

# Part of the Neighbourhood

2021 Sustainability Report



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## About the Report

We are happy to present Magnit's third Sustainability Report. Each year, we strive to enhance the quality of our non-financial reporting by demonstrating our commitment to sustainable development across all our business processes.

In the reporting year, we introduced an overview of the progress towards our goals under our Strategy 2025 broken down by priority area. Our reporting now covers our management approach to a wider range of topics, including health and safety, information security and human rights.

In our reporting, we aspire to expand the scope of applicable standards, disclosing SASB industry metrics and taking into account the TCFD recommendations. In 2021, we focused on analysing our contribution to the UN Sustainable Development Goals and scrutinised all our projects and initiatives for their compliance with each SDG target.

As at the date of publication, we are witnessing growing geopolitical and economic risks that may have an impact on the business of Magnit and its suppliers. The supply of food, hygiene products and home essentials for the needs of consumers has always been and will be our top priority. We will do everything in our power to keep the supply chain resilient and support our suppliers, including a significant number of local producers. Our long track record in the market proves that we remain a reliable employer and business partner in the most challenging situations thanks to the existing infrastructure and resources, responsible business practices and robust corporate governance.

The Report should be read as a whole taking into account the content of all sections as well as the notes and the explanations herein, including the information set forth in the Disclaimer (see below in the Appendices to the Report).

# Corporate Relations and Sustainability Director's statement

Dear Reader,

I am pleased to present to you Magnit's Sustainability Report for 2021, which summarises the Company's performance and targets in ESG. In the reporting year, we concentrated on delivering against our Sustainability Strategy approved in 2020, and I am very pleased with the progress we have achieved. We have remained Russia's largest private employer and the only vertically integrated retailer operating food production assets, and one that has firmly integrated ESG practices into all of its business processes.

Magnit made a big leap forward in 2021, growing significantly through an acquisition of a major player, opening stores, launching new formats and building up the e-commerce business. At the heart of this is our strong commitment to sustainable development principles. In 2021, despite the persisting uncertainty around the COVID-19 pandemic, we made great headway and facilitated a return to normal for our customers and employees.

Halfway through the year, we completed the acquisition of the DIXY retail chain, adding 2,477 stores to the Magnit network (predominantly in the Moscow and St Petersburg areas). The purchase is strategically important,

strengthening our competitive position in the Russian market and increasing our footprint in important regions. It brings far-reaching synergies in the supply chain, procurement, category management and business processes, which will add value for our shareholders and offer new benefits to our customers and other stakeholders. For the purposes of this report, the non-financial data for DIXY and Magnit are disclosed separately while we are completing our work to align our respective sustainability strategies and data gathering methodologies. We will continue consolidating Magnit and DIXY sustainability data going forward.



# Corporate Relations and Sustainability Director's statement

(continued)

By approving the Sustainability Strategy in 2020, we prepared fertile ground for our sustainable development efforts, and are now taking a deep dive into each specific area.

We realise the importance of the climate change agenda and the role big businesses can play in minimising climate risks. That is why we continue working on a number of pilot projects aimed at finding ways of increasing energy efficiency and cutting down carbon emissions. Our goal is to reduce the direct carbon footprint of logistics and delivery through fleet renewal and gradual transition to hybrid engines and more eco-friendly fuels. We have been implementing measures to reduce energy consumption for refrigeration equipment and lighting devices and thus cut indirect GHG emissions. We have ambitious plans to measure indirect emissions throughout Magnit's entire value chain, develop a Climate Strategy, and perform a detailed financial assessment of climate risks.

Another important area of our focus is waste management. In 2021, we launched a big project to analyse the composition of municipal solid waste at stores and distribution centres. The project will let us sort out recyclable waste and identify patterns of food waste generation, affording us better control over its volumes.

As the largest retail chain in Russia, we recognise that we can do even more by working together with other companies to achieve our goals. In 2021, we joined forces with eight of the largest international FMCG producers in the United for a Healthier Future initiative. It aims to improve the quality of life for consumers and local communities by promoting healthy lifestyles and environmental care. We have committed to raising awareness of customers, making sustainable goods and services more available, cooperating with other organisations, and conducting relevant research. The first projects under the initiative are already underway, including a collaboration with Nestlé on an

education programme to instil the basic principles of sustainable consumption and healthy eating in schoolchildren.

We have received wide recognition for our sustainability efforts. In 2021 Russia's National Rating Agency (NRA) placed Magnit among the Top 3 Russian public companies in its ESG ranking and affirmed our leadership among Russian nonfinancial public companies in retail. The impressive progress in sustainable development that we have achieved would not have been possible without the hard work and engagement of Magnit employees. I would like to extend deep gratitude to the team for their ESG efforts, commitment to sustainable development, and help in driving the Company's initiatives forward.

Our goal now is to maintain the lead in sustainable development among Russian retailers for years to come, and we continue to look for meaningful ways to

promote healthy lifestyles, reduce carbon emissions and waste, and strengthen the sustainability of our supply chain.

Despite the heightened geopolitical and economic risks in early 2022, our top priority remains the same – to provide people with food and non-food essentials. We will do everything in our power to keep the supply chain resilient and support our suppliers, including a significant number of local producers. Our long track record in the market shows that we remain a reliable employer and business partner in the most challenging situations thanks to the existing infrastructure and resources, responsible business practices, and robust corporate governance..

**Anna Meleshina**

*Corporate Relations and Sustainability Director*

# About the Company

GRI 2-1, 2-6

The Magnit Group<sup>1</sup> (hereinafter, "Magnit", the "Company" or the "Group") is one of the largest retail chains with a multiformat offering in Russia by number of stores and geographic coverage. Our goal is to become Russia's No. 1 responsible retailer..

Magnit is one of the largest retail chains with a multiformat offering in Russia by number of stores and geographic coverage. Our goal is to become Russia's No. 1 responsible retailer.

We have stores in all densely populated Russian regions, with over 26,077 outlets nationwide. The Company operates a multiformat and omnichannel model that includes convenience and drogerie stores, as well as supermarkets and pharmacies under the Magnit and DIXY brands.

Magnit has three key business segments. In addition to its retail operations, the Company owns 13 food production sites and runs four agricultural facilities. Magnit's extensive logistics infrastructure includes 45 distribution centres and more than 5,000 trucks, making it one of the largest logistics operators in Russia.

As Russia's only vertically integrated federal chain with its own production facilities, we contribute to the creation of sustainable food production systems and provide tangible support to food and processed food markets. We ensure timely access to information about our food reserves in the regions of operation and take all possible steps to curb excessive food price volatility, particularly for socially important product categories. Additionally, we implement agricultural practices that increase yields while preserving ecosystems.

## Key facts:

- **No. 1 food retail chain** by number of stores and geographic coverage
- **No. 1 food importer** in Russia
- **The only vertically integrated retailer** with own food production and agricultural facilities
- **A responsible partner** to local producers and foreign companies
- **A multiformat and omnichannel retail chain** with a cross-format loyalty programme
- **15 million** in daily footfall
- **One of the largest private employers** in Russia
- One of Russia's **largest logistics operators**

## Our mission and values

#1

Our mission is to become the store of choice for every russian family

### Our values



**Everywhere for our customers**

We build long-lasting connections with our customers. Our team members have a perfect understanding of customer needs because they also shop at Magnit.



**Achieving results**

We always accomplish our goals and strive to do so in the most efficient manner.



**Taking responsibility**

We know what we stand for and we take responsibility for our decisions.



**Stronger together**

We achieve our goals through joint effort and consider our employees' input when making decisions.



**ДИКСИ**

### DIXY integration

On 22 July 2021, Magnit completed the acquisition of the DIXY retail chain. The transaction covered 2,438 DIXY convenience stores, 39 Megamart and Minimart superstores, and five distribution centres.

The acquisition boosted our market share in Moscow and St Petersburg, where our penetration had historically been weak, bringing it to 8.2% in Moscow and the Moscow region and to 17.2% in St Petersburg and the Leningrad region. Magnit's enhanced standing in the two largest Russian cities also provides a shot in the arm for our e-commerce initiatives.

The Company managed to negotiate better pricing terms with suppliers for DIXY, which in turn increased the profitability of the acquired stores. We also revised DIXY's remuneration terms and significantly reduced staff turnover.

<sup>1</sup> FOR THE PURPOSE OF THIS REPORT, THE MAGNIT GROUP INCLUDES COMPANIES LISTED IN THE APPENDIX 3 BELOW. THE INFORMATION HEREIN IS BASED ON THE REPORTING PERIMETER ESTABLISHED THEREIN.

# 2021 highlights

## Financial and operating performance

**RUB 1,808 bln**  
net retail sales

**RUB 51.7 bln**  
net income

**+36.8%**  
net income growth

**8,997 thous. sq. m**  
selling space<sup>1</sup>

**> 4.8 thous. SKUs**  
of private label goods

**> 4,490**  
stores made part of the e-commerce platform

## International ESG ratings in 2021

**25.8**  
average ESG risk

**D+**

**BBB**

**33**

**2.9**



## Sustainable development

**19%**  
Reduction of specific GHG emissions (t CO<sub>2</sub> eq/mln RUR) from base year 2019

**72%**  
Employee satisfaction

**8 thous.**  
volunteers/events

**> 99%**  
of total plastic generated by the logistics unit is sent for recycling

**27%**  
of private label sales falls on healthy lifestyle products

**16%**  
increase in the number of products supplied by local producers

**8%**  
decrease in specific electricity consumption (kWh/mln RUR) from base year 2019

**RUB 641 mln**  
allocated for social and charity projects

<sup>1</sup> INCLUDING DIXI AND MEGAMART



# Business Model

## We are everywhere for our customers

The Company's retail chain comprises 26,077 stores, serving approximately 15 mln customers daily in 67 regions across Russia's seven federal districts. Residents of 3,898 cities and towns enjoy access not only to the chain's grocery stores, but also to drogeries, namely Magnit Cosmetics and Magnit Pharmacy.

### Inputs: resources and relationships

Our customers

# 15 mln

customers daily

Suppliers

# >6 thous.

Government and regulators

Magnit has an efficient corporate governance framework

Employees

# ~360 thous.

one of the largest private employers in Russia

Shareholders

# >150 thous.

According to EGM 2021

Environment and communities

Magnit's Sustainability Strategic Framework sets an ambitious goal for embedding sustainability in every aspect of the business

### How our business is different

Quality and range

**100** quality awards in 2021

**12** quality control laboratories conducting

**>2.8 thous.** daily tests

**>4 thous.** private label SKUs = **16%** share of PL

Largest supply chain network

**45** distribution centres in seven federal districts

**>5 thous.** trucks

**1.9 mln sq. m** of warehouse space

Multi-format and omni-channel

**>4,490** offline stores and 20 dark stores in 64 regions of Russia

**8,997 thous. sq. m** selling space

**3,898** cities & townships

Own production and private label

**4** agricultural complexes in seven federal districts

**13** industrial facilities

**168** production lines

### Outcomes for our stakeholders

Everywhere for our customers

Rewarding our employees

Cooperating with our suppliers

Delivering returns to our shareholders

Economic contribution

Protecting the environment and supporting communities



# Retail with purpose:

## Magnit Sustainability Strategy

Magnit's Sustainability Strategy defines five key areas and sets quantitative and qualitative targets for 2025.

Our sustainability strategy is based on the Ten Principles of the UN Global Compact and the 17 Sustainable Development Goals, as well as stakeholder expectations.

### Priority SDGs



### Environmental stewardship

To become the industry leader in environmental impact reduction

- CO<sub>2</sub> emissions
- Packaging waste
- Food waste
- Energy and water use



### Sustainable sourcing

To strive towards a 100% responsible supply chain

- Products and raw materials from responsible sources
- Best in local
- Food and non-food safety
- Responsible approach to own agriculture and production
- Private labels
- Green marketing



### Employees

To be the No. 1 employer in the industry

- Fair, safe and rewarding workplace
- Employee training and development



### Communities

To make a positive impact on the quality of life of all Russians

- Corporate volunteering
- Emergency help
- Charity



### Health & well-being

To improve the quality of life for consumers and local communities

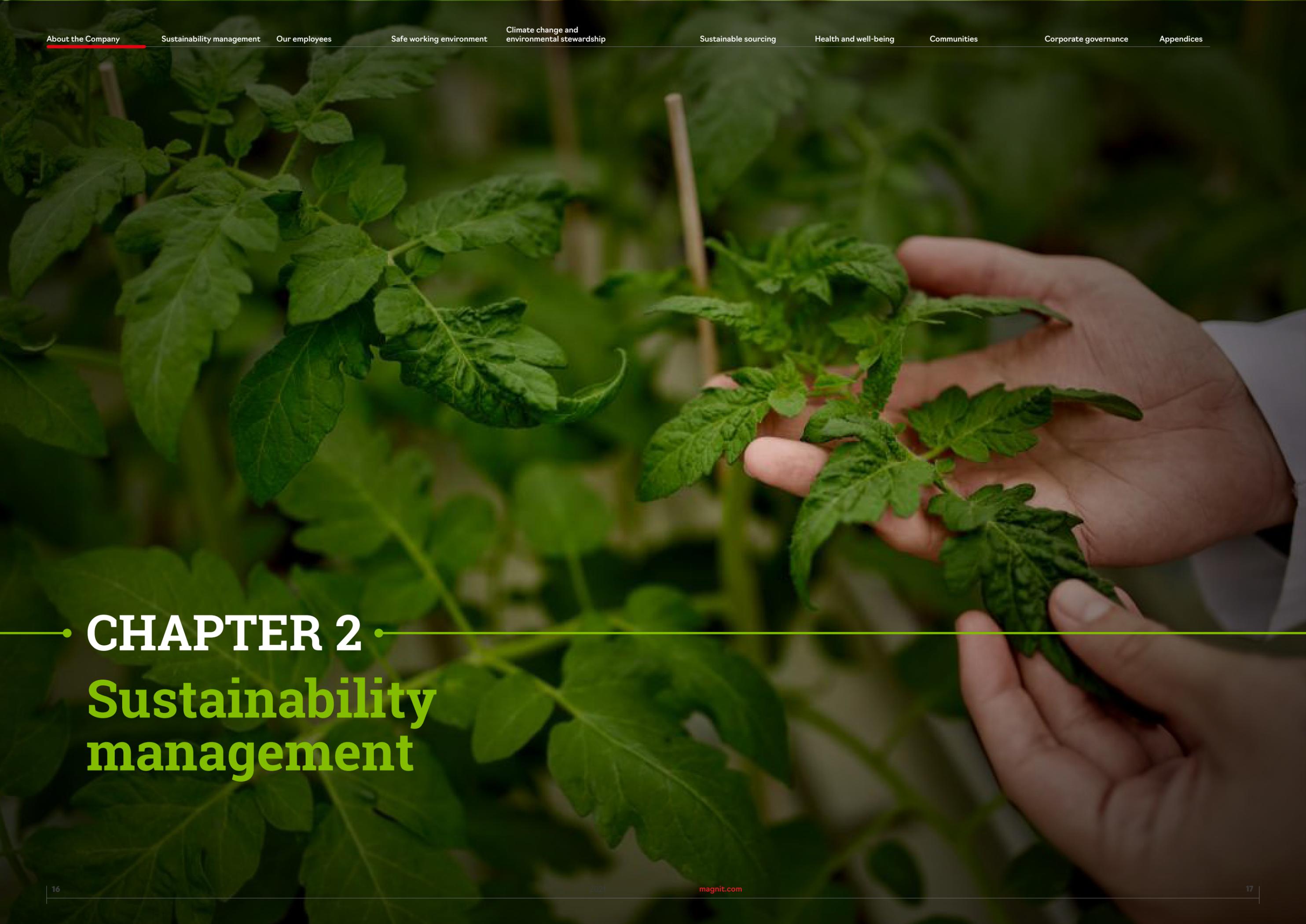
- Promotion of healthy lifestyles: nutrition and sports
- Availability of health-related services and products

### Our 2020–2025 goals and progress made in 2021 (from base year 2019)

50% of private label and own production packaging to be recyclable, reusable or compostable	Private labels: 25% of packaging is recyclable, 36% is partially recyclable Own production: 30% of packaging is recyclable, 44% is partially recyclable
100% of recyclable plastic used in own operations to be collected and recycled	>99% of total plastic packaging generated during transportation was sent for recycling in 2021
50% food waste reduction	Reduction by 46% of specific food waste generation (167.66 kg/mln RUR)
30% GHG emissions reduction	Reduction by 19% (2.37 t CO <sub>2</sub> eq/mln RUR) of specific greenhouse gas emissions (scope 1 and 2)
25% reduction of water and energy consumption	Reduction by 17% (2.25 cbm/mln RUR) of specific water consumption 8% decrease in specific electricity consumption (1 825,6 kWh/mln RUR)
100% responsible sourcing for socially important categories	Development of a pilot project for ESG certification of socially important goods suppliers
100% responsibility for own production and agriculture	Magnit certified for compliance with the international Food Safety Management System (FSSC 22000-2018) Initiative launched to transition to sustainable packaging for private labels First vertical eco greenhouse put up Over 100 awards won for the quality of private labels at various quality competitions in 2021
Partnership programmes for local suppliers & farmers	Total purchases of locally produced goods increased by 16% <sup>2</sup>
70% employee satisfaction	72% Employee satisfaction
50% reduction of lost time injury frequency rate, zero fatalities	0.91 Injury rate (per 1,000 Employees)
40% maximum turnover rate	53% Turnover rate
10% of employees to take part in volunteering initiatives	2.5% Employee volunteers
Community programmes for all the regions of the Company's footprint	Social projects in 2021 covered all 67 regions where Magnit operates
Information about healthy lifestyle and nutrition to be available to all customers	We increase our nationwide outreach by implementing new partner projects to educate people on healthy lifestyles while actively developing our own initiatives
Healthy products to be available to all customers	- The number of Health Islands in our supermarkets increased to 228; the popularity of this product category grew by 9%. - Sales of private label health products amounted to RUB 41,487 mln, which accounts for 27% of private label sales.

