)	<ul style="list-style-type: none"> • Establishment of a working group; • Analysis and amendment (if necessary) of the Company's regulations with regard to climate-related risk management; • Regular assessment of greenhouse gas emissions and other climate impacts; • Elaboration of a plan of measures for the implementation and development of a system for identification, assessment, management and monitoring of climate-related risks; • Analysis of the potential application of the results of the climate-related risk assessment and business opportunities; • Development of an action plan to neutralise climate-related risks



Business ethics and anti-corruption management structure



→ Cooperation and coordination as part of anti-corruption procedures, advisory support, training, risk assessment and controls

To effectively manage business ethics and anti-corruption issues, the Company has developed a system of corporate documents based on the requirements of the legislation of the Russian Federation and best practices. The key documents are the Anti-Corruption Policy and the Code of Business Ethics of Magnit, which establish the basic standards of business corporate behaviour for Magnit's employees.



External documents

- Criminal Code of the Russian Federation No. 63-FZ dated 13 June 1996
- Administrative Offence Code of the Russian Federation No. 195-FZ dated 30 December 2001
- Federal Law No. 273-FZ "On Combating Corruption" dated 25 December 2008
- Methodological recommendations on the development and adoption by organisations of measures to prevent and combat corruption (Decree of the President of the Russian Federation No. 309 "On Measures to Implement Certain Provisions of the Federal Law "On Combating Corruption" dated 02 April 2013)
- Federal Law No. 152-FZ "On Personal Data" dated 27 July 2006
- Federal Law No. 149-FZ "On Information, Information Technologies and Information Protection" dated 27 July 2006



Internal documents

- Code of Business Ethics of Magnit
- Anti-corruption Policy of Magnit
- Conflict of Interest Policy of Magnit
- Regulation on Business Gifts and Signs of Business Hospitality **new**
- Regulation on the Anti-Corruption Hotline of the Anti-Corruption Policy of Magnit
- Contractual Policy of Magnit
- Internal Control and Risk Management Policy of Magnit
- Anti-corruption clause of the Anti-Corruption Policy of Magnit
- Regulation on Trade Secret of Magnit
- Regulation on Internal Checks of Magnit
- Internal Workplace Regulations of Magnit
- Regulations on Non-Profit Procurement of Magnit and its Subsidiaries
- Regulation on Counterparty Due Diligence
- Charity, Volunteer and Sponsorship Policy of Magnit
- Regulation on the Information Policy of Magnit



In 2023, we undertook extensive work to automate our business ethics and anti-corruption processes. Firstly, we introduced an automated solution for making opinions on settlement of conflict of interest and maintaining an information base. This simplified the process of collecting and analysing information on the occurrence of conflicts of interest in the Company. We also launched electronic forms for conflict of interest declarations and gift giving and acceptance declarations, which allows our employees to complete the declaration on the internal portal in a quick and convenient way.

In 2022, Magnit held an external audit of the effectiveness of the Company's compliance system in three areas: anti-corruption compliance, personal data and trade secrets, and unauthorised use of insider information and/or market manipulation. A report was made based on the results of the audit with recommendations on improving the compliance system. In 2023, we continued to work in accordance with the identified areas.

Assessment of business ethics and anti-corruption risks

GRI 205-1

Risk assessment in the area of business ethics and anti-corruption is performed as part of a single risk management system. The Company has developed a risk matrix that identifies two compliance risks: violation of anti-corruption laws and violation by the Company's charitable and sponsorship activities of applicable laws and regulations. These risks are reassessed twice a year and cover all Magnit companies.

To mitigate compliance risks, we improve existing and develop new regulations, train employees and inform counterparties about business ethics requirements. All risk management actions, as well as changes in results of assessments once performed, are recorded in a risk matrix.

Training and raising awareness about business ethics and anti-corruption

GRI 205-2

Magnit has developed two interactive online courses to train employees on the provisions of the Company's key internal documents – the Code of Business Ethics and the Anti-Corruption Policy. Training is mandatory for all Magnit's employees. Repeated training courses are envisaged once every three years. The Company familiarised 100% of the new hires with the applicable business ethics and anti-corruption documents. In 2023, 7,349 people were trained.