<sup>1</sup> 24.5% OF THE TOTAL NUMBER OF SKU WAS CHECKED.

<sup>2</sup> COMPARED TO 2020.



# CHAPTER 2

## Sustainability management

# Sustainability management



## Q&A with Nadezhda Galaktionova, Head of the Sustainable Development Unit

**Q:** What is the role of sustainability in Magnit's operations?

**A:** Sustainability has become an integral part of our business model. We are among Russia's largest employers with a headcount of 360,000 people. Every day, our stores attract 15 million customers. Given this scale of business, we strive to be both an economically efficient and socially responsible company.

In 2020, Magnit approved a Sustainability Strategy focusing on five key areas: reducing environmental impact, creating a responsible supply chain, taking care of employees, supporting local communities and promoting healthy lifestyles. For each of these areas, we set quantitative goals to 2025.

In the reporting year, Magnit has made notable progress towards those goals. We kept improving energy efficiency and reducing specific GHG emissions. We checked the packaging for all private label SKUs and own production for compliance with green standards while also continuing with our efforts to introduce and enhance sustainability practices in packaging. We have not put in place packaging requirements for our suppliers, nor do we plan to do so in the short term. We worked to better employment terms for our people and extended support to local communities.

**Q:** Which of your 2021 sustainability projects made you especially proud and why?

**A:** Noteworthy is the Kind Bunny project to create an inclusive environment for people with disabilities (wheelchair users, those with hearing impairments, and others). There are more than 12 million such people in Russia, and for many of them doing their shopping is a real challenge. In 2021, we trained over 4,000 employees in the Northwestern Federal District in dealing with such people to improve their customer experience. In the near future, we plan to roll out this project across our footprint and integrate the training course into our employee onboarding programme.

I would also like to praise the efforts of Magnit's team in promoting healthy lifestyles. In 2021, we made outstanding progress in this strategic domain by leveraging all resources and opportunities available to raise customer awareness and offer them healthy foods. We scrutinised all private label products for compliance with healthy lifestyle principles, identifying a target category for potential improvement of ingredients. On top of that, our Magnit Family supermarkets increased the number of Health Islands offering natural, sports and diet foods as well as sugar- and gluten-free products to 228. In 2022, we plan to continue opening such sections in Magnit convenience stores.

**15 mln**  
customers daily

The number of Health Islands in our supermarkets increased

to **228**

In the reporting year, we launched the United for Healthier Future initiative aimed at improving the quality of life for consumers and local communities across our footprint in Russia. The project united eight largest FMCG producers which signed a Code of Participants in United for Healthier Future Initiative. What's more, we were developing communication channels to promote healthy lifestyles among our employees, customers and the wider public, and foster a culture of sustainable consumption.

**Q:** In 2021, Magnit acquired DIXY, a large retail chain. What challenges in sustainable development and corporate governance did you face while integrating the two companies?

**A:** There were no changes in the management, with all DIXY executives remaining in office. At the same time, we improved a number of indicators after consolidating corporate functions. By leveraging the expertise of Magnit's HR function, we revised salaries at DIXY and reduced staff turnover as a result. Magnit's purchasing power helped DIXY obtain better procurement terms from suppliers.

Despite the lack of its own sustainability strategy, the chain ran a number of projects aiming, among other things, at support of local communities and transition to greener vehicles. Following its integration with Magnit, the company adopted our Sustainability Strategy, which we plan to update across the board to reflect DIXY's existing practices and quantitative indicators.

**Q:** What are Magnit's other focus areas for 2022, apart from integrating with DIXY and promoting healthy lifestyles?

**A:** Across the world, a key sustainability challenge is climate change. As part of the efforts to combat global warming and limit the increase in the global average temperature to 1.5°C by 2050, most countries have agreed to phase out GHG emissions. As a large business, we recognise our responsibility and take steps to reduce our carbon footprint.

We have already started to calculate direct (Scope 1) emissions as well as indirect ones related to energy and heat consumption for our own needs (Scope 2). We also plan to introduce accounting for product life cycle emissions (Scope 3). It is important to inventory emissions across all the three scopes throughout the entire value chain, from production to consumption, as we need to measure the environmental footprint of Magnit as a distribution network and contribute to combating global warming by reducing our GHG emissions.

# Our approach to management

GRI 2-12, 2-13, 2-22, 2-23, 2-24

The Company established a Sustainability Steering Committee (SSC), which is chaired by CEO, and has all heads of key business departments represented on it.

Reporting to the Board of Directors' Strategy Committee, the SSC coordinates Magnit's sustainability activities, including stakeholder engagement, and issues recommendations on strategic improvements of long-term business sustainability in response to social, environmental, resource and energy challenges. This Committee leads 16 working groups building a sustainable business model in all areas of our operations – retail, own production, supply chain, logistics, and personnel management.

Every quarter, it prepares a report on its progress and the status of Sustainability Strategy projects and initiatives, which is then presented to Magnit's 150 key managers.

The reporting year saw two SSC quarterly meetings and two Board of Directors meetings where the SSC reported on the status of sustainability projects and initiatives. The agenda of the meetings included the following key items:

- progress against all strategic sustainability targets;
- results of preparing the Sustainability Report for 2020;
- climate risks;
- promotion of healthy lifestyles;
- a sustainable supply chain.

Our core governing document is the Sustainability Strategy and 2025 goals approved by the Board of Directors. It defines the Company's priority areas and sets out quantitative and qualitative indicators linked to UN Sustainable Development Goals.

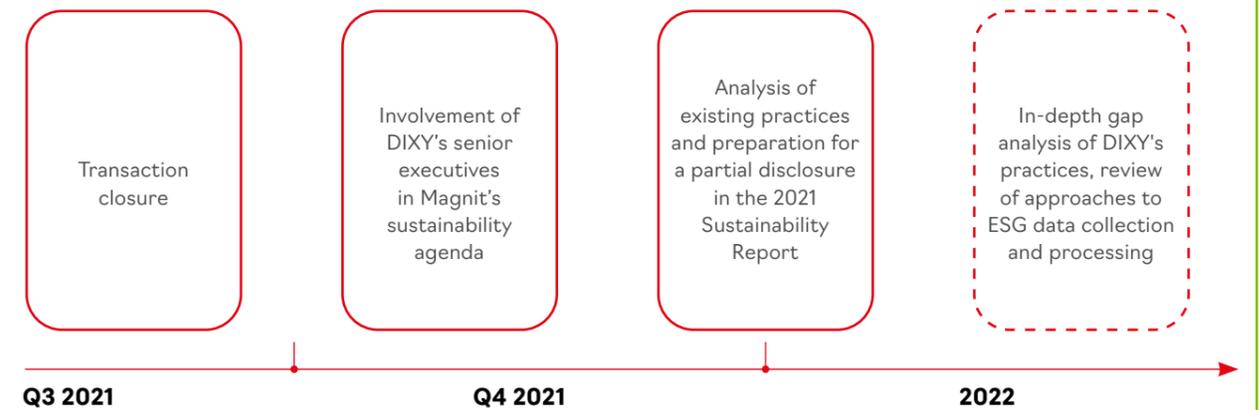
The Company has adopted a number of policies regulating its sustainable development and stakeholder engagement and formalising its commitments in priority areas. These policies are subject to regular revision and update to reflect changes in best practices and legislation. Each chapter of the Report provides references to relevant internal documents.



## Integrating DIXY: sustainability management

In Q4 2021 DIXY, one of the largest retail chains in the Central Federal District, became part of Magnit. From the sustainability perspective, the integration sought to involve DIXY's key managers in Magnit's ESG activities in the fastest and most efficient way.

Senior executives and key employees of functional units participated in all the 16 of Magnit's sustainability working groups. Beside engaging our colleagues in Magnit's current initiatives and projects, the integration aims at sharing the experience as DIXY had been working hard to improve labour conditions, safety and supply chain performance despite the lack of formalised practices.



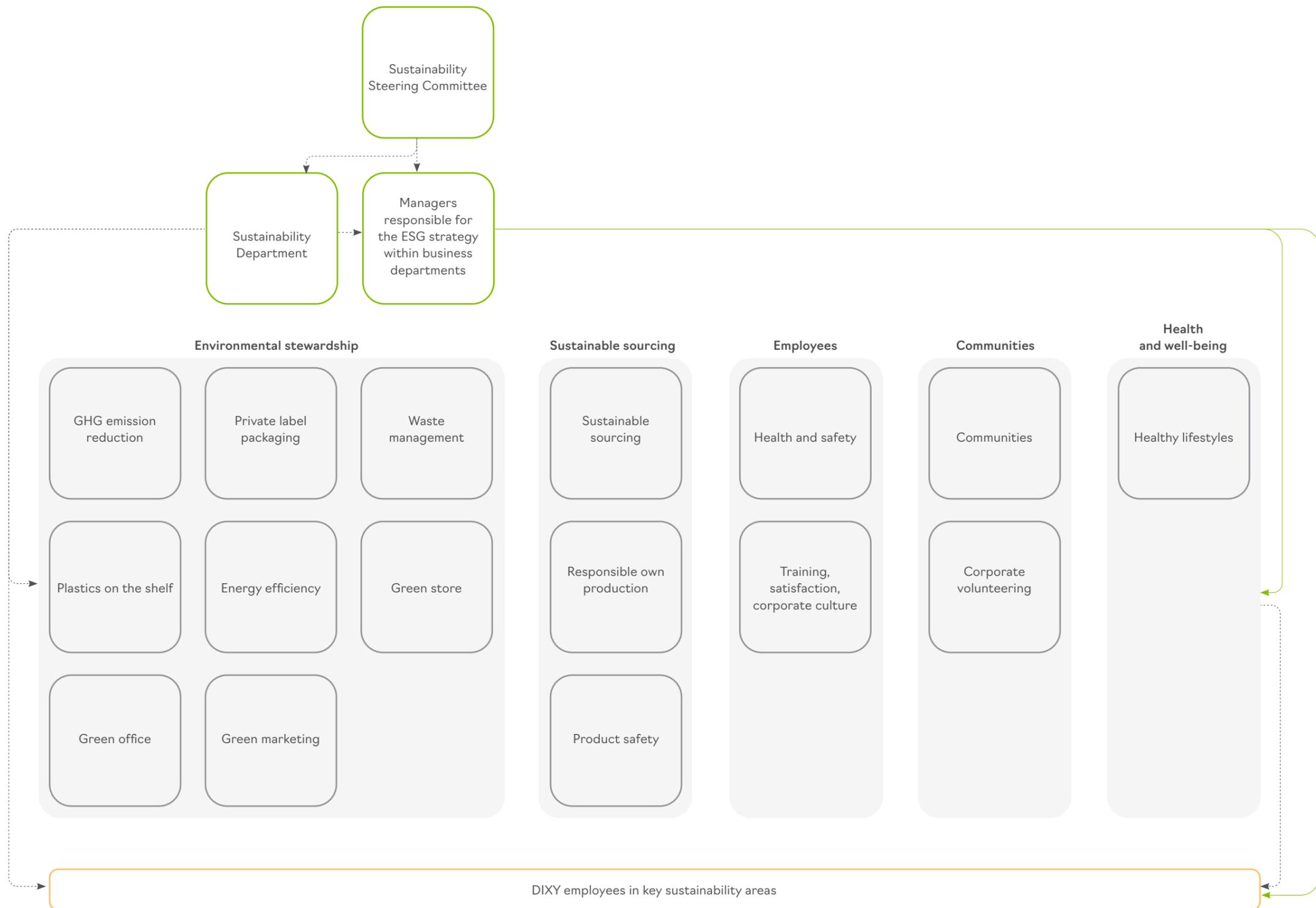
# Our approach to management (continued)

**Management level**  
Communicating a strategic vision, drafting plans, KPI setting and monitoring

**Operational level**  
Developing initiatives to achieve KPIs, communicating approaches to teams

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

**DIXY integration**



# UN Global Compact

GRI 2-28

Aware of global environmental and social problems caused by climate change, we strive to be an ESG leader among Russia's largest retailers by continuously strengthening and perfecting our practices. In 2020, Magnit joined the UN Global Compact focusing on integrating environmental protection, social responsibility and best corporate governance practices across its business domains.

In the reporting year, we made significant progress towards qualitative and quantitative goals set out in our Sustainability Strategy. In particular, we reduced GHG emissions and specific energy consumption.

We are open for cooperation with UN Global Compact signatories and are confident that our joint efforts and shared experience will make our businesses more sustainable for all stakeholders.

# Contribution to the Sustainable Development Goals

We are aware that the scale of our business and our resources enable us to make a sizeable contribution towards UN Sustainable Development Goals (SDGs) up to 2030 adopted by the UN in 2015. As we were working hard to improve our ESG practices, we benchmarked our achievements against UN SDGs and factored in our potential contribution towards them in our plans.

In 2021, we fine-tuned our approach following a detailed analysis of each SDG in terms of their targets. We made a list of priority SDGs, formalised our actions to support them in our Sustainability Strategy and provided information on how we help achieve other SDGs and their targets.

UN Global Compact principles	Chapter of the Report
1 Businesses should support and respect the protection of internationally proclaimed human rights.	Human rights
2 Businesses should make sure that they are not complicit in human rights abuses.	
3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	Our employees, Sustainable supply chains
4 Businesses should uphold the elimination of all forms of forced and compulsory labour.	
5 Businesses should uphold the effective abolition of child labour.	
6 Businesses should uphold the elimination of discrimination in respect of employment and occupation.	
7 Businesses should support a precautionary approach to environmental challenges.	Environmental stewardship
8 Businesses should undertake initiatives to promote greater environmental responsibility.	
9 Businesses should encourage the development and diffusion of environmentally friendly technologies.	
10 Businesses should work against corruption in all its forms, including extortion and bribery.	Business ethics and anti-corruption

UN SDG and its targets	Why do we prioritise it?	Our strategic goals to 2025
<p><b>SDG 2: Zero Hunger</b></p> <ul style="list-style-type: none"> <li>– <b>2.1</b> By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round.</li> <li>– <b>2.4</b> By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality.</li> <li>– <b>2.5(c)</b> Adopt measures to ensure the proper functioning of food commodity markets and their derivatives and facilitate timely access to market information, including on food reserves, in order to help limit extreme food price volatility.</li> </ul>	<p>Magnit is one of the largest retail chains that supplies goods and groceries across Russia. We do our best to offer our customers affordable and quality foods. We are the only retailer with our own production facilities, including in agriculture. We seek to maintain high quality standards, while also developing initiatives to increase the affordability of our own and third-party products for all Russians. We contribute to the creation of sustainable food production systems and provide tangible support to food and processed food markets. We ensure timely access to information about our food reserves in the regions of operation and take all possible steps to curb excessive food price volatility, particularly for socially important product categories. Additionally, we implement agricultural practices that increase yields while preserving ecosystems.</p>	<p><b>Sustainable sourcing:</b></p> <ul style="list-style-type: none"> <li>– development and partnership programmes for local suppliers and farmers</li> <li>– responsible approach to own production and agriculture</li> </ul> <p><b>Health and well-being:</b></p> <ul style="list-style-type: none"> <li>– healthy products available to all customers</li> </ul>

# Contribution to the Sustainable Development Goals (continued)

UN SDG and its targets	Why do we prioritise it?	Our strategic goals to 2025
<p><b>SDG 3: Good Health and Well-being</b></p> <ul style="list-style-type: none"> <li>– <b>3.7</b> By 2030, ensure universal access to sexual and reproductive health-care services, including for family planning, information and education, and the integration of reproductive health into national strategies and programmes.</li> <li>– <b>3.9 (d)</b> Strengthen the capacity of all countries, in particular developing countries, for early warning, risk reduction and management of national and global health risks.</li> </ul>	<p>As one of Russia's largest retailers, we have a unique opportunity to promote healthy eating to the nation. In our Sustainability Strategy, we have set the goal of raising awareness of healthy lifestyles and supplying healthy foods. We are actively working towards this goal, with some good progress already achieved.</p>	<p><b>Health and well-being:</b></p> <ul style="list-style-type: none"> <li>– healthy products available to all customers</li> <li>– information about healthy lifestyles and nutrition available to all customers</li> </ul>
<p><b>SDG 6: Clean Water and Sanitation</b></p> <ul style="list-style-type: none"> <li>– <b>6.5</b> By 2030, implement integrated water resources management at all levels, including through transboundary cooperation as appropriate.</li> </ul>	<p>As one of Russia's largest retailers with our own production assets, we consume a lot of water to ensure quality and effective operations. Aware of the vital need for properly managing water resources throughout the entire value chain, we run a number of initiatives to cut water consumption and apply higher treatment standards.</p>	<p><b>Environmental stewardship:</b></p> <ul style="list-style-type: none"> <li>– reducing specific water and energy consumption by 25%</li> </ul>
<p><b>SDG 7: Affordable and Clean Energy</b></p> <ul style="list-style-type: none"> <li>– <b>7.3</b> By 2030, double the global rate of improvement in energy efficiency.</li> </ul>	<p>Having studied our key GHG emission sources, we singled out indirect emissions from energy sources as main contributors to our environmental footprint. We intend to save energy and develop energy efficiency projects to consume less and minimise our carbon footprint.</p>	<p><b>Environmental stewardship:</b></p> <ul style="list-style-type: none"> <li>– reducing specific water and energy consumption by 25%</li> <li>– reducing specific GHG emissions by 25%</li> </ul>

UN SDG and its targets	Why do we prioritise it?	Our strategic goals to 2025
<p><b>SDG 8: Decent Work and Economic Growth</b></p> <ul style="list-style-type: none"> <li>– <b>8.2</b> Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors.</li> <li>– <b>8.6</b> By 2020, substantially reduce the proportion of youth not in employment, education or training.</li> <li>– <b>8.8</b> Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.</li> </ul>	<p>We are responsible for a lot of employees. Our business keeps growing, which creates more jobs. We take responsibility for providing decent and safe working conditions along with opportunities for training and professional development.</p>	<p><b>Employees:</b></p> <ul style="list-style-type: none"> <li>– ensuring employee satisfaction of at least 70%</li> <li>– reducing lost time injuries by 50%, with zero occupational fatalities</li> <li>– maximum turnover rate of 40%</li> </ul>
<p><b>SDG 12: Responsible Consumption and Production</b></p> <ul style="list-style-type: none"> <li>– <b>12.2</b> By 2030, achieve the sustainable management and efficient use of natural resources.</li> <li>– <b>12.3</b> By 2030, halve per capita global food waste at the retail and consumer levels and reduce food losses along production and supply chains, including post-harvest losses.</li> <li>– <b>12.4</b> By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimise their adverse impacts on human health and the environment.</li> <li>– <b>12.5</b> By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.</li> <li>– <b>12.8</b> By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature.</li> </ul>	<p>We seek to introduce sustainability principles along our entire value chain. Aware of our environmental footprint, we are working hard to reduce it. Packaging and waste are our key focus areas. We also strive to build a sustainable supply chain by introducing supplier assessment tools and continuously monitoring best practices and their applicability to our business processes.</p>	<p><b>Environmental stewardship:</b></p> <ul style="list-style-type: none"> <li>– 50% private labels and own production packaging recyclable, reusable or compostable</li> <li>– 100% recyclable plastics in own operations recovered and recycled</li> <li>– food waste halved</li> </ul> <p><b>Sustainable sourcing:</b></p> <ul style="list-style-type: none"> <li>– 100% responsible sourcing for socially important categories;</li> <li>– 100% responsible own production and agriculture</li> <li>– share of green shelf-ready packaging going up</li> <li>– responsible sourcing for commercial and non-commercial purchases</li> </ul>

# Contribution to the Sustainable Development Goals (continued)

UN SDG and its targets	Why do we prioritise it?	Our strategic goals to 2025
<p><b>SDG 13: Climate Action</b></p> <ul style="list-style-type: none"> <li>– 13.2 Integrate climate change measures into national policies, strategies and planning.</li> <li>– 13.3 Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.</li> </ul>	<p>Confronting the climate crisis is pivotal for all industries across the globe. We understand the importance of monitoring climate risks and their impact on our strategy. To that effect, we have taken a number of steps to reduce our impact on the climate in terms of both direct and indirect GHG emissions.</p>	<p><b>Environmental stewardship:</b></p> <ul style="list-style-type: none"> <li>– reducing specific water and energy consumption by 25%</li> <li>– reducing specific GHG emissions by 30%</li> </ul>
<p><b>SDG 17: Partnership for Sustainable Development</b></p> <ul style="list-style-type: none"> <li>– 17.10 Promote a universal, rules-based, open, non-discriminatory and equitable multilateral trading system under the World Trade Organisation, including through the conclusion of negotiations under its Doha Development Agenda.</li> <li>– 17.16 Enhance the global partnership for sustainable development, complemented by multi-stakeholder partnerships that mobilise and share knowledge, expertise, technology and financial resources, to support the achievement of the sustainable development goals in all countries, in particular developing countries.</li> </ul>	<p>As one of Russia's largest retailers we have a lot of business partners, including large international companies. By joining forces we boost our contribution to the above SDGs and implement important social and environmental projects.</p>	<p><b>Communities:</b></p> <ul style="list-style-type: none"> <li>– community programmes for all the regions of the Company's presence</li> </ul> <p><b>Sustainable sourcing:</b></p> <ul style="list-style-type: none"> <li>– responsible sourcing for commercial and non-commercial purchases</li> </ul>

## Overview of our overall contribution towards UN SDGs

We focus on priority SDGs, while also supporting other goals. According to our estimates, as at the end of 2021, our initiatives covered 15 out of 17 UN SDGs.

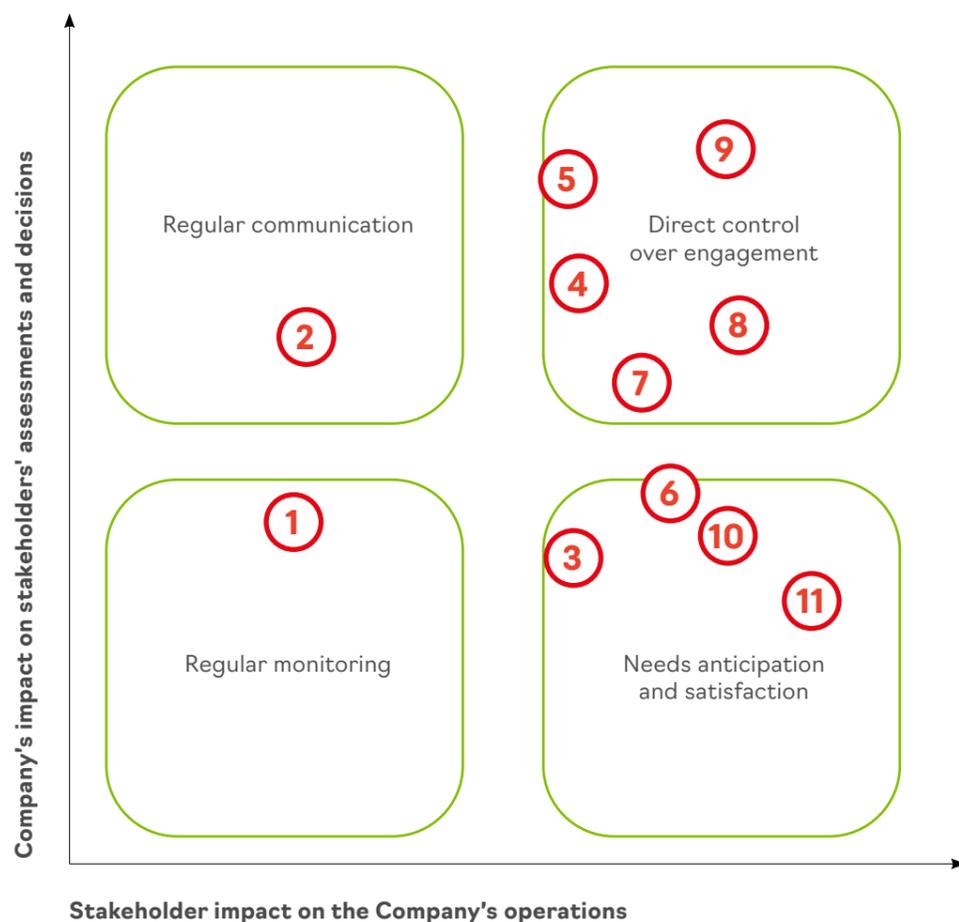
For details on our contribution towards the UN SDGs, see Appendix 2 "Overview of our contribution towards UN SDGs and related targets".

<p><b>SDG 1: No Poverty</b></p>	<p><b>SDG 4: Quality Education</b></p>	<p><b>SDG 5: Gender Equality</b></p>	<p><b>SDG 9: Industry, Innovation and Infrastructure</b></p>
<p><b>SDG 10: Reduced Inequalities</b></p>	<p><b>SDG 11: Sustainable Cities and Communities</b></p>	<p><b>SDG 16: Peace, Justice and Strong Institutions</b></p>	

# Stakeholder engagement

GRI 2-29

To streamline Magnit's sustainability management and reporting, we take into account all stakeholder groups. We identify the most relevant topics to enhance communication and develop engagement with our stakeholders in those focus areas.



- 1. Local communities
- 2. Media
- 3. ESG ratings
- 4. Top management
- 5. Employees
- 6. Associations
- 7. Suppliers
- 8. Customers
- 9. Shareholders and investors
- 10. Non-profits
- 11. Government authorities

## Our approach to engaging with different stakeholder groups

Stakeholder	Relevance for the Company	Key engagement areas	Key communication channels
<p>Customers</p>	<p>We prioritise customers in our efforts to improve the range, quality, and price of our products, as it is customers who guide us in decision-making.</p>	<ul style="list-style-type: none"> <li>- Product and service quality</li> <li>- Choice (assortment)</li> <li>- Inflation (prices)</li> <li>- Health and safety (including COVID-19 response)</li> </ul>	<ul style="list-style-type: none"> <li>- Our stores (checkout counters, information screens, price tags, in-store communications, advice from beauty experts at Magnit Cosmetics and pharmacists, etc.)</li> <li>- Loyalty programme and the Magnit: Promos and Discounts mobile app</li> <li>- Delivery app (number of online orders)</li> <li>- Digital channels (social networks, etc.)</li> <li>- Hotline</li> </ul>
<p>Suppliers</p>	<p>Our suppliers play a leading role in providing product variety, quality, and value to our customers. We seek to build long-term win-win relationships based on trust and mutual respect to be able to develop them going forward.</p>	<ul style="list-style-type: none"> <li>- Sustained joint business development</li> <li>- Sales volumes</li> <li>- Customers assessing quality of supplier products</li> <li>- Reduction of environmental impact</li> </ul>	<ul style="list-style-type: none"> <li>- Joint assortment planning and merchandising efforts</li> <li>- Joint projects to reduce the environmental impact and promote sustainable development principles</li> <li>- IT communication platforms: supplier engagement portal, supplier relationship management (SRM) online portal and logistics software</li> <li>- Industry conferences</li> <li>- Supplier fairs</li> <li>- Procurement sessions</li> </ul>
<p>Employees</p>	<p>Our employees and their thinking are important to us as it is them who drive our business processes. We seek to be an attractive employer which keeps improving working conditions and provides opportunities for professional development and career progression.</p>	<ul style="list-style-type: none"> <li>- Fair wages and salaries;</li> <li>- Decent working conditions</li> <li>- Compensation and benefits</li> <li>- Training, skills coaching, and professional development</li> <li>- Equal Opportunities Policy and inclusive environment</li> <li>- Safe working environment</li> <li>- Mental health</li> </ul>	<ul style="list-style-type: none"> <li>- Corporate portal and mobile app for employees</li> <li>- Corporate University</li> <li>- Professional knowledge assessment</li> <li>- Annual engagement surveys</li> <li>- Hotline</li> </ul>

# Stakeholder engagement

(continued)

Stakeholder	Relevance for the Company	Key engagement areas	Key communication channels
<p><b>Management</b></p>	At Magnit, key managers are responsible for communicating strategy to teams, target setting and follow-up. Building an effective long-term incentive system for our executives is important to us.	<ul style="list-style-type: none"> <li>- Support and involvement of highest governance body</li> <li>- Competitive pay and employment terms</li> <li>- Effective team</li> </ul>	<ul style="list-style-type: none"> <li>- Management Board meets on a weekly basis</li> <li>- HR and Remuneration Committee together with the HR Director monitor the effectiveness of the remuneration system and assessment of key managers</li> </ul>
<p><b>Local communities</b></p>	<p>Magnit plays an important role in society, both directly and indirectly, through its supply chain, as it sells food and is one of the country's largest private employers.</p> <p>Our position enables us to address serious social challenges. We engage in combating food shortages, supporting health and well-being of the nation, promoting healthy lifestyles, responsible consumption, and education.</p>	<ul style="list-style-type: none"> <li>- Local employment opportunities</li> <li>- Local charities and investment in social projects</li> <li>- Contribution to the economy</li> <li>- Environmental protection</li> <li>- Food security</li> </ul>	<ul style="list-style-type: none"> <li>- Local jobs</li> <li>- Support for charitable and social programmes</li> <li>- Corporate volunteering programme</li> <li>- Company promotion on social networks</li> <li>- Education programmes for schoolchildren and students</li> </ul>
<p><b>Investors and shareholders<sup>1</sup></b></p>	The Company is keen to attract new investors and retain existing ones. We maintain an ongoing dialogue with the investment community, equally paying attention to all categories of investors.	<ul style="list-style-type: none"> <li>- Strategy execution and achievement of targets</li> <li>- Changes in the strategy</li> <li>- Dividends / capital gains</li> <li>- Impact of the COVID-19 pandemic</li> <li>- Macroeconomic situation, inflation, promo activity</li> <li>- Status of business transformation</li> <li>- Plans for retail chain expansion and M&amp;A opportunities</li> <li>- Business sustainability and profitability</li> <li>- Improved working capital management</li> <li>- Management KPIs and incentive schemes</li> <li>- Changes in the management team</li> <li>- Changes in the shareholding structure</li> </ul>	<ul style="list-style-type: none"> <li>- Press releases announcing operational and financial results</li> <li>- Conference calls</li> <li>- Offline and online meetings</li> <li>- Road shows</li> <li>- Site visits</li> <li>- Participation in investment conferences and other events</li> </ul>

Stakeholder	Relevance for the Company	Key engagement areas	Key communication channels
<p><b>Government authorities</b></p>	Our business follows the rules established by government authorities.	<ul style="list-style-type: none"> <li>- National food security</li> <li>- Regulation providing for access to quality products and food for all people irrespective of their income level</li> <li>- Import substitution policy</li> <li>- Access to the shelves for Russian manufacturers</li> <li>- Combating and preventing the spread of COVID-19</li> </ul>	<ul style="list-style-type: none"> <li>- Meetings, round tables, workshops</li> <li>- Public events with government authorities (forums, conferences)</li> <li>- Public hearings, participation in regulatory impact assessment, and assessment of the actual impact of regulatory legal acts</li> <li>- Working groups, including as part of the regulatory guillotine</li> <li>- Regular reporting</li> </ul>
<p><b>Non-profits</b></p>	Partnerships with non-profits and charitable foundations are an essential tool for us to achieve our goals of supporting local communities and improving living standards in the regions where we operate.	<ul style="list-style-type: none"> <li>- Helping people in need, people with disabilities, vulnerable groups, etc.</li> </ul>	<ul style="list-style-type: none"> <li>- Regular organisation of events and volunteer activities involving charitable foundations</li> <li>- Involvement of volunteers from non-profits to jointly work on social projects</li> <li>- Provision of resources for increasing the social value created</li> </ul>
<p><b>Media</b></p>	It is important for us to provide the public with quality and reliable information, so we provide extensive coverage of our Company's operations in both the Russian and international media.	<ul style="list-style-type: none"> <li>- Providing regular, reliable information on our operations and performance across all our key focus areas</li> <li>- Regular and open dialogue with the media</li> </ul>	<ul style="list-style-type: none"> <li>- Regular updates of the official website</li> <li>- Sending the most relevant press releases to media outlets</li> <li>- Maintaining social media accounts</li> <li>- Arrangement of interviews with top executives</li> <li>- Proprietary media platform "Shopper's" covering key business news from the retail sector</li> </ul>

<sup>1</sup> FOR DETAILS, SEE MAGNIT'S ANNUAL REPORT ON PAGE 112.