Communication of corporate principles of business behaviour, mutual respect, honesty and transparency by our management is a crucial element of our compliance culture. Magnit's key managers regularly give speeches on the importance of compliance, demonstrate personal commitment to ethical values and zero tolerance to corruption, and inform employees about relevant internal standards.

Internal compliance environment

In the reporting period, the Company developed a compliance environment for its employees, which includes the following sections:

Declarations

Employees can electronically fill in a conflict of interest declaration and gift giving and acceptance declaration

Tone at the top

Communication of corporate values and mission set forth in the Company's codes and policies by the Management Board

Employee training

Employees can take e-courses on Code of Business Ethics and the Anti-Corruption Policy

Corporate standards

A set of corporate documents mandatory for employees to familiarise and comply with as part of their daily work

Anti-corruption hotline

Information on the operation of the anti-corruption hotline and communication channels to submit a complaint or request



Building of the compliance portal allowed us to streamline information on business ethics and anti-corruption compliance, consolidate and make it available to employees in a convenient way. In addition, the portal allowed us to automate our internal processes and introduce electronic filing of declarations.

Magnit communicates its business ethics and anti-corruption requirements not only to its employees, but also to its business partners. All counterparties of the Company must familiarise with the Anti-Corruption Policy. Contracts should also contain an anti-corruption clause whereby the counterparty confirms compliance with the Policy in writing.

Anti-corruption hotline

GRI 2-25, 2-26, 205-3

Management of external and internal reports on corruption offences and ethics issues, as well as control of the analysis of the described facts and circumstances are the responsibility of the Head of Ethics (the corporate role assigned to the Department for Compliance and Antitrust Practices).

The anti-corruption hotline is available through the following channels:

- Toll-free number: 8 (800) 600-04-77;
- Head of Ethics' email: ethics@magnit.ru;
- feedback form on the external website: <https://www.magnit.com/en/anti-corruption/>.

All channels are free and operate 24x7. Specialists of the anti-corruption hotline process all reports, including anonymous ones, and forward them to responsible relevant units of the Company for analysis and relevant management decisions.

We guarantee that persons reporting facts that they believe contain signs of corruption committed by the Company's employees will not be retaliated against. Magnit's guarantees apply to all persons who contacted the anti-corruption hotline, regardless of any conditions.

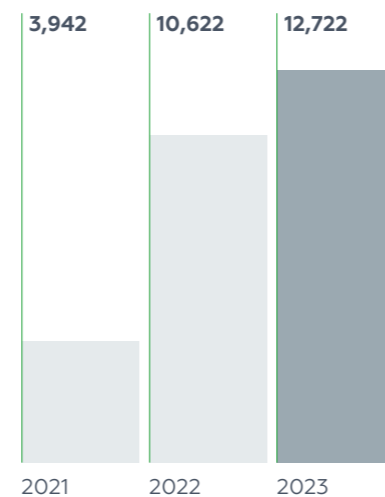
In 2023, the anti-corruption hotline received 12,722 reports, of which 501 were targeted reports. The main scenarios of targeted reports are any corruption actions, bribery, offer of bribery mediation, commercial bribery, embezzlement, forgery of documents and violation of recycled production technologies for personal gain, abuse of authority, conflict of interest, etc.

All reports on corruption are forwarded to the Security Department. If the information is sufficient and reliable, the Security Department initiates an internal audit and, if the facts are confirmed, informs the Head of Ethics to make an expert opinion.

Magnit plans a global automation of the anti-corruption hotline as early as next year.

The growing popularity of the Company's anti-corruption hotline has not only increased the number of reports, but also improved their quality. This is due to an increased awareness of the anti-corruption hotline mechanism among our internal and external stakeholders.