# Stakeholder engagement

(continued)

Stakeholder	Relevance for the Company	Key engagement areas	Key communication channels
<p>Rating agencies and other ESG score providers</p>	<p>For us, sustainability ratings are not only an independent assessment tool, but also a way to review our current approaches and to continuously improve our practices in both governance and non-financial disclosure. We also recognise the need of investors and analysts to obtain independent assessments of sustainability performance, which in turn depends on the quality of our non-financial reporting and the level of transparency in terms of sustainability.</p>	<ul style="list-style-type: none"> <li>- Provision of high quality and timely non-financial information in the public domain</li> <li>- Compliance with international and Russian non-financial reporting standards and recommendations, as well as best practices in sustainability</li> <li>- Continuous improvement of corporate governance in line with international best practices</li> </ul>	<ul style="list-style-type: none"> <li>- Non-financial reporting</li> <li>- Company's website and publicly available information on our sustainability performance</li> <li>- Provision of requested information to rating agencies, participation in the rating process</li> <li>- Participation in sustainability rankings and scorings</li> </ul>
<p>Associations</p>	<p>We believe that by joining efforts and resources not only with businesses, but also with research institutions, government officials, and other stakeholders, we increase our contribution to achievement of the UN SDGs and facilitate the development of Russia's regions</p>	<ul style="list-style-type: none"> <li>- Promoting the sustainability principles</li> <li>- Implementing joint initiatives in environmental protection, responsible production and retail</li> </ul>	<ul style="list-style-type: none"> <li>- Meetings, round tables, and workshops</li> <li>- Participation in working groups and joint projects</li> </ul>

# Human rights

**Material topics**

Human rights  
Diversity and inclusion

**Priority SDGs**

**UN Global Compact principles**

№ 1-2

**Key documents**

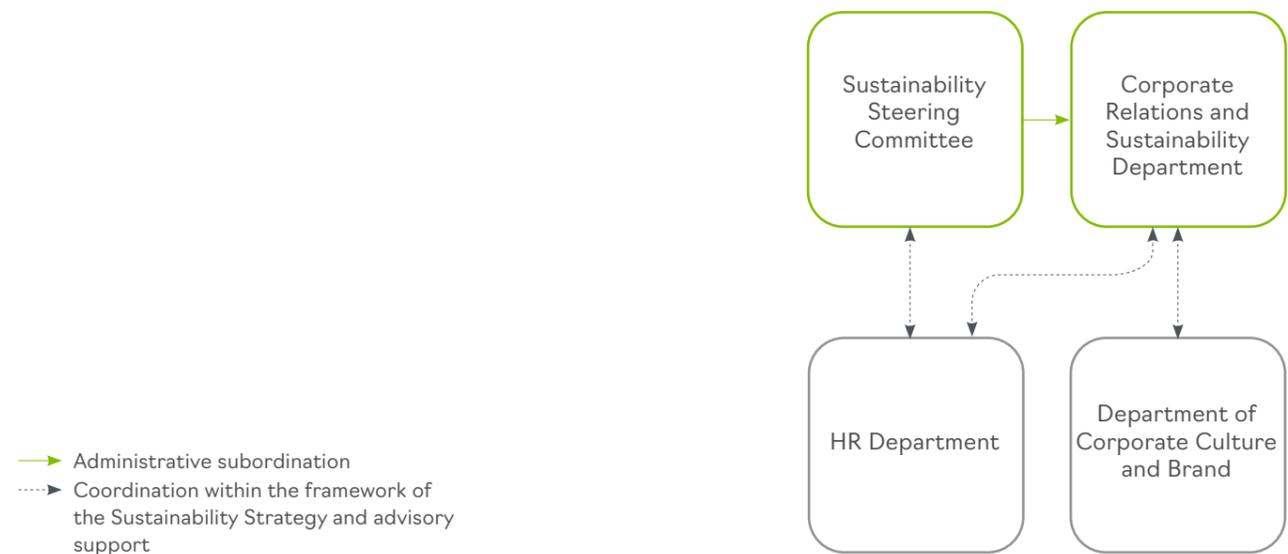
**Magnit's policies and documents**

- Human Rights Policy
- Code of Business Ethics

**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

## Governance structure



## Our approach to management

Respect for human rights lies at the heart of our engagement with all internal and external stakeholders. We strictly adhere to the principles set out in our Human Rights Policy and communicate the importance of respecting human rights to our employees and contractors. We expect all of Magnit's business partners to respect human rights and are open to collaboration and joint initiatives in this area.

### Our principles

- Non-discrimination in any form
- Creating an inclusive environment and supporting diversity
- Zero tolerance of forced and child labour
- Zero tolerance of harassment in any form
- Freedom of associations and unions
- Fair and regular pay
- Holiday entitlement
- Safe working environment

### Our responsibility

We will not tolerate discrimination of any kind in any of our operations, including hiring practices. Our responsibility is stated in both our Human Rights Policy and Business Ethics Code (for details, see Our employees).

We create and maintain an inclusive environment as part of our corporate culture and share our approach with customers, local communities, and our other stakeholders (for details, see Our employees, Supporting local communities).

We will not tolerate the use of child labour, forced labour, prison or military labour, slavery or human trafficking in our own operations and those of our suppliers and partners. All forms of employment at Magnit are voluntary (for details, see Sustainable supply chains, Our employees).

We will not tolerate any form of harassment in the workplace. We operate an ethics hotline where every employee can find help and support from the Company (for details, see Our employees).

We encourage the establishment of interest groups by employees and corporate volunteering (for details, see Our employees, Supporting local communities).

We offer our employees stable and fair wages. All across our footprint, our salaries exceed the subsistence level set by the government (for details, see Our employees).

All employees at Magnit are entitled to a leave, which is stipulated by the Russian Labour Code. All Magnit employees are entitled to maternity leave and we support everyone seeking to increase the employee retention rate when they return from maternity leave (for details, see Our employees).

Providing a safe working environment for our employees and contractors is our absolute priority. Our primary goal is zero accidents and we do everything in our power to achieve it (for details, see Safe working environment). We are constantly improving our environmental management approaches to reduce our impact on the environment and the health of our stakeholders (for details, see Environmental stewardship).

A representative of any stakeholder group who possesses information on known or suspected human rights abuses can inform the relevant Company functions by means of any of our feedback channels:

**Telephone:** 8 (800) 6000-477

**Email:** [ethics@magnit.ru](mailto:ethics@magnit.ru)

**Website feedback form** <https://www.magnit.com/ru/anti-corruption/>

# Economic impact

Economic impact involves generation of direct and distributed economic value. These are crucial elements in promoting economic growth both at regional and nationwide levels (tax and other contributions to budgets) and for our most important stakeholder groups: customers, employees, partners, and local communities.

We provide customers with quality, affordable food and other goods and services. We create economic opportunities for partners and suppliers, offer a supportive and safe working environment for our employees, and develop local communities. We regularly pay taxes and invest in the environmental protection by devising and employing eco-efficient approaches.

We use economic value retained to further develop and strengthen our business. We seek to increase generated and distributed value by solidifying our contribution to society and enhancing our sustainability practices.

**Magnit's generated and distributed economic value, RUB 'thous. \***

	Stakeholder group	2019	2020	2021
<b>Direct economic value generated</b>		<b>1,388,518,453</b>	<b>1,574,504,265</b>	<b>1,858,626,456</b>
Retail revenue	Wide variety of stakeholders	1,332,928,824	1,510,070,771	1,807,751,911
Wholesale revenue		35,776,570	43,706,580	48,327,039
Lease and sublease income		3,143,997	3,153,243	4,110,784
Investment income		272,595	504,476	2,547,456
Other income		16,396,467	17,069,195	24,742,259
<b>Economic value distributed</b>		<b>(1,296,163,266)</b>	<b>(1,458,606,203)</b>	<b>(1,751,226,250)</b>
Operating costs	Suppliers and contractors	(1,096,486,409)	(1,232,478,847)	(1,469,940,898)
Employee wages and benefits	Employees	(121,677,286)	(138,639,949)	(166,606,430)
Payments to financial capital providers	Shareholders and investors	(77,774,656)	(74,643,746)	(97,240,701)
dividend paid		(29,993,007)	(29,871,472)	(48,115,232)
debt repaid		(47,781,649)	(44,772,274)	(49,125,469)
Taxes	Government bodies	224,915	(12,634,029)	(17,438,221)
including profit tax		3,015,250	(9,709,223)	(14,494,000)
Charity	Non-profits and local communities	(21,174)	(209,632)	(641,247)
<b>Economic value retained</b>		<b>92,355,187</b>	<b>115,898,062</b>	<b>107,400,206</b>

\* IN ACCORDANCE WITH GRI GUIDELINES ON DISCLOSURE OF INDICATOR 201-1, WE USED DATA ONLY FROM INDEPENDENTLY AUDITED CONSOLIDATED IFRS FINANCIAL STATEMENTS.



# CHAPTER 3

## Our employees

# Our employees

## Material topics

- Training** and development
- Diversity** and inclusion
- Personnel management** and decent working conditions
- Human rights**

## Priority SDGs



## UN Global Compact principles

No, 3-6: Labour

## 2021 highlights

- In 2021, we developed and launched our HR Strategy** with the main purpose of becoming the private employer of choice in the Russian retail sector.
- Corporate Academy** saw the launch of new faculties and educational programmes, offering additional competency building opportunities to employees.
- Setting the priorities in the corporate culture**, including care for colleagues, teamwork, flexibility and openness to change.
- Retail with Purpose**, Magnit's digital ESG training course, has been successfully completed by more than 17,400 employees and will become mandatory for new hires.
- Development of hybrid work options** following a survey of over 7,000 employees on their preferred format.
- Magnit spent a total of RUB 994 mln on employee benefits and other allowances in 2021.**
- Successful completion of an employee engagement survey** that covered over 71% of the total headcount.

Magnit spent a total of **RUB 994 mln** on employee benefits and other allowances



## Dinamycs of target indicators

Strategic goal to 2025	2021 performance	
40% max turnover rate	64.4% 2019	53.3% 2021
70% employee satisfaction rate	72.6% 2020 <sup>1</sup>	72.1% 2021

<sup>1</sup> FIRST CORPORATE SURVEY OF 2020

## Key documents

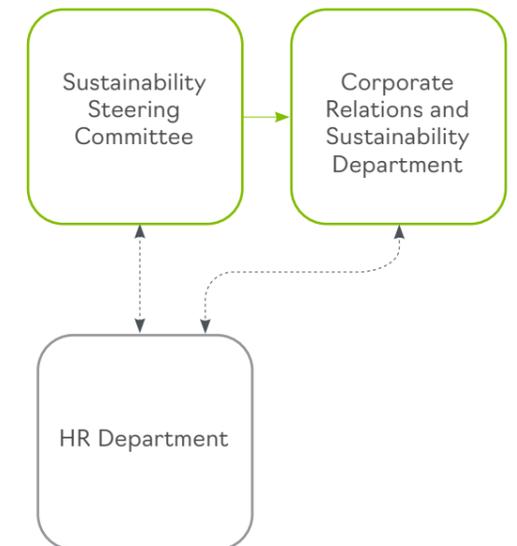
### Magnit's policies and documents

- Code of Business Ethics
- Human Rights Policy
- HR Strategy
- Internal Workplace Regulations
- Regulation on Remuneration
- Regulation on Remote Working
- Regulation on Digitalisation of Labour Documents

### External documents

- Russian Labour Code

## Governance structure



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

# Our approach to management

**Our aspiration to become the No. 1 retailer in Russia and improve the quality of service for our customers would be impossible to fulfil without a strong team. Employees are the core of Magnit and the force that drives us towards industry leadership.**

We employ about 360,000 people and bear responsibility for providing a comfortable working environment, fair pay and social support to our employees. Our ambition is to be the No. 1 retail employer in Russia for our hires, making a positive impact on the quality of their lives and professional development.



To achieve its ambitious goals, the Company has developed an HR Strategy:

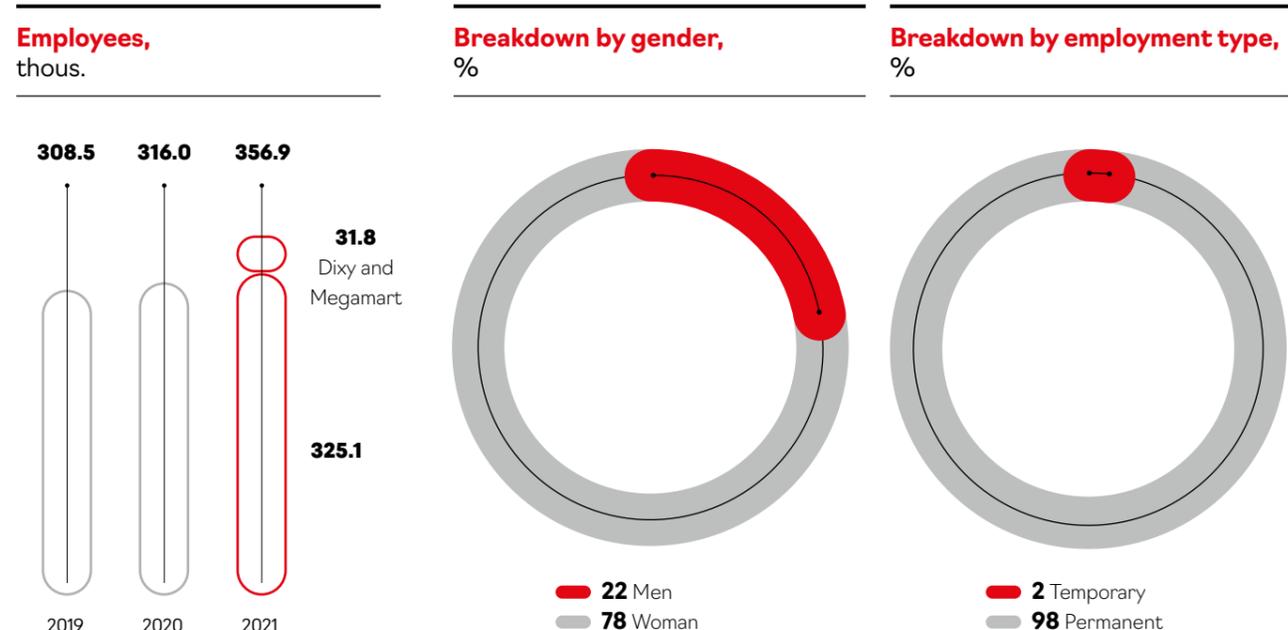
Type of employee	Employer brand	Corporate culture	Team & Talent	Effective org. design	EVP & HR service level	Systems & Data
Top management	<ul style="list-style-type: none"> <li>Employer brand revision and promotion</li> </ul>	<ul style="list-style-type: none"> <li>Constant employee feedback collection</li> </ul>	<ul style="list-style-type: none"> <li>Performance management</li> <li>Talent management and succession planning programs</li> </ul>	<ul style="list-style-type: none"> <li>Flexible organizational design</li> </ul>	<ul style="list-style-type: none"> <li>Remuneration structure</li> <li>Benefits and well-being programs</li> </ul>	<ul style="list-style-type: none"> <li>SAP HCM</li> <li>Electronic HR document flow</li> </ul>
Middle management and experts	<ul style="list-style-type: none"> <li>IT recruitment center creation</li> <li>New recruitment tools implementation</li> </ul>	<ul style="list-style-type: none"> <li>Internal communication system development (via HR App)</li> </ul>	<ul style="list-style-type: none"> <li>Authority model and process management</li> </ul>	<ul style="list-style-type: none"> <li>Standards of organizational management update</li> </ul>	<ul style="list-style-type: none"> <li>Personnel costs management</li> <li>Professional training programs improvement</li> </ul>	<ul style="list-style-type: none"> <li>Work Force Management (WFM) tools</li> <li>Digital services for employees – HR App</li> </ul>
Tech and digital employee	<ul style="list-style-type: none"> <li>Constant improvement of internships</li> <li>Onboarding programs automation</li> </ul>	<ul style="list-style-type: none"> <li>New hybrid and distant working regimes</li> <li>Volunteer corporate community development</li> </ul>			<ul style="list-style-type: none"> <li>Temporary and outsourcing personnel management</li> </ul>	<ul style="list-style-type: none"> <li>Digital channels and platforms for training process</li> <li>Automation of recruitment process</li> </ul>
Line staff		<ul style="list-style-type: none"> <li>Corporate values promotion</li> </ul>				

Priority areas and means of delivery our strategy

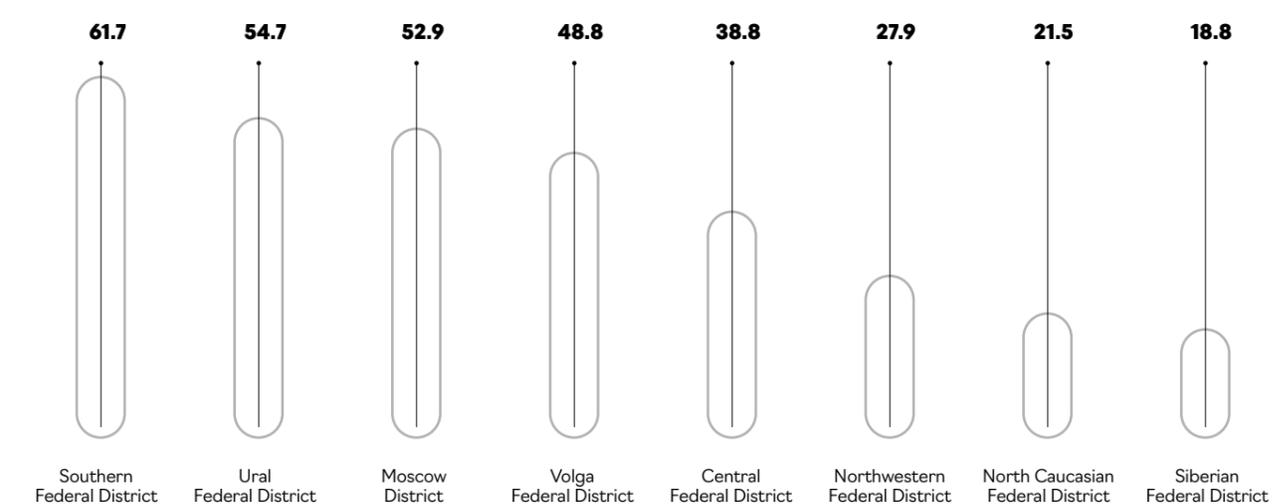
# Personnel structure

GRI 2-7

In 2021, our headcount was 356,900 employees of which 31,800 employees joined the Magnit team through the acquisition of the Dixy retail chain.



Breakdown by region<sup>1</sup>, thous. employees



<sup>1</sup> WITHOUT INCLUDING DIXY AND MEGAMART

# Staff turnover

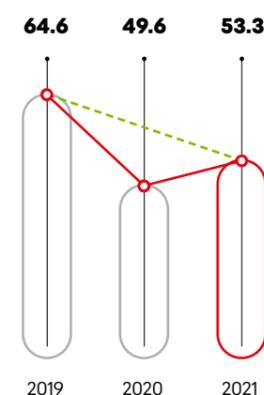
**GRI 401-1**

In 2021, our staff turnover rate slightly increased to 53.3% from 49.6% in 2020. We have managed to maintain the overall downward turnover rate since 2019, and seek to keep it below 40% in line with our strategic goals. While the retail sector is characterised by a high employee churn rate overall, Magnit's turnover is average for the industry. We intend to decrease our YoY turnover in line with our Sustainability Strategy.

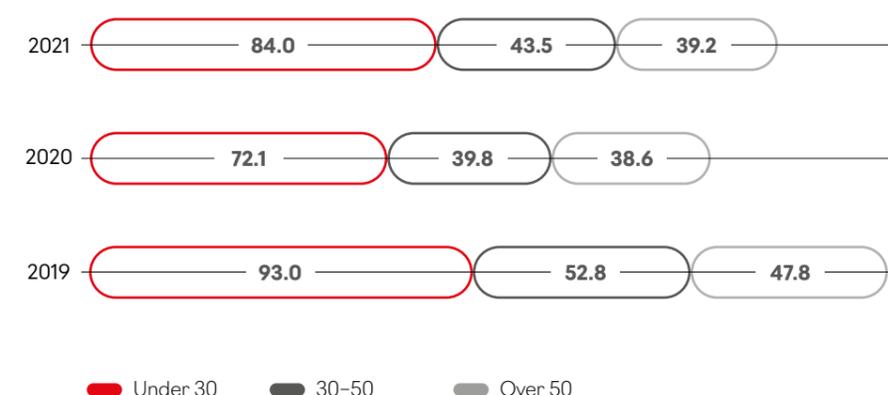
Ensuring the efficiency of Magnit's HR framework is aimed at reducing this metric and boosting our attractiveness in the labour market.

The high turnover rate and the way it manifests in younger employee categories is largely due to the fact that young hires often view retail work as a temporary employment and seek better compensation and benefits going forward. As an employer, we strive to provide young talent with opportunities for professional growth and career development, offer training courses and webinars, and develop mentoring initiatives and cross-functional teamwork. We support the aspiration of our employees to raise their competencies in various areas and welcome horizontal movements within the Company.

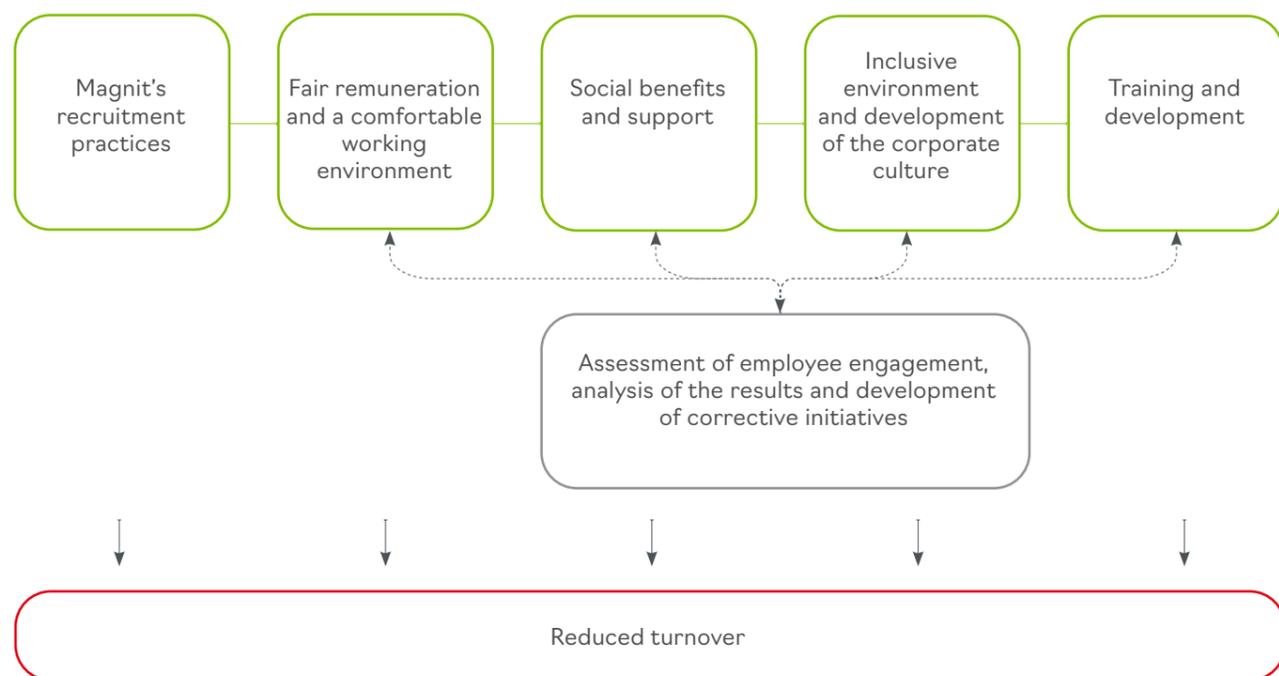
**Turnover evolution, %**



**Turnover evolution broken down by age groups, %**



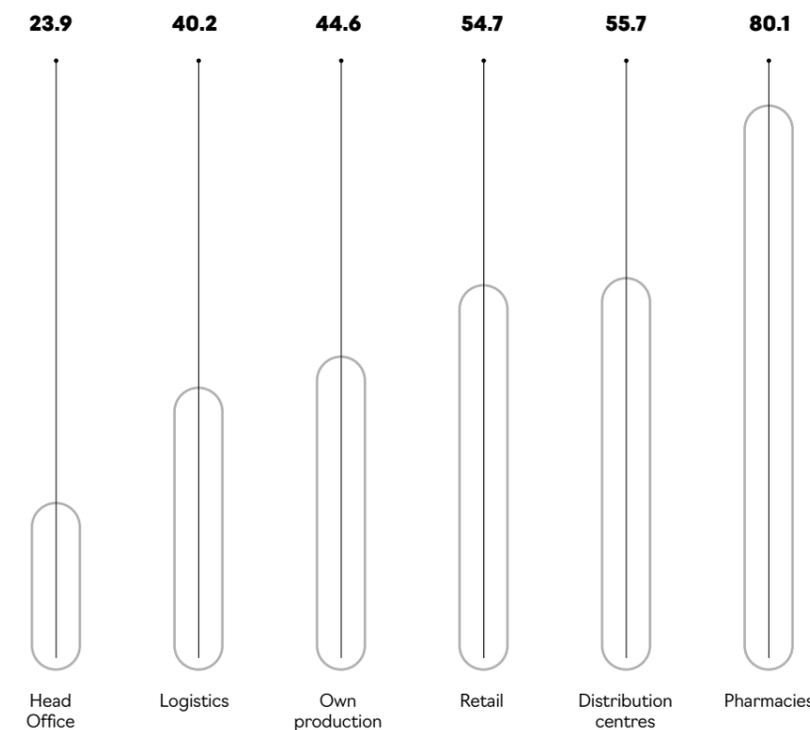
**Key HR priorities**



High turnover is inherent in certain categories of Magnit employees. For example, personnel of retail outlets, pharmacies, and distribution centres have a higher churn rate, while the turnover in the head office is twice as low as the Company's average (23.9%).

Higher employer brand loyalty of our staff is an essential tool to combat turnover. We continuously strive to maintain decent working conditions and incentive schemes, as well as implement additional social initiatives for employees and ensure regular and open dialogue with our team.

**Turnover broken down by activity type, 2021, %**



## Staff turnover (continued)

### Integrating DIXY: personnel management

In growing its business, DIXY relies on the principles of social responsibility, placing a particular emphasis on its personnel. DIXY is interested in attracting and retaining talent and strives to unlock the potential of its employees. DIXY offers stable salaries, a convenient schedule, training and experience transfer, actively uses an internal promotion system, and holds corporate, social and sporting events.

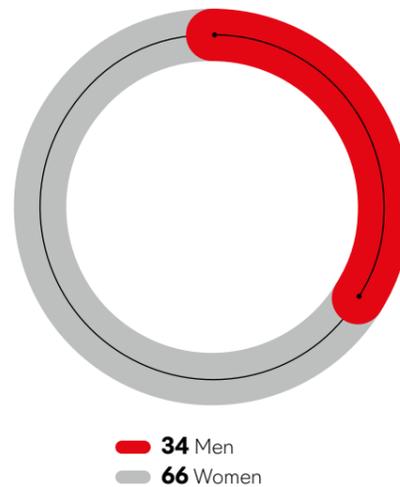
The chain's headcount, including Megamart, exceeded 31,000 people as at the end of 2021.

Nevertheless, the company's turnover was affected by the COVID-19 pandemic. In late 2021, DIXY undertook a series of initiatives to reduce turnover by raising salaries and optimising working hours.

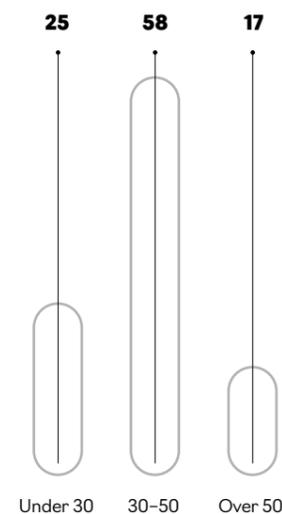
DIXY provides its employees with social benefits, including voluntary health insurance (VHI).



Employees by gender, %



Employees by age, %



# Recruitment practices

GRI 401-1

As we open new stores and expand our geography, we are constantly looking for new employees. When hiring new staff, we consider all applicants on their professional merits, without discriminating them by gender, ethnicity, age, and other grounds.

Our potential employees value attractive wages, a friendly corporate culture and favourable working environment, healthy work and life balance, as well as unique professional growth opportunities and employment security. At Magnit, we seek to meet these expectations to rank among Russia's leading employers. In building our 2021 employee value proposition, we surveyed target personnel categories at our distribution centres, logistics facilities, Magnit stores of larger and smaller formats, Magnit Cosmetics, own production, and Magnit Pharmacy.

To recruit personnel, we use popular dedicated websites, post our vacancies in social media, leverage targeted advertising, and utilise a unified AI-driven recruitment system. We continuously analyse the effectiveness of these tools for each of the regions across our footprint, seeking to further improve our recruitment practices.

Apart from that, we have created a special Magnit recruitment website, where people can search for vacancies, find the Company's hotline number, and apply for jobs matching their skills.



### People in our ads are real Magnit employees

In the reporting year, we sought to promote the Welcome to Magnit Family concept. We spend a significant part of our life at work, and our colleagues are almost a second family to us. The better the relations in this family, the better we work.

Pictured in the Magnit Family ads are real Magnit employees with whom some of the potential applicants will be working.

We have developed layout templates for Magnit Stores, Magnit Cosmetics, Magnit Logistics, Own Production, Magnit Pharma, and Head Office.



<https://rabota.magnit.ru/shop>

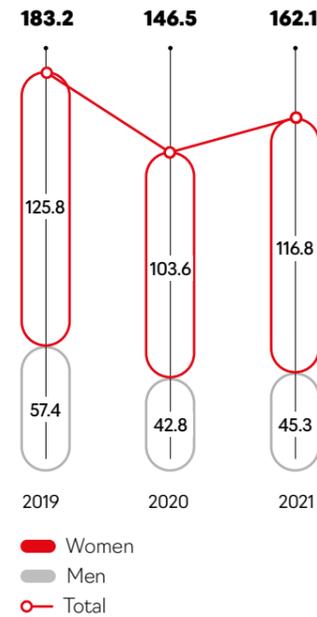
## Recruitment practices (continued)

When recruiting, considering and hiring new employees, Magnit does not discriminate on any grounds and ensures equal opportunities for all candidates, evaluating them solely on their technical and professional skills. In 2021, we hired more than 162,000 employees, of whom over 60% were women.

We seek to be an attractive employer for young people, reaching out to university students and graduates.

In 2021, we continued to attract talent from some of Russia's finest universities and leading institutions, including Kuban State University, Kuban State Technical University, Kuban State Agricultural University, Kuban State Medical University, Academy of Marketing and Social Technologies, Kuban Institute of Vocational Education, Krasnodar College of Electronic Instrumentation, Russian University of Cooperation, and Financial University under the Government of the Russian Federation. In 2021, 65 people completed an internship at the Company, with 60% of them receiving job offers from Magnit.

**New hires, thous. people**



**More than 162,000**

employees was hired in 2021



### New Generation project

In dealing with the shortage of employees capable of working with specialised software, Magnit's Corporate Academy partnered with KORUS Consulting Group to train students in the Llamasoft Supply Chain Guru system. The training provided the students with knowledge in supply chain management and equipped them with high-tech skills, while also increasing the size of the talent pool from which Magnit and its partners can draw. Following the course, seven people were offered employment at Magnit.

## Incentive system

GRI 202-1, 404-3

The Company is focused on building robust incentive schemes, creating a comfortable working environment, and improving the transparency of the promotion process.

An effective remuneration system is a major element of the employee value proposition, market competitiveness, and employer brand of Magnit. The Company's remuneration system and its further development is built upon grade-based differentiation of positions that helps standardise compensation across equivalent skill sets and responsibilities.

Employee compensation includes

- a fixed component: salaries, extra payments and allowances
- a variable component: bonuses (monthly, quarterly, and annual) for meeting performance targets

Magnit makes its decisions on awards and promotions based solely on professional skills and performance.

The Company's geography spans over 60 regions with different economic and social conditions. However, we seek to ensure equal pay across our footprint, with our wages exceeding the average compensation level in these regions.

The initial salary level at Magnit regardless of employee position is higher than the government-established subsistence level in all cities where the Company operates.

In 2021, we carried out job evaluations as part of the transition to a grade-based system, which is scheduled for completion in 2022. The grade system will help enhance Magnit's remuneration framework, improve employee assessment efficiency, and show staff members a clear path for professional growth within the Company.

To enable career advancement and professional development of our personnel, we conduct regular employee performance reviews. In 2021, over 4,900 people were assessed as part of such reviews.

### Brave Ideas Fund

Magnit has partnered with Mars Petcare to establish the Brave Ideas Fund, a contest for the Companies' employees and their children aged from 12 to 18 years old. The Brave Ideas Fund is an employee 'business idea' competition. It seeks to foster an innovation culture at the companies by promoting engagement, entrepreneurship, and a sense of ownership among personnel.

Employees were invited to share their bold ideas in one of the following three categories:

- **Healthy planet:** environment, climate, social support, responsible attitude to nature and responsible consumption, charity and volunteering
- **Digital healthy lifestyle solutions:** healthier employee lifestyles in and out of the office, promotion of healthy lifestyles among consumers
- **Healthier living with pets:** comfortable urban infrastructure and conditions for dog and cat owners.

In 2021, Magnit awarded 10 grants worth RUB 50,000 each to implement the best employee initiatives as part of the Brave Ideas Fund.

# Inclusion

## and ethical corporate culture

GRI 2-7, 2-26, 405-1, 405-2

People are our main asset, and we make every effort to treat all employees equally and fairly, cultivating their professional development. The Company has adopted a Code of Business Ethics, outlining Magnit's fundamental values and operating principles. We reject any form of discrimination based on ethnicity, gender, age, religion, health, sexual orientation, political conviction, and other grounds.

The Company is committed to equality of opportunity in all of its aspects, placing particular emphasis on gender balance, including in leadership roles. We also reject discrimination by age.

### Fostering inclusion at Magnit

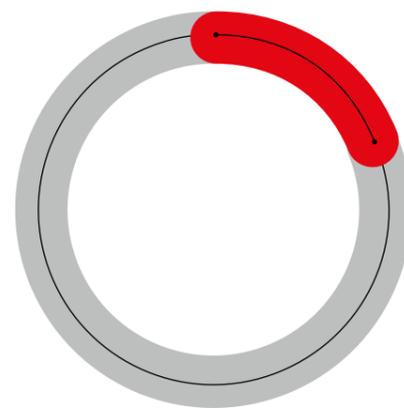
We value our employees and strive to create an inclusive and supportive work environment to ensure equal opportunities and professional development avenues for everyone at Magnit.

The Company makes every effort to provide comfortable working conditions for people with disabilities and increase the number of properly equipped workplaces available to them. As at the end of 2021, Magnit employed 889 employees with disabilities (vs. 888 in 2020).

As part of the Kind Bunny project to create an inclusive environment for customers with disabilities, we provide special training to our in-store personnel helping to foster such environment for customers and Magnit employees alike. In the reporting year, over 4,500 Magnit employees were properly trained.