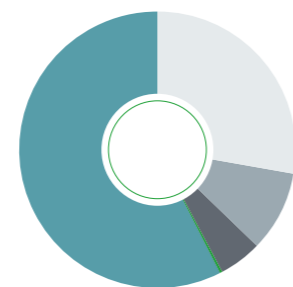
Anti-corruption hotline statistics,¹ number of reports



12,722 reports

the anti-corruption hotline received in 2023

Topics of reports submitted via anti-corruption hotline in 2023, number of reports



- 3,555 Customer requests
- 1,192 Business ethics and corruption
- 633 Working conditions
- 53 Requests of state authorities
- 1 Inclusion
- 7,288 Other²

¹ Data for 2021 relate to Magnit retail chain. Since 2022, the data includes DIXY.

² "Other" includes complaints received via social media, reports on fraud by the Company, as well as reports that do not require response (spam, repeated reports, or reports that are not in line with the established form).

Compliance with antitrust law

GRI 206-1, 13.25

Magnit complies with all requirements of the Russian antitrust law: The Company holds regular trainings for employees and communicates on an ongoing basis with the commercial service to stay up to date with all relevant legislative changes. We recognise antitrust risks

as a separate group of risks and regularly assess their level. In 2023, one case of the Company's violation of antitrust legislation was identified.

Plans for 2024 and the medium term

Magnit is committed to developing the business ethics and anti-corruption practices

In 2024, we intend to:

- update corporate standards – Code of Business Ethics, Anti-Corruption Policy, Regulation on the Anti-Corruption Hotline of the Anti-Corruption Policy of Magnit;
- develop a Compliance Policy and Anti-Corruption Policy for Magnit's counterparties;

- establish a permanent Ethics and Compliance Committee engaging managers of various functions to analyse business ethics and anti-corruption issues that require a collegial decision;
- automate the processing of anti-corruption hotline reports and the process of building an information database on its basis.

Responsible marketing practices

GRI 3-3

Magnit takes a responsible approach to marketing initiatives. Our projects are in line with the established requirements of Russian legislation, corporate ethical values and voluntary sustainability obligations.

In its marketing activity, the Company is governed by the following principles:

- integrity;
- transparency;
- accuracy and reliability;
- partnership for sustainability.

Marketing management structure



- Administrative subordination
- > Coordination within the framework of the Sustainability Strategy, advisory support

External documents

- Federal Law No. 38-FZ "On Advertising" dated 13 March 2006

Internal documents

- Charity, Volunteer and Sponsorship Policy of Magnit
- Code of Business Ethics of Magnit
- Regulation on the Information Policy of Magnit
- Health and Wellness Policy of Magnit
- Quality Food and Non-Food Safety Policy of Magnit

Our goal is to improve the quality of life for customers throughout the country. Accordingly, Magnit endeavours to disclose information about the products we sell and produce as transparently as possible. We also use various marketing tools to promote the principles of a healthy lifestyle and balanced nutrition.

For details on promoting healthy lifestyle, see chapter [Health and well-being](#).

In addition, our marketing communications are aimed at spreading information about current social issues and engaging our clients in solving them together.

For details on Magnit's marketing campaigns, see chapter [Local communities](#).

Development of customer service

Management approach

GRI 3-3

We care about our customers and strive to offer the most favourable shopping experience in Magnit stores. Customer centricity is at the heart of the Company's business model. All projects implemented by Magnit in the area of consumer engagement are based primarily on the analysis of feedback, consumer needs and expectations.

Management of customer engagement issues is the responsibility of the Customer Service Department. There are four divisions within the Customer Service Department: customer service development, retail communication, methodology and control, and cash discipline.

The customer service division is responsible for assessing the quality of service in stores, managing the customer service cycle, organising customer service trainings for employees, and promoting tools to build a customer-centric business model.

The retail communication division deals on a daily basis with Company feedback, root causes of customer complaints, and the development and adoption of new communication channels.

The methodology, standards and control division organises third-party agency audits of key operational processes, such as price tag correctness, product quality, customer interaction, etc., and is responsible for the development and update of internal customer service documentation for the retail chain.

The cash discipline division supervises the cash desk processes – regulatory documents, operational processes, cash discipline standards, employee training and development.

Customer relationship governance structure



In addition to the established customer relationship management system, Magnit has created an internal base of documents that set out the principles and approaches to customer relations. We constantly monitor changes in the external environment, take into account the needs of our customers, and make relevant updates of internal documents on a regular basis.