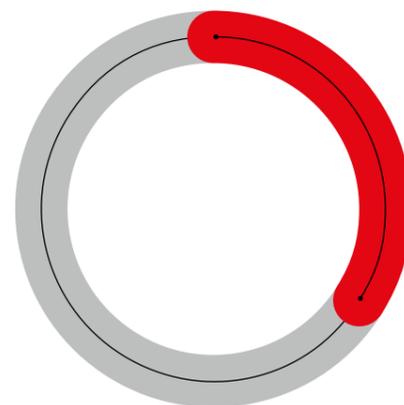
 (For details on the project, see Supporting local communities)

Senior management by gender, %



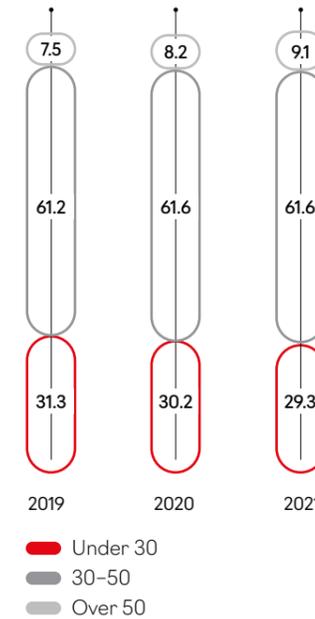
17,4 Women  
82,6 Men

Senior management by age, %

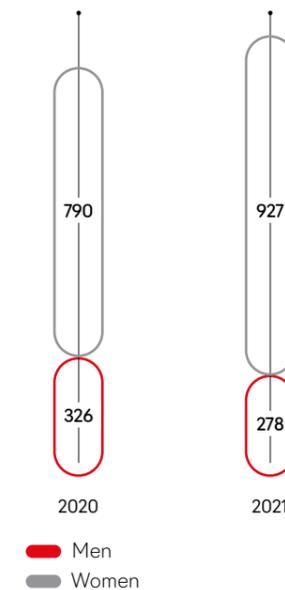


30,4 30-50  
69,6 Over 50

Employees by age, %



Number of employees over 60 years old



### Jobs for Young People Over 60 project

We seek to provide equal employment opportunities to various population groups. Our project Jobs for Young People Over 60 is aimed at older people helping them to find a job after reaching the retirement age and earn extra income by working at a Magnit store close to their home.

Surveyed in 2021, Magnit employees aged over 60 years old highlighted the following benefits of working for the Company: stability and confidence in the future, teamwork and interaction with younger colleagues, flexible schedule, mutual assistance and support from the management. Our 60+ employees are proactive people, ready to help and share their experience with fellow teammates. They come to work at Magnit stores knowing that we value and appreciate their skills and knowledge.

We employ about 9,000 people aged 55+, including more than 2,000 over the age of 60.

**About 9,000**

total number of employees aged 55+

# Inclusion and ethical corporate culture

(continued)

## Addressing ethical issues

The Company's compliance system includes a Head of Ethics and a hotline for ethics and anti-corruption issues.

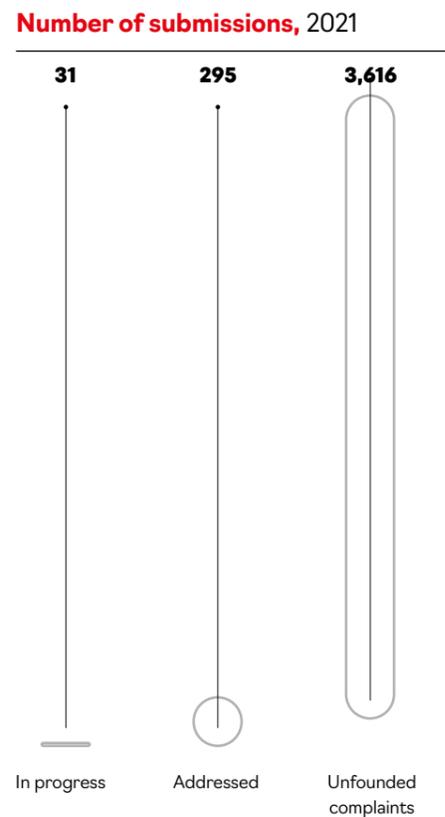
Any employee who has information about illegal and corrupt practices, violations of business ethics standards, conflicts of interest, abuse of power, abuse of power, bias, damage to the Company or the potential for such actions can leave a message using the anti-corruption hotline or directly to the Head on ethical values for further processing by responsible employees through the following communication channels:

- **anti-corruption hotline** 8 (800) 600-04-77;
- **E-mail of the Head of Ethical Values** [ethics@magnit.ru](mailto:ethics@magnit.ru);
- **feedback on the site** <https://www.magnit.com/ru/anti-corruption/>.

When receiving and considering appeals through the communication channels mentioned above, the Company guarantees confidentiality (anonymity), non-disclosure of personal data and not taking any action in relation to persons reporting violations.

For other issues, the following feedback tools are available for employees:

- **single contact center** 8 (800) 200-90-02 or [info@magnit.ru](mailto:info@magnit.ru);
- **hotline for employees** 8 (800) 200-90-28;
- **e-mail** [HRhelp@magnit.ru](mailto:HRhelp@magnit.ru), [trud\\_spor@magnit.ru](mailto:trud_spor@magnit.ru) (labor relations ethics).



In 2021, there is a trend towards a decrease in the number of complaints about abuse in the workplace: 3,942 reports compared to 5,087 in 2020. Based on the analysis and processing of received complaints, a risk matrix is formed, controls are implemented, procedures are improved to mitigate corruption risks, and recommendations are formed on training and familiarization courses for employees..

For details on Magnit's approach to Ethics and Human Rights, see Human Rights».

# Employee engagement

Ongoing dialogue and constructive communication allows Magnit to listen and respond to feedback from employees across all business operations and staff levels, and helps to keep employees informed and updated. Since 2019, Magnit has carried out an annual employee engagement survey, which monitors performance on all aspects of employee engagement, loyalty, and satisfaction. In 2021, we conducted two engagement surveys: a small semi-annual interim survey and a second nationwide engagement survey. Compared to last year, the number of employees covered by the nationwide survey increased from 61% to 72% of the total headcount.

The employee net promoter score (eNPS) rose by 2.6 p.p. YoY to +17.4%.

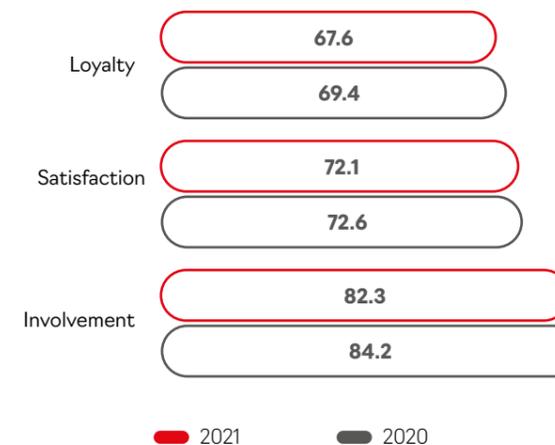
Given the effects of the pandemic and COVID-related changes to working conditions and people's daily lives, and lockdown uncertainty, this slight decline was not surprising.

Following the survey, the heads of business units are provided with access to personal accounts and instructions on handling the data received. Upon analysing the survey results we hold workshops to develop appropriate corrective measures, which are then implemented both in specific units and across the Company.

In 2021, we initiated a new competition called Caring for People. Any employee can put forward their completed projects that had a positive impact on engagement based on the 2020–2021 survey results. Fourteen winners will be selected to receive a grant from the Company to scale up their projects. We believe this initiative will help to increase employee engagement and loyalty.

We make every effort to develop and implement corrective actions in line with our commitment to maintain a personnel satisfaction rate of at least 70%.

## Nationwide employee engagement survey, %



**Over 52,000** comments with ideas and suggestions

# Employee engagement (continued)

## Remote work: a new reality

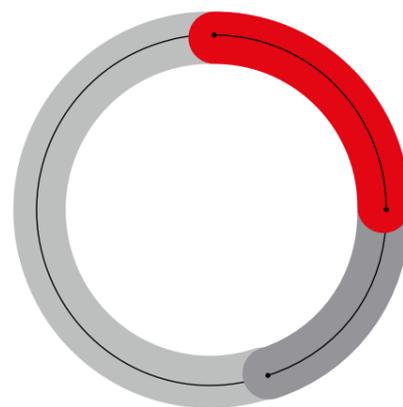
In 2021, we continued to improve the remote arrangements for employees working from home due to the pandemic-related restrictions.

In 2021, we conducted an employee survey on transitioning to new working modes, involving over 7,000 staff members. The survey showed that 27% of the polled managers believed that employee performance improved, while 65% thought that it remained unchanged. The majority of the survey participants supported maintaining the remote work mode.

Developing IT solutions and improving remote working conditions is a major priority for Magnit. In the reporting year, we designed and introduced a Work 2.0 training course, with all employees working remotely required to take it. In addition, we developed a course for managers, Managing a Remote Team. These courses are aimed at increasing the employee interaction efficiency when working remotely. In 2021, over 3,500 employees were trained in remote working.

The Company is fully aware of the need for transitioning to new working arrangements and transforming the existing office space to better match the current realities and wishes of our employees. We will be working hard to turn our offices into points of attraction for our employees as opposed to just workplaces.

Since 2021, we have had the following remote work scheme in place:



■ 25,0 Remote  
■ 20,0 Office  
■ 55,0 Hybrid

# Training and development

GRI 404-1, 404-2

## Corporate Academy for professional development

Magnit continues to place strong emphasis on training and development for existing and potential employees, so skills remain relevant and fit for the future in a world of work that is becoming increasingly digital, and constantly changing in line with customer and society's expectations. We equip our employees with the skills they need to sustain their career at Magnit.

In 2021, we conducted 30.7 hours of employee training per employee, with training courses and seminars delivered across various operational divisions and staff levels including management, customer service, health and safety, diversity and inclusion, project management and vocational disciplines.

In late 2020, we launched Magnit's Corporate Academy, with a goal of centralising all training and development activities at Magnit. It focuses on employee training across all staff levels and job functions within the Company. The Academy has various faculties to train staff members in a specific corporate business area. Its instructors include internal Academy specialists, invited experts, and experienced Magnit employees.

### Magnit's Corporate Academy

#### Category Management Faculty

- Category Review programme developed
- Effective communication and negotiation courses

69 key employees in 2021

#### IT Faculty

- Managerial competencies development training
- Training in technical expertise with invited specialists

Over 2,200 employees in 2021

#### HR Faculty

- Training in Agile and product approach for HR
- Business process re-engineering

101 key employees in 2021

#### Own Production

- Training programmes on agricultural and production technology
- Mentoring programmes

Over 3,500 employees in 2021

#### Logistics Faculty

- Courses on safety culture, supply chain technologies, and management competencies in logistics

#### Retail Faculty

- Professional training programmes on work processes and courses in managerial competencies in retail for executives

**Over 200,000**

Magnit employees completed training at Magnit's Corporate Academy in 2021 (distance learning courses, webinars/online training and lectures, offline training)

# Training and development

(continued)

## Educational initiatives

Apart from professional training, in 2021 the Company developed and implemented the following programmes for its employees:

- **online sustainability course** Retail with Purpose
- **webinars** on employees and ageing, children's safety, and financial literacy
- **contest Best Mentor** across the Retail Chain, Logistics and Own Production. Recognising the importance of on-the-job training, we held a contest for the best mentor in the country for the first time in 2021 to highlight the significant role mentors play in developing talent
- **Training Store mentoring project.** Over 2,000 training stores in 1,105 localities across the country have trained more than 13,000 mentors in retail, logistics and own production
- **Magnit has implemented** a mobile and portal version of the **learning management system (LMS)** based on the WebTutor software. Our employees can now take courses using any device at any convenient time
- **online anti-corruption and information security course** – part of the onboarding and training programme for new hires (office/store)

### Online sustainability course Retail with Purpose

In addition to providing professional training to our employees, we also help them realise the importance of sustainable development principles for business and society alike.

In 2021, the Company's Sustainability Department designed and rolled out the Retail with Purpose training course. The course explains the basic principles of sustainable development, sheds light on ESG practices in Magnit's business processes, and underscores the need for each and every employee to support the Company's Sustainability Strategy.

After each lesson, students take a short test to better absorb what they have learned and share their impressions. Over 17,400 people completed the course in 2021. We have received a great number of positive reviews, which makes us believe that our employees fully recognise the priority of sustainable development for Magnit and are committed to its principles.

After piloting, the course is now mandatory not only for managers, but also for all Magnit new hires.



## Integrating DIXY: training

In 2021, we relaunched the corporate employee training system at DIXY:

1. A DIXY Academy training platform selected and configured, including a mobile app
2. 265 training activities developed, training courses for head cashiers, senior cashiers, deputy store managers, store managers, directors of store clusters
3. New training formats created: video courses, long reads, infographics, webinars, and mobile trainings added to traditional courses
4. A news feed launched for sales employees
5. 25 remote managerial courses designed

In 2021, DIXY signed a partnership agreement with the Russian University of Cooperation to ensure tuition benefits for employees. The Company will compensate 50% of the education costs at the University for 25 people annually.

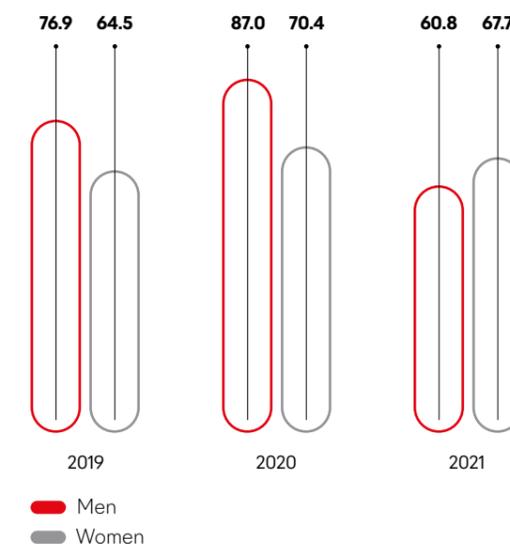
# Social support

GRI 401-2, 401-3, 404-1, 404-2

In addition to remuneration, Magnit offers its employees a range of non-financial benefits and incentives with additional health services for employees such as telemedicine, medical partners' advice and a second opinion, expanded voluntary health insurance; and a considerably improved scope of insurance programmes. In 2021, the Company spent RUB 78.9 mln on medical insurance and financial assistance to employees.

We support our employees taking maternity leave. All of our employees are entitled to a vacation leave. An employee can stay on maternity leave until their child reaches three years of age. During this time, the person's employment period and professional experience continue uninterrupted, and the employee gets compensation in accordance with the Russian law. In 2021, 27,400 Magnit employees took maternity leave, including 210 men.

Retention rate, %



## Employee benefits at Magnit



# Social support

## (continued)

### Corporate culture

#### Non-financial incentives

Employees enjoy a wide range of opportunities for self-realisation and professional growth:

- Professional skills competitions
- Gold badges for 10 years of service at Magnit. By 2021, over 16,000 employees received the award
- Operating efficiency platform Golden/Favourite Store for employees of Magnit convenience stores and Magnit Cosmetics
- Diplomas from the Ministry of Industry and Trade, Ministry of Agriculture, and Ministry of Transport
- New Year gifts with goods of own production for employees' children

### Communication channels

- **Social networks @magnit.family** on Instagram, VK, Facebook, and OK, regional social media accounts, Telegram channels, and a recently launched Tik-Tok account
- **email newsletters:** Nash Magnit (Our Magnit), Corporate News, New Magnit, #etonashden, Magnit Volunteers
- **Magnit media portal:** [www.magnit.media](http://www.magnit.media)
- **Russian retail glossary:** [www.retailwords.ru](http://www.retailwords.ru)
- **Employment website:** <https://rabota.magnit.ru/>
- **Corporate postcard builder:** <https://cardsmgnt.ru/>

### HR marketing and research

The Company has developed a unique methodology for measuring Brand Health that helps compare its employer brand with those of competitors and the market in general based on the PR metrics of the Association of Consulting Companies in the Field of Public Relations (ACOS): the number of mentions, loyalty and engagement rate (ER). For the second year in a row, Magnit shows unusually strong positive engagement for the retail market, exceeding the negative engagement. Magnit's net promoter score is higher than those of its peers.

### Employee contests and competitions at Magnit

All programmes are aimed at retaining employees and ensuring competitive working conditions:

**Golden Store** – a professional skills competition at Magnit Cosmetics (30,000 employees). Throughout the year, employees compete for the best performer's ranking and carry out additional tasks. 144 employees qualify for the final, of whom 44 compete for the first place.

**Battle of Cooks** – 9,000 hypermarket own production employees go through three stages of competition: ranking, semifinal, and final. 216 participants (27 employees from each district, three teams competing in three categories: cooks, bakers, confectioners) get into the semifinal based on the ranking results. 72 participants make it to the final and nine are declared winners.

**Magnit at the Wheel** – a traditional contest of our delivery drivers. It consists of three stages: ranking, semifinal, and final. Five percent of drivers (three delivery types: direct, transit, category C) from each transport unit qualify for the semifinal. Drivers with the highest score in their unit take theory and practice tests to qualify for the final. In the final, three drivers in each category with the highest score after completing two tasks are declared winners.

**Vse Skladno** – a professional skills competition of warehouse workers (30,000 employees). Following a ranking stage, 5% of employees from each DC (in six occupations: loader drivers, storekeepers, accepters, unloading dispatchers, loading dispatchers, delivery dispatchers) go to the semifinal. Based on the semifinal results, one employee per occupation with the highest score in the theory and practice tests qualifies to the final from each DC.

The final includes three stages: a theory test and individual and team competitions. 24 people out of 234 are declared winners: three teams with the highest score, and six best performing specialists in their occupation.

**Best IT Specialist** – the winners are 120 best specialists out of 1,000 IT employees, with nine departments competing annually in eight categories.

#### Mentor contests:

**The best retail mentor** is a mentor competition in the Magnit convenience stores, Magnit Cosmetics and larger formats (12,000 employees). In each format, one winner is determined in three categories in each of the formats on a quarterly basis. In the final stage, participants compete in six categories, with one employee from each format declared the winner in each of the six categories. In total, there are 18 winners in a year.

**The best logistics mentor** competition is held among about 1,000 employees and includes three stages: ranking, regional and final ones. At the regional stage, winners are determined for every six months in four categories (based on DC and district results). Four people from each district (one in each category) are declared winners. Winners in each regional category qualify for the final stage. In the final, participants compete in five categories, with five out of 32 finalists declared winners.

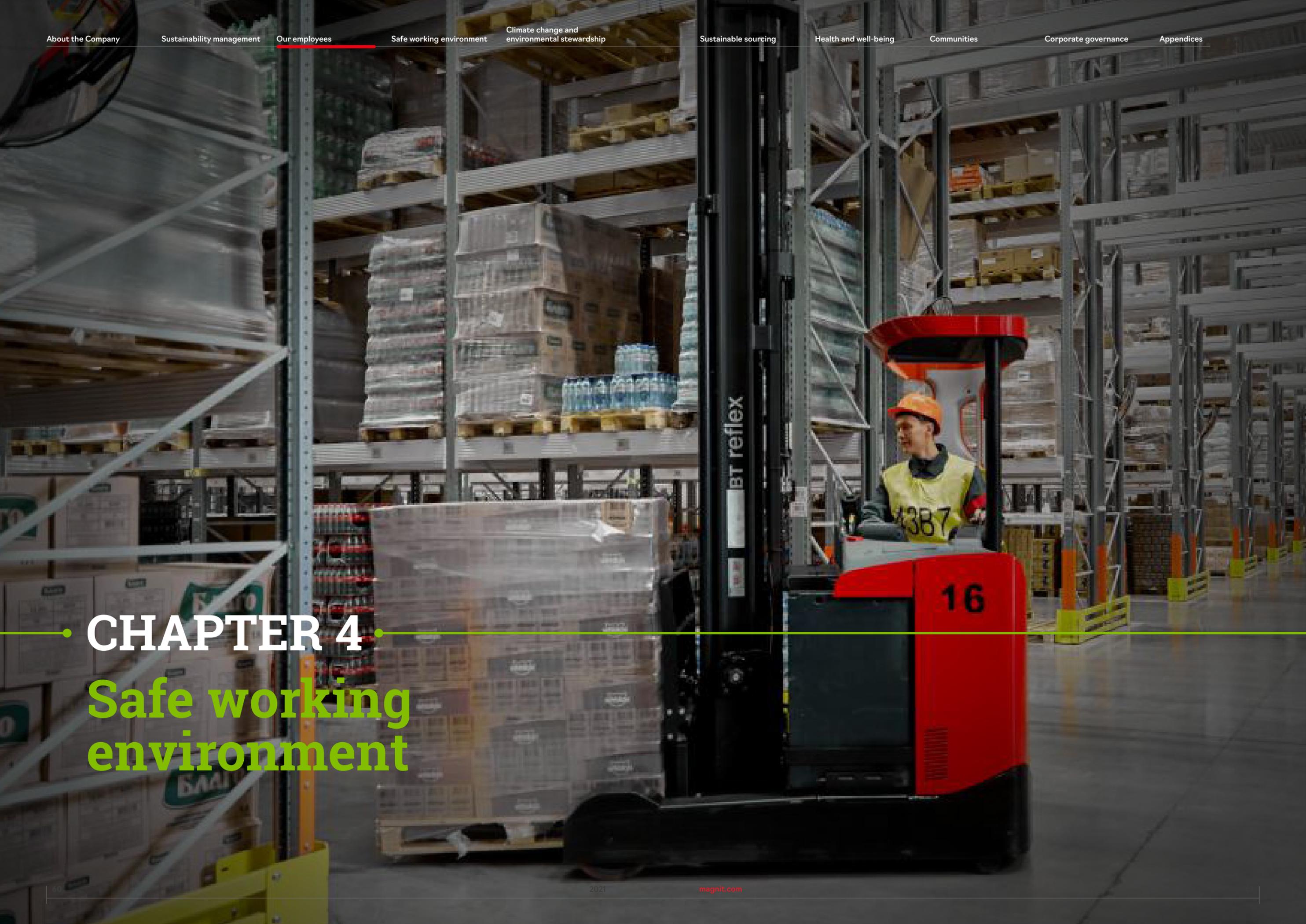
**The best own production mentor** is held among 166 people and includes a qualifying and a final stage. Ranking takes place in each own production unit based on year-end performance. Each own production unit selects four winners in four categories, with one winner in each category qualifying to the final stage. In the final, the participants compete in four categories with one winner in each.

**Fantastichesky Uchet** is a professional contest among 1,786 Shared Services Centre employees. It includes team and individual competitions. In the individual contest, a winner is selected by heads of business units in seven categories. Additionally, 11 winners are determined by the vote of business unit employees. The team competition is held in two stages in an online quiz format. In the first stage, participants need to score a maximum number of points, with the top 110 contestants qualifying to the final. In the second stage, ten teams of 11 people compete against each other. The team with a maximum score for correct and quick answers comes out on top.

**Best OSM Idea** is a contest for the best idea to reduce workplace injuries. The competition is held in two stages every quarter. In the first stage, employees need to complete an application form to take part in the contest and submit their idea for consideration by the jury. In the second stage, the jury votes to select the three best ideas, and the employees who proposed them are declared winners and receive cash awards. In 2021, 168 employees participated in the contest, and 12 became winners.

**Best Traffic Safety Specialist** – a professional skills competition among 50 medical and traffic safety specialists. The competition is held in four stages with four winners.

**Mr and Ms Magnit** is a contest for non-financial incentivisation, with the winners having an opportunity to become the Company's face or voice and participate in nationwide corporate events. In 2021, more than 1,000 employees took part in the competition, compared to about 200 in 2020.



## CHAPTER 4

# Safe working environment

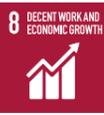
# Safe working environment

**Material topics**

**Safe working environment**

**Human rights**

**Priority SDGs**

**UN Global Compact principles**

**No. 3-6: Labour**

**2021 highlights**

- Over 80,000 of Magnit employees completed training in a range of occupational health and safety programmes.
- Over 400 of Magnit's local regulations on occupational health and safety updated in accordance with the revised labour laws of the Russian Federation.
- Heads of units charged with more obligations and responsibilities related to occupational health and safety.

**Key documents**

**Magnit's policies and documents**

- Occupational and Process Safety Policy
- Fire Safety Policy
- Safe Vehicle Use Policy
- Anti-Alcohol and Anti-Drug Policy
- Regulation on Occupational Health and Safety Management System
- Regulation on Employee Training
- Regulation on Medical Examinations
- Regulation on Special Assessment of Working Conditions
- Regulation on Accident Investigation

**External documents**

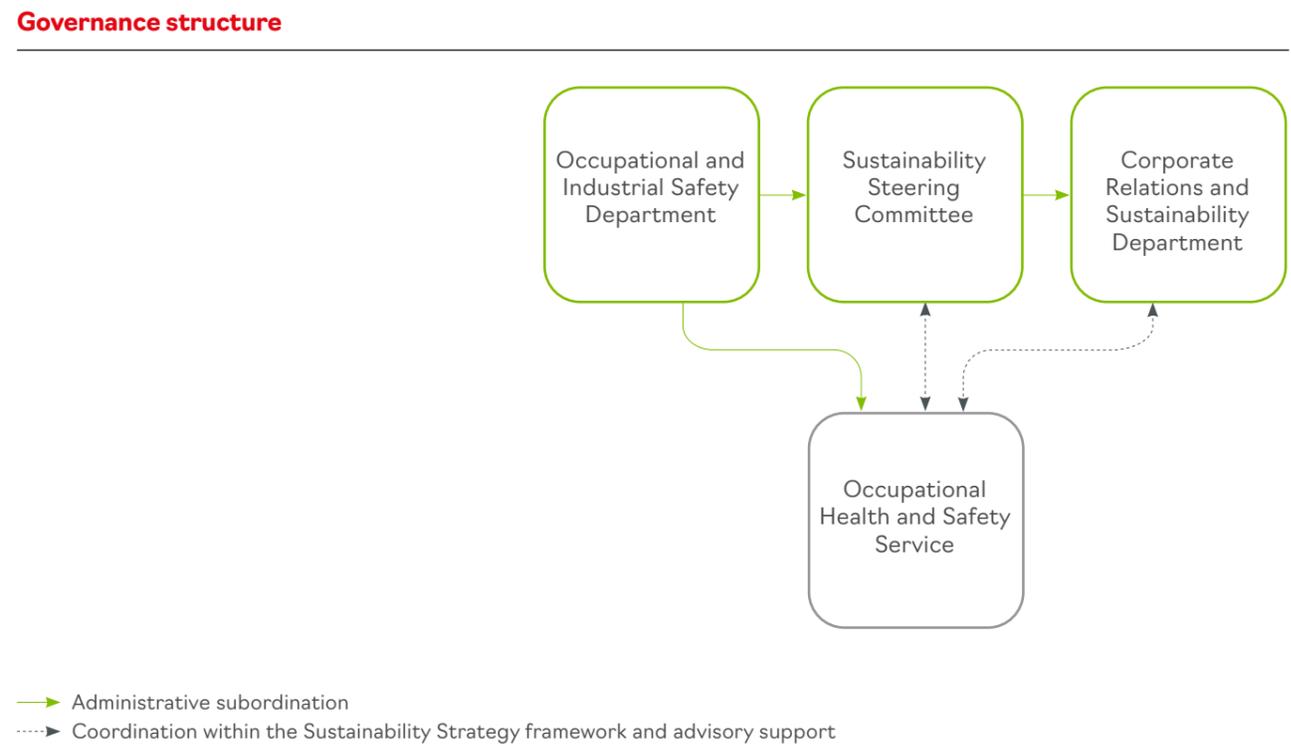
- Russian Labour Code
- Resolution of the Russian Ministry of Labour and Social Development No. 73 on Approval of Document Forms Required for Investigating and Recording Occupational Accidents, and Special Provisions on Investigating Occupational Accidents in Selected Industries and Organisations dated 24 October 2002

**Progress towards our goals**

Strategic goal to 2025	2021 performance
 <p><b>50%</b> Injury rate reduction with zero occupational fatalities</p>	<p><b>0.91</b> Injury rate (per 1 000 Employees) A slight increase YoY (2020: 0.88), but we are making every effort to achieve lower rates in the future reporting periods in line with our strategic goal.</p>

Over 80,000

of Magnit employees completed training in a range of occupational health and safety programmes



# Our approach to management

GRI 403-1, 403-8

Lying at the heart of Magnit's policy, the Occupational Health and Safety Management System serves as a tool of fostering a safety culture meant to raise employee awareness on relevant matters and support a safe working environment in the Company. In 2020, we rolled out an extensive campaign to instill a strong safety culture in the logistics unit, the one exposed to numerous risks of greater severity, and continue our efforts to spread it across all our operations.

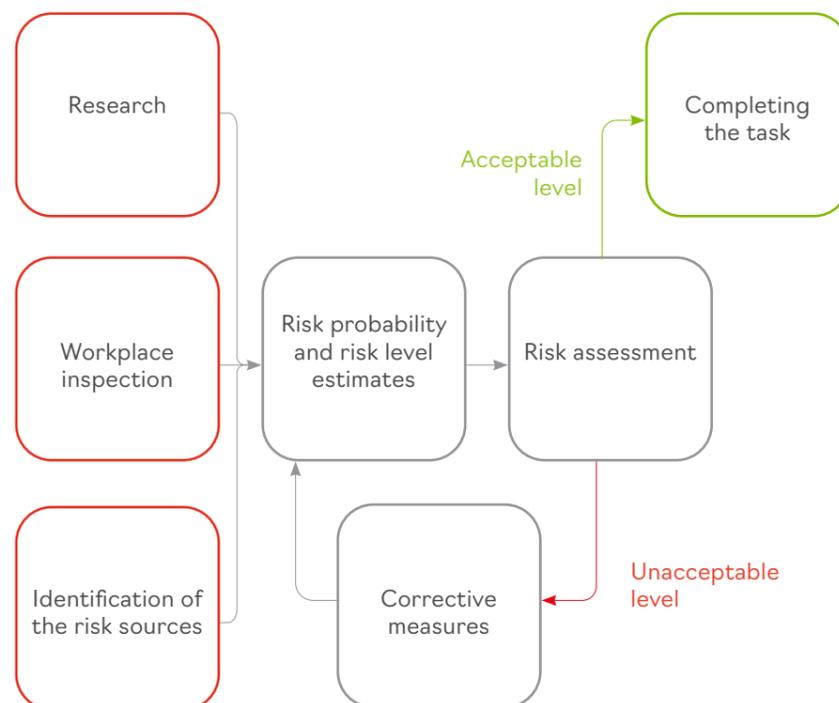
Magnit complies with Russian labour safety law and is guided by its own internal standards and instructions. Safety management responsibilities are allocated to all heads of business

units and specifically appointed officers. The Occupational Health and Safety Management System relies on a centralised approach, with goals and tasks cascaded from the CEO across the hierarchy down to line managers. The Company's executives are prompted to adopt a systematic approach in developing and following safe work practices.

The Occupational Health and Safety Management System covers all the Company's units, with all their employees and contractors. Among the System's aims is boosting expertise and competence levels of occupational health and safety engineers.

Magnit regularly reviews its management system, with units assessed for compliance with occupational health and safety requirements monthly (logistics), quarterly (larger formats) and once in every three years (smaller formats). The Company has a system of communicating occupational health and safety requirements to heads of units and store managers. The performance of associated duties is monitored remotely on a selective basis. In February 2020, we had a comprehensive assessment of our Occupational Health and Safety Management System carried out by an external auditor.

## Magnit's risk assessment system



## Risk assessment

GRI 403-2, 403-7

To mitigate risks, the Company delves into the causes of incidents and occupational health and safety violations identified in the monitoring process. Based on the analysis results, corrective measures are developed and implemented. To make sure that occupational health and safety requirements are complied with and employees understand their responsibilities and safe work principles, the Company runs annual comprehensive checks.

The Company's Safety Policy highlights the importance of immediate action to eliminate occupational threats or other circumstances damaging to employees' life and health.

## Hazard factors by areas of operation and Magnit's responsibility

Retail facilities	Warehouse logistics	Transport logistics	Own production
<ul style="list-style-type: none"> <li>- Conflicts and disputes with customers</li> <li>- Falling from height while moving around the territory or laying out merchandise</li> <li>- Health problems as a result of the pandemic</li> </ul>	<ul style="list-style-type: none"> <li>- Industrial vehicle accidents, accidents related to handling equipment</li> <li>- Falling items</li> <li>- Falling from height while moving around the territory</li> <li>- Health problems as a result of the pandemic</li> </ul>	<ul style="list-style-type: none"> <li>- Road hazards, unsafe driving by road users</li> <li>- Falling from height while moving around the territory or falling as a result of a car accident</li> <li>- Health problems as a result of the pandemic</li> </ul>	<ul style="list-style-type: none"> <li>- Handling hazardous substances, unsafe employee behaviour</li> </ul>
Accident prevention measures			
<ul style="list-style-type: none"> <li>- Special training for floor staff on safe behaviour in conflict situations</li> <li>- Drawing employees' attention to safe movement around the territory and handling of goods</li> <li>- Medical examination of employees for early detection of illnesses and contraindications</li> </ul>	<ul style="list-style-type: none"> <li>- Continuous assessment of working conditions, identification and elimination of hazards</li> <li>- Special training on handling equipment</li> <li>- Safe behaviour training</li> <li>- Medical examination of employees for early detection of illnesses and contraindications</li> </ul>	<ul style="list-style-type: none"> <li>- Regular vehicle check-ups</li> <li>- Theoretical and practical training sessions on safe driving for driver staff</li> <li>- Medical examination of employees for early detection of illnesses and contraindications</li> </ul>	<ul style="list-style-type: none"> <li>- Dedicated briefings on handling hazardous substances</li> </ul>
<p>These situations often arise from the behaviour of third parties, but nevertheless we take every effort to prevent all accidents</p>	<p>Introduction of pandemic-related restrictions hindered our ability to provide in-person training, which may affect the uptake of information by our employees, especially when it comes to driving safety classes</p>		

# Our approach to management

(continued)

## Injury rates

GRI 403-2, GRI 403-3, 403-9

Magnit has developed and successfully integrated an automated platform for accumulation and consolidation of data on injuries in visual statistics. All relevant information is displayed in chronological order.

Primary facts related to accidents are made available to occupational health and safety engineers across production units. The system data is thoroughly analysed to arrange for corrective procedures and design campaign materials on employee responsibilities by position, as well as causes and risks of safety failures.

In 2021, Magnit recorded a total of three fatal injuries and 252 lost time injuries. Causes of fatality:

1. Failure to comply with safety requirements on the part of the employee while doing work not related to the Company's processes
2. Road traffic accident caused by a third-party driver
3. Feeling unwell while driving

We investigate all accidents connected to our employees and other people engaged in the Company's operations, following strict procedures and applicable Russian labour laws, as well as Magnit's internal regulations.

In order to accomplish these goals, each accident is investigated by a designated commission tasked with obtaining the necessary information and documents required to identify causes of occupational injuries and those guilty of safety violations resulting in personal injuries. In addition, in the course of each investigation, a set of preventive measures is designed to advance occupational health and safety, as well as to improve working conditions.

### First aid at Magnit's sites

All of Magnit's stores are equipped with first aid kits. Major logistics centres have medical offices equipped for, among others, employees of distribution centres.