The Company has developed standards for the visual design of advertising and information materials to ensure their correct use by store employees. In 2023, we extended the standards to all Magnit stores as we planned. The Company maintains a consistent approach to the correct placement of advertising and information materials. We strive to respond quickly to changes in the needs of our customers and adapt standards where necessary.

Customer request management

A wide range of feedback channels enables us to monitor customer perceptions of the quality of service in our stores on a daily basis.

Today, the Company offers a wide range of communication channels:

- three contact centres for customers to call or email;
- official website for customers to register a complaint;
- messengers with integrated chatbots to help customers find answers to the most frequently asked questions;
- Magnit's mobile app;
- official groups in social media and other online platforms.

Leadership in the high quality of goods and services, customer service

At the end of October, Magnit became the winner of the annual award Quality of Service and Consumer Rights in the nominations Chain Store of the Year and Consumer's Choice. In total, the award committee reviewed over 300 applications.

Such high results once again proved the professionalism of employees united by a common goal to increase customer satisfaction with the quality of goods and services, and to create an environment that encourages clients to return to stores.

We regularly assess the level of customer service using the Service Quality Rating tool, which takes into account more than 20 service quality metrics and helps us monitor store performance. In the reporting year, the Company provided extensive training to retail store and functional unit employees on the use of this rating, explaining its purpose and importance. All service improvement activities held helped improve the level of the customer service rating in 2023. The level of customer service rating grew by 11% compared to 2022.



Despite the development of digital channels, customers always have an option of giving feedback in the traditional way by making an entry in the customer feedback book or sending a letter by Russian Post. Magnit endeavours to ensure that all incoming feedback is reviewed.

In addition, the Company regularly implements projects to collect additional feedback from customers, such as Urgent Communication with the Director, Favourite Buyer, Best Employee. Under these projects, feedback is collected via special QR codes at cash registers and retail spaces.

In 2023, the Company received 8,154,072 customer feedback entries, which is 62% higher compared to 2022. This increase is attributed to the expansion of feedback channels, traffic growth and opening of new stores. At the same time, the number of positive feedback grew by 284%.

Best positive trends in customer complaints in 2023

Indicator	Changes as compared to 2022
Mobile application functioning	-42%
Non-compliance/absence of advertising and informational materials	-38%
Marketing and promo	-23%
Operation of cash registers	-22%
Unfriendly service	-12%
Quality of goods	-3%

Geoservices project

Magnit has been implementing the Geoservices project for the second year in a row. It implies that customer feedback published on various geoservices (Google, Yandex, 2GIS, Flamp) are consolidated within the Company. The received feedback is then forwarded to the responsible employees for processing. In the reporting year, the Geoservices project was continued and recognised as one of the main channels of communication with consumers.

In 2023, the number of feedback on our stores increased by 43% compared to the previous reporting period, while the number of positive feedback grew by 51%. The project results confirm that our customers openly share their opinions about Magnit's stores, and positive changes in the feedback shows that we are moving in the right direction in the development of customer service.

In the reporting year, we undertook the development of a unified feedback tool. It is designed to aggregate customer requests from different communication channels and forward them

to responsible departments for review. In addition, the tool will help building a detailed analysis to address root causes of requests in a correct way.

Consumer survey

Quality improvement projects are impossible without studying the customer expectations and satisfaction level. We regularly assess the Net Promoter Score (NPS)¹ to understand our areas for improvement in the future.

In 2023, the NPS was 19.5 according to the results of the study.

We implement a number of initiatives to increase the level of loyalty. One of the projects is Everything for the Family, for Relatives. As part of the project, we conducted 1,650 interviews in branches of the Central District to identify customers' needs and areas for development. This was followed by a programme of activities – 5 Steps to NPS Growth. The project resulted in 16% NPS growth at the end of 2022. In the reporting year, the project was continued: we conducted a follow-up survey and measured key metrics after the programme

19.5

the NPS according to the results of the study in 2023

implementation. As a result, NPS grew by 3%. In 2023, this project received awards at Magnit's internal competition Caring for People.

¹ Net Promoter Score shows consumers' loyalty to a product or company. The score is based on whether the customer would recommend the company to his or her friends (from 0 to 10 points). NPS is used to assess customer readiness for repeated purchases.

Service Marathon project

In 2023, we launched a new project for Magnit Cosmetics – Service Marathon. The main idea of the project is to complete special tasks in Telegram chats. Over 40 thous. employees from 7.4 thous. stores joined the project.

The aim of the initiative was to develop a service culture, change the behavioural service habits and behavioural models of employees and improve the atmosphere in the team. The project proved to be effective – after its launch, the Company managed to improve the level of employee engagement and customer service metrics.

In 2024, we plan scale up the project to Magnit stores of larger and smaller formats.

Key results

54% and higher

level of engagement

by 7.3%

the share of customer complaints decreased

71%

of participants report eagerness to improve the service and to experiment

by 0.8%

the secret buyer score grew

44%

of participants note an improved environment in the team

51%

of participants note an improvement in relations with customers

30%

of participants recommend participation in the Service Marathon

Employee training and awareness raising

Sharing knowledge with our employees and assistance in developing their customer communication skills are the key to improving customer service and increasing customer loyalty. During the training, we focus on friendly and sincere communication, and work out complex engagement scenarios so that the customer is always satisfied with his or her journey at Magnit.

In addition to training programmes, we hold various competitions among our employees, during which we explain the principles of working with customers using simple mechanisms.

Training programme

Brief description

2023 results

Friendly Service

The purpose of the training is to teach store employees various customer service techniques and work through difficulties in communicating with customers. In the reporting period, we focused on developing empathy among employees and prepared relevant training materials.

Active Sales

The programme aims at improving the quality of customer counselling at the counter area. This programme includes the training on following:

- key stages of sales;
- friendly communications;
- customer feedback.

Employees undergo the programme in two stages. At the first stage, during induction, employees are familiarised with informative articles and trained using a video simulator. Regional managers then teach them practical skills online or offline. The programme covers all employees of the Magnit chain.

>400 trainings

annually held by regional customer service managers



Cash discipline standards

The level of service at cash desks is an important element of the quality of store operations and also affects customer loyalty. In 2023, we continued to work on maintaining our targets for compliance with legislative and internal standards of cash discipline. The measures taken allowed us to reduce the number of errors and violations by 54%.

The Company has developed a rating of cashiers to assess the speed and quality of their work in Magnit stores. In the reporting year, cashiers' performance, pursuant to the comprehensive assessment, grew by 6.7% on average across the chain compared to 2022 (Magnit convenience stores +9.78%, larger formats +3.71%). In 2023, we scaled this rating to Magnit convenience stores, discounters, and also created a similar rating at DIXY. Based on the rating, we held qualifications of the internal corporate championship Best Cash Desk in large and small formats, which was established in accordance with the developed competence of a sales cashier. Magnit was the first retail chain in Russia to develop a sales cashier competence together with Evolutsia Truda agency (World Skills) and defend it in an internal competition.

The qualifications result was +1.89% for larger formats and +1.25% for Magnit convenience stores. The Company also set a Russian record for the goods scanning speed – 48 scans per minute. The best result was recorded in the Russian Book of Records.

We continue using our new technology – Cashier Expert chatbot. It helps our employees find answers to all kinds of questions. We regularly analyse the questions sent to the chatbot, promptly process new requests and add them to the bank of answers. In the reporting year, the Company expanded the chatbot's coverage, making it available to sales cashiers.

Customer service practices in DIXY

The NPS level of regular DIXY customers increased from 6% to 13% in 2023. In 2023, a system for evaluating NPS and customer experience factors was introduced in each store of the chain, which will allow for a more prompt and targeted response to customer feedback in the future. The number of complaints per 1,000 receipts decreased: for online delivery by 48%, for offline and non-online delivery services – by 3.6%. The perception of DIXY stores improved by 5–7 p. p. in a number of important characteristics. The perception of the price level, the cleanliness and technical equipment of the stores, as well as the profitability of the loyalty program conditions improved. In addition, the share of DIXY's turnover increased from 51% to 59%, which falls on members of the DIXY Friends Club loyalty program.



Plans for 2024 and the medium term

Customer centricity is our prime focus in customer relations.

Magnit intends to develop ongoing projects and introduce new ones, with due regard for the interests and needs of our customers. In particular, Magnit plans to:

- scale up the Service Marathon project to include large and small formats;
- implement a single feedback collection tool;

- improve the service quality rating: implement automated solutions, introduce new metrics, hold promotions for Magnit chain stores of all formats.

Tax policy

Management approach

GRI 3-3, 207-1, 207-2, 207-3

As a bona fide taxpayer, we realise that by paying taxes we indirectly contribute to the social and economic development of the regions. Therefore, we take a responsible and transparent approach to our tax obligations.

Key principles of Magnit Tax Policy:

- integrity;
- transparency;
- reliability of counterparties;
- uniformity;
- effective dispute resolution;
- tax risks management.

The Company's tax policy sets out a number of important goals, such as:

- effective planning of tax liabilities and their scheduling in accordance with the applicable laws;
- monitoring and responding to changes in tax legislation and law enforcement practices;
- monitoring tax compliance to ensure high capital turnover;
- optimisation of tax costs.

The overall tax management falls within the remit of our Chief Financial Officer, while the Deputy CFO heads the Accounting and Tax Department and is directly responsible for the tax function. The Department maintains tax accounting, generates reports, cooperates with tax authorities during audits, verifies the amounts of accrued and paid taxes, identifies tax risks and determines mitigation measures. It is also in charge of analysing opportunities to reduce the tax burden, taking into account benefits and preferences, preparing legislative taxation initiatives, and developing internal documentation.

Structure of tax policy management



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

Magnit fully complies with the tax legislation of the Russian Federation. Tax Policy is the key internal document of the Company.

External documents

- Criminal Code of the Russian Federation No. 63-FZ dated 13 June 1996
- Administrative Offence Code of the Russian Federation No. 195-FZ dated 30 December 2001
- Russian Tax Code and federal laws adopted in accordance therewith, Russian regional laws, legal regulations of representative bodies of municipalities on taxes and duties, legal regulations adopted by executive authorities of various levels within their limits of powers on issues related to taxes and duties

Internal documents

- Tax Policy of Magnit
- Accounting Policy of Magnit



Magnit engages with stakeholders on taxation matters. For example, we cooperate with the Retail Companies Association (ACORT) in developing new tax regulations. We assess tax legislation amendments proposed by government

authorities and elaborate a stance on relevant initiatives aimed at improving efficiency in the retail sector.

Tax payments

GRI 207-4

Magnit makes regular and full tax payments to the federal and regional budgets. Information on tax payments is disclosed

annually in the Company's consolidated financial statements, and its reliability is confirmed by an independent auditor.

Tax payments for 2023

Indicator	Amount paid, RUB bln
Payments to federal budget:	
• income tax	3.42
• value-added tax	50.51
• payroll contributions (personal income tax and contributions to pension and medical insurance funds)	96.07
Payments to regional and local budgets:	
• regional income tax	19.13
• property tax, land tax, transport tax and trade duty	3.66
Total tax payments, insurance contributions and duties	172.21

Respect for human rights

Management approach

GRI 3-3

Respect for human rights is a fundamental principle of Magnit's work underlying long-term mutually beneficial relationships with the Company's stakeholders. The human rights management falls within the remit of the Corporate Relations and Sustainability Department and the HR Department, which report the human rights compliance results to the Sustainability Steering Committee.

Human rights management structure



The management of the human rights is in line with generally accepted international legal regulations, Russian legislation and the Company's internal documents. The Human Rights Policy is the key regulatory document in this area that sets out the principles of Magnit's labour relations. The Policy extends to all employees of the Company.

External documents

- International Bill of Human Rights
- ILO Declaration on Fundamental Principles and Rights at Work
- European Convention on Human Rights
- UN Convention on the Rights of the Child
- Guiding Principles on Business and Human Rights
- Convention on the Elimination of All Forms of Discrimination against Women
- Russian Labour Code

Internal documents

- Human Rights Policy of Magnit
- Code of Business Ethics of Magnit

Human rights responsibility

GRI 13.15, 13.16, 13.17, 13.18

Magnit ensures respect for human rights as part of its engagement with all stakeholder groups.

Employees

We guarantee decent and safe working conditions, value and support diversity among our employees. We are against any form of discrimination and harassment at work. The Company respects labour rights of its employees by offering stable and fair salaries, granting the right to a leave, respecting the freedom of professional associations and collective bargaining.

Business partners

We expect business partners to ensure that human rights are duly respected. Magnit is against child labour or any form of forced labour. The Company is open to cooperation and joint human rights initiatives.

Local communities

Magnit operates with a focus on the needs and expectations of local communities. Our projects respect their interests and strictly observe their rights and freedoms. The Company promotes an inclusive environment in society and helps vulnerable groups of the population.

Consumers

We adhere to all legal requirements in our relations with consumers and provide customers with transparent information about the Company's products. Magnit cares about the health of consumers, actively promoting the principles of a healthy lifestyle, offering a balanced food basket and supporting sports events.

In 2023, there were no reported cases of:

- GRI 406-1**
discrimination
- GRI 407-1**
violations of the right to freedom of association and collective bargaining
- GRI 408-1**
use of child labour
- GRI 409-1**
use of forced labour



Plans for 2024 and the medium term

Improve the human rights management practices. In particular, we plan to assess human rights risks in the medium term.

Information security and personal data protection

Management approach

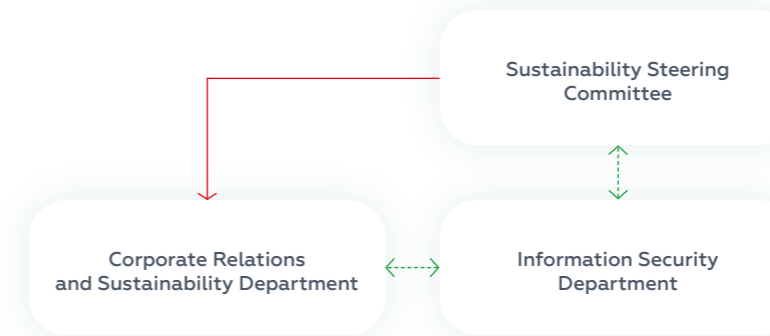
GRI 3-3

Protecting such a key asset as information is one of Magnit's priorities. We make every effort to ensure the reliability of our internal information systems and protect the personal data of our customers and employees. We successfully prevent cyberattacks and ensure continuity of our business through ongoing improvement of information security (IS) practices.

The Information Security Department is responsible for the overall information security management. In the reporting period, we strengthened our IS teams by hiring professionals, enhancing

competences and developing tools to be used by the department staff. In addition, in 2023 we unified standards and approaches to information security across all Magnit companies. Our goal is to build interaction between the Company's employees that would ensure a seamless and prompt response to information security incidents, including their elimination.

Information security management structure



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

The Magnit's information security management as well as drafted internal regulations are in strict line with the requirements of the Russian legislation. We review corporate policies and regulations at least once a year and update them to reflect any external changes. In 2023, we drafted and adopted Personal Data Processing and Disclosure Guidelines, detailing the approach to personal data management.

The Company constantly assesses information security risks. Current information on risks is submitted to the Risk Management Department on a quarterly basis and recorded in the risk register. The risk management action plan records risk response measures, deadlines and responsible persons.

Incident reduction measures

FB-FR-230a.2

We regularly undertake measures to reduce the number of information security incidents. Those include the introduction of new technological solutions, internal and external audits, process automation.

In 2023, we focused, inter alia, on import substitution of foreign technologies and we successfully completed the transition to two domestic products.

External documents

- International information security standard ISO 27001
- Decree of the President of the Russian Federation No. 250 "On Additional Measures to Ensure Information Security of the Russian Federation" dated 01 May 2022
- Resolution of the Government of the Russian Federation No. 1272 "On Approving Standard Provision on the Deputy Head of an Authority (Organisation) Responsible for Ensuring Information Security in an Authority (Organisation) and the Standard Provision on a Structural Division of an Authority (Organisation) Ensuring Information Security in an Authority (Organisation)" dated 15 July 2022
- Federal Law No. 98-FZ "On Trade Secrets" dated 29 July 2004
- Federal Law No. 149-FZ "On Information, Information Technologies and Data Protection" dated 27 July 2006
- Federal Law No. 152-FZ "On Personal Data" dated 27 July 2006

Internal documents

- Information Security Policy
- Information Security Management Systems (ISMS) Control Policy
- Employee Information Security Awareness Policy **updated**
- Password Policy
- Regulation on Managing User Credentials and Access
- Procedure for creating and amending firewall rules
- Standard of compliance with information security requirements for the creation of information systems and services
- Personal Data Processing Policy
- Personal Data Processing and Disclosure Guidelines **new**
- Regulation on Trade Secret **new**



Key information security measures in 2023

Project	Project goal	2023 highlights
Orchestration system	Automation of the information security incident analysis process To automate the process, we developed the necessary incident management software	Incident analysis time has been reduced from several hours to several minutes
Virtual data room from a Russian vendor	Creating a secure environment to share confidential information with business partners	Secure sensitive information exchange process has been introduced
DevSecOps, a code analyser	Code verification in Magnit IT products The code analyser detects vulnerabilities and, if significant, returns the product to the development team for further improvement	Over 2,000 critical vulnerabilities have been processed
Import substitution of the information security incident collection system	Identification of information security alerts The system records all information system events, interrelates them and decides whether a particular event should be treated as an alert	More than 800 alerts have been identified and eliminated
Connection to the Bug Bounty system	Independent reliability check of the Company's information systems Anyone can test the system and, if a vulnerability is detected and confirmed in the relevant report, receive a cash reward from the Company The process stands out for its continuous nature and upon its completion it gives the Company a quality information about the reliability of its information systems from highly motivated testers.	Four applications have been enabled

To reduce the likelihood of information security incidents, we annually perform the following scheduled tests of IT security systems in several areas:

- internal audits (in-house) of threat protection and response mechanisms;
- external audits (by qualified companies) of security systems;
- checks during the configuration of new protection and response policies and rules.

In 2023, based on the results of the audits, IT security systems proved their effectiveness and demonstrated correct handling of major and critical attack vectors and malicious activity. Non-critical problems and deficiencies were promptly eliminated.

Personal data protection

GRI 418-1

FB-FR-230a.1

Magnit consistently works to strengthen personal data protection. We monitor information systems to ensure the correct processing of personal data, train our employees, and maintain a log of network incidents.

In 2023, in the context of changing legislation, we implemented the Personal Data Protection project in all Group companies.

The project consists of five sections:

- analysis of internal documents pursuant to the Russian law in terms of their sufficiency and relevance;
- audit of the processes involving personal data processing;
- identification of critical information systems processing personal data, and analysis of their security;

- audit of the information systems development process;
- audit of the efficiency of the information protection solutions used to protect personal data.

In 2023, the Company identified 426 events qualified as unauthorised access to personal data. The information security team responded to 100% of the incidents in a timely manner and remedied the potential disclosure of personal data.

Information security training for employees

Magnit pays special attention to raising information security awareness among its employees. We fully realise that a high level of employee competence in this area directly contributes to the Company's ability to prevent and deter cyberattacks.

In 2023, the Company made efforts to implement an employee information security awareness system. We conduct regular technical audits to assess the employee's awareness of the Company's information handling policies. The new system tracks how an employee responds to a particular event. Then employees are rated based on how well they performed according to instructions. The company analyses the group of employees who failed to perform and then considers whether

to arrange a follow-up training or a meeting with the function leader. This approach ensures timely and targeted training of employees in areas where their awareness is low. The employee can also track his/her progress in information security, familiarise with the results of past and current audits.

Magnit provides employee training in two tracks – for Information Security Department and for other divisions.

Information security training tracks



Plans for 2024 and the medium term

We intend to further develop our information security practices.

In 2024, the Company plans to:

- continue import substitution of foreign solutions;
- improve the maturity level of information security practices of Group companies;

- continue ongoing projects to ensure development security;
- improve cloud security;
- implement an automated personal data management solution.