### Functions of Magnit's platform for injury records

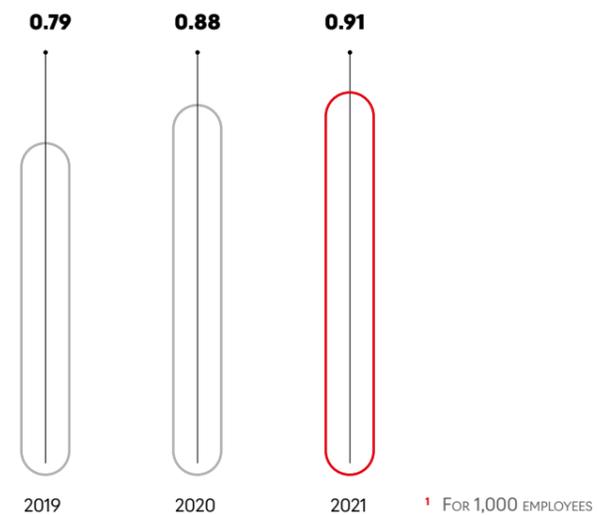
Automated calculation of the number of accidents, both for standalone units and overall across the Company

Classification of accidents by cause

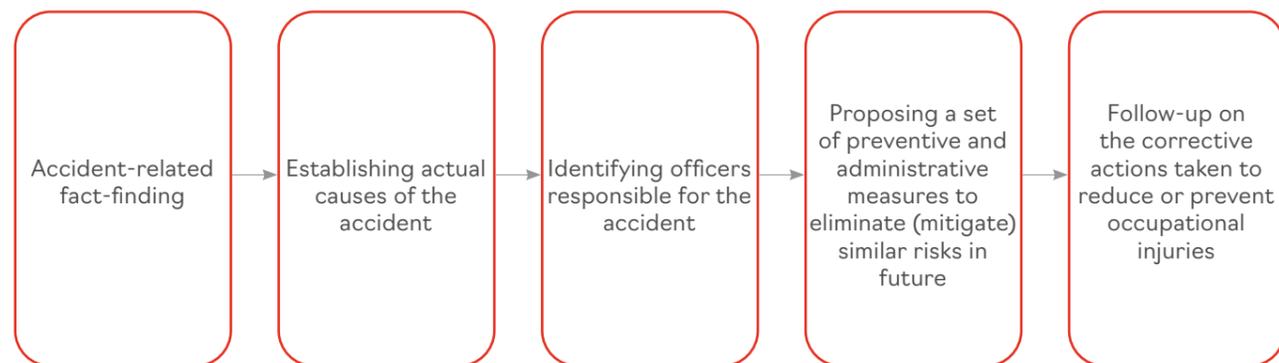
- Compilation of ratings:
- employee positions by danger exposure level
  - working areas by danger exposure level
  - dangerous employee behaviour
  - units by injury rate

- Automated inputs:
- injury severity
  - relation of accidents to production processes
  - number of zero-injury days
  - employee's length of service
  - age of the employee

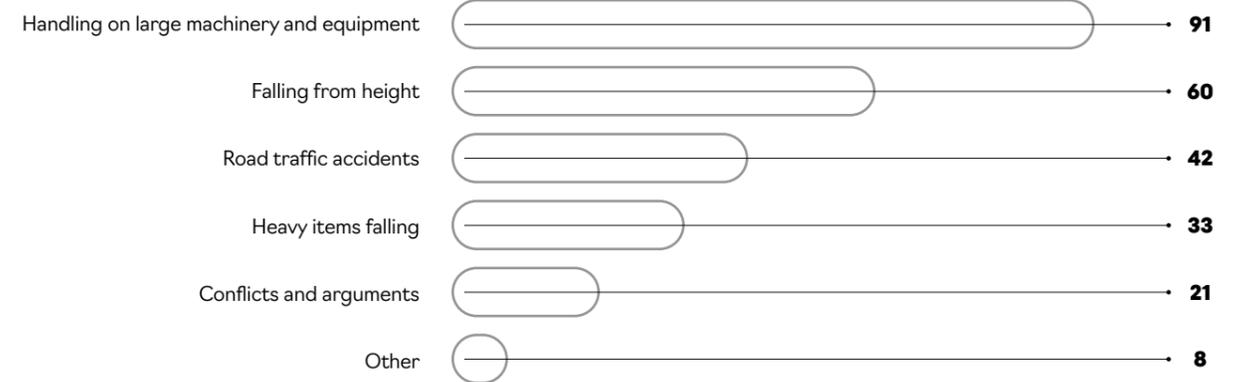
### Injury frequency rate<sup>1</sup>



### Investigation goals



### Injuries by type, total



## Our approach to management (continued)

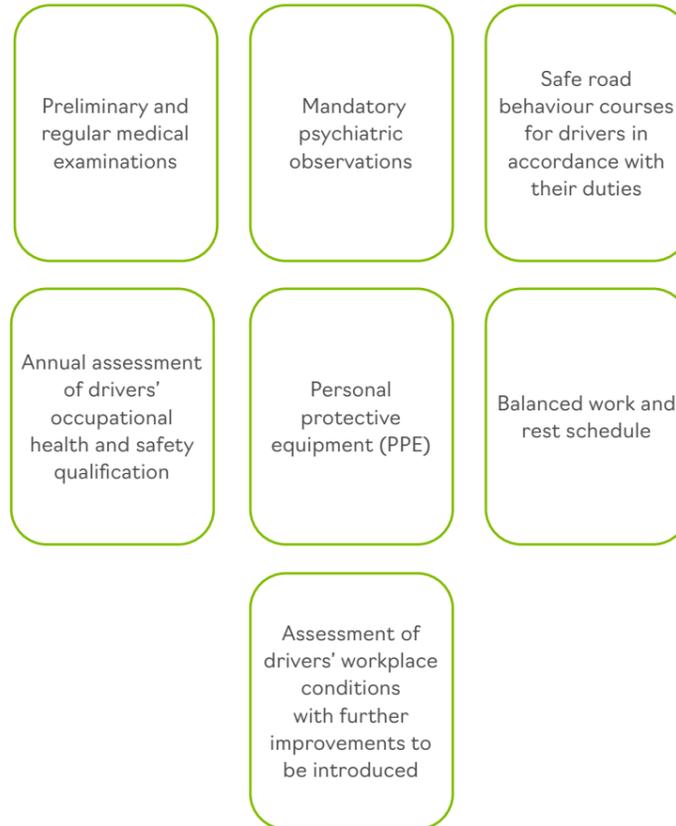
### Safe driving culture

The Company is one of the largest fleet owners in the industry, and we fully recognise our responsibility for ensuring zero road traffic accidents and actively promote the culture of safety among our drivers.

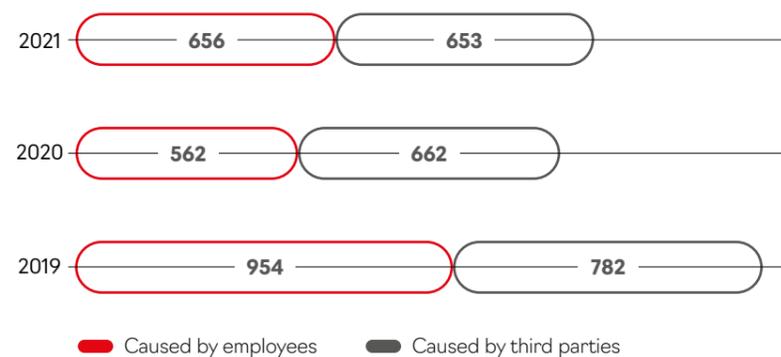
2021 saw an increased number of road traffic accidents caused by Magnit employees, which may be attributed to:

- Lack of training as a result of COVID-19 restrictions imposed by the government for in-person activities. With online courses arranged regularly, insufficient practice in safe driving may still result in a greater risk of road traffic accidents.
- Growing demand for driver personnel. Our logistics unit regularly hires new employees who need additional training in safe driving. In 2021, we developed a concept of extra training for newly recruited drivers expected to bring about a gradual decline in accident rates.

### Our tools



### Number of road traffic accidents



## Training and communication

GRI 403-4, 403-5

We are fully aware of our role in pushing forward the safety culture, as well as in ensuring strict compliance with occupational health and safety requirements, and thus we have a special OHS training system for all employee categories in place.

Those in charge of safety management are trained and have their knowledge checked at the dedicated department of Magnit's Corporate Academy, and then train their subordinates.

All of Magnit's blue-collar employees undergo occupational health and safety training annually, while white collars do the same once in every three years. In 2021, over 80,000 of the Company's employees completed a number of occupational health and safety programmes. The training is free of charge and takes place during work hours. Upon completion of a course, employees are assessed, with an occupational health and safety certificate awarded as a result.

In order to increase employee engagement in safety matters and foster a safety culture, Magnit has set up specialised safety committees. In the logistics unit, safety committees including OHS service employees, seniors and their subordinates convene once a month. Retail units and distribution centres also have committees with managers on them that can handle any matters related to safe working conditions.

We strive to foster a safety culture using a variety of communication tools, including memos, information boards on occupational health and safety, as well as the corporate portal.



In Magnit's stores, one can also make an online submission regarding potential safety threats. It will be automatically forwarded to assigned OHS service employees for further investigation.

### Magnit's six safety rules

- 1 I am always responsible for my safety and the safety of my colleagues
- 2 I always hold colleagues back in dangerous situations
- 3 I always keep my workplace clean and tidy
- 4 I always use individual protection gear
- 5 I always follow traffic rules while driving
- 6 I always report accidents and risks that may lead to accidents

## Training and communication (continued)



### Integrating DIXY: approach to ensuring a safe working environment



#### Gathering injury data

For gathering and consolidating injury data, special report forms are filled out. OHS specialists submit injury reports to heads of relevant departments on a weekly basis, including:

- weekly injury statistics, both for standalone divisions and overall across the company
- injury classification by severity and relation to production processes, with an investigation timeline specified and relevant materials handed over to state regulatory and supervisory authorities

In the reporting year, 64 injuries were registered, none of them fatal or related to road traffic accidents caused by DIXY's employees. Most injuries were suffered in the process of loading or unloading and as a result of violations committed by third parties. With each case thoroughly investigated, a set of measures is designed to eliminate (mitigate) risks of similar accidents in future.

#### Training

OHS specialists are tasked with keeping monthly lists of employees required to undergo training with regard of the data on those already trained and those still in need of better competencies. In 2021, over 16,000 of DIXY's employees completed safety training.

#### Approach to management

DIXY has developed and integrated an Occupational Health and Safety Management System as part of its own executive framework. The System sets out the requirements for handling occupational health and safety matters in terms of development, practice, assessment and improvement. The System is effective across the whole geography of DIXY, in each and every building and location, and also applies to all employees of DIXY's standalone business units.

## Anti-COVID-19 measures



In 2021, the Company took all COVID-related precautions and followed public health advice in line with federal and regional laws of the Russian Federation regarding glove and mask wearing, as well as QR codes scanning.

We kept our employees informed of the recommendations by the Chief State Sanitary Inspector of Russia, regional Chief Sanitary Inspectors and the consumer safety regulator (Rospotrebnadzor), with additional awareness webinars arranged, as well as a visiting vaccination team.

#### COVID-19 vaccination

We advocate for vaccination as a necessary means of protecting the health of our colleagues and customers, and so we issue corporate bulletins and monitor vaccination rates among employees on a weekly basis. As at the end of 2021, over 75% of Magnit employees were vaccinated, which exceeds the overall vaccination rate across Russia (41.5%).

**Over 75%**  
of Magnit employees were vaccinated, as at the end of 2021



## CHAPTER 5

# Climate change and environmental stewardship

# Climate change and environmental stewardship

## Material topics

Climate change and energy efficiency

Waste management

Environmental stewardship

Resource use

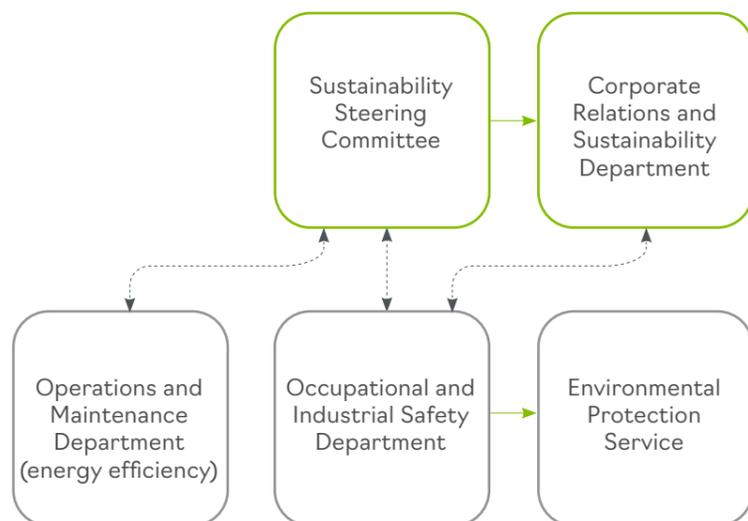
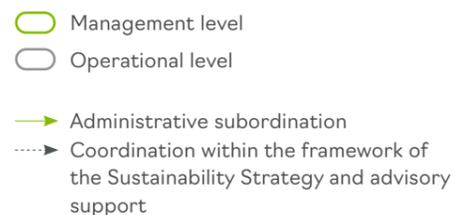
## Priority SDGs



## 2021 highlights

- In 2021, Magnit assessed the amount of **refrigerant emissions** and included them in total direct emissions (Scope 1).
- During the year, there were **improvements across all our strategic indicators**, including GHGs, use of energy and heat, water consumption, and waste management.
- **64% of all transportation** was done using medium-duty trucks to reduce the environmental impact.
- The start of the **Waste Morphology project** consisting in an environmental audit of waste accumulating in containers used by Magnit's stores.
- Magnit's headquarters in Krasnodar levelled up its **Green Office certificate**, which confirms the Company's adherence to sustainable development principles.

## Governance structure



## Progress towards our goals

Strategic goal to 2025	2021 Performance
<b>Reduce specific GHG emissions by 30%</b>  2019 2025	Reduction of specific GHG emissions (scope 1 and 2) (t CO <sub>2</sub> eq/ mln RUR) <b>2.92 2.52 2.37</b> -6% 2019 2020 2021
<b>Reduce water and energy consumption by 25%</b> Water:  2019 2025	Reduction of specific water consumption (cbm / mln RUR) <b>2.72 2.28 2.25</b> -1.2% 2019 2020 2021
Energy:  2019 2025	Specific electricity consumption (kWh per mln RUR) <b>1991.20 1827.40 1825.56</b> -0.1% 2019 2020 2021
<b>Reduce food waste by 50%</b>  2019 2025	Food waste generation (kg per mln RUR) <b>309.85 184.20 167.66</b> -9% 2019 2020 2021
<b>Collect and recycle 100% of recyclable plastics generated in Magnit's stores and distribution centres</b>	> 99% of total plastic packaging generated during transportation was sent for recycling in 2021

## Key documents

### Magnit's policies and documents

- Climate Change Policy\*
- Packaging Waste Policy\*
- Own Brand Packaging Policy\*
- Environmental Protection and Safety Policy\*

### Regulations and international standards

- Greenhouse Gas Protocol
- The Paris Agreement and national documents on its approval
- 2050 Strategy of Social and Economic Development with Low Greenhouse Gas Emissions
- Federal Law No. 296-FZ "On limiting greenhouse gas emissions" dated 2 July 2021

# Approach to management

GRI 2-28, 3-3

As our Company grows and ramps up its operations, we make a point of sticking to ecological norms and do our best to preserve a healthy and sustainable living environment. We aim to be the best in environmental protection, which we plan to achieve by combating climate change, reducing waste, and cutting any negative impact of our activities.

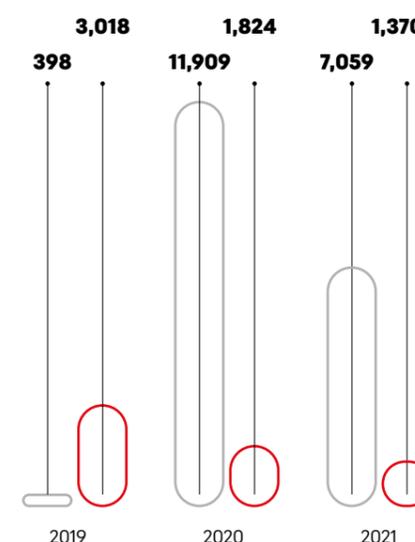
Our Sustainability Strategy 2025 defines the key priorities and strategic goals in environmental footprint reduction, which conform to the UN Global Compact principles and UN Sustainable Development Goals.

## Stakeholder engagement on environment

Stakeholder category	Interaction	2021 case studies
<p><b>Customers</b></p>	Education on waste sorting and green habits, environmental questionnaires.	<ul style="list-style-type: none"> <li>Together with regional municipal solid waste operators, Magnit opened two eco-points for the collection of recyclables (paper, cardboard, plastics, textiles, tin- and glassware) on its stores' parking lots in Izhevsk and Samara</li> <li>Battery collection containers were installed at Krasnodar and Yaroslavl stores</li> <li>Waste sorting were points set up at own production facilities: the Green Line greenhouse complex, Mushroom Complex, Kuban Confectioner, and in the Volga Federal District</li> </ul>
<p><b>Employees</b></p>	We are actively promoting environmental protection both at the workplace and in personal life. Employees from different units take part in separate collection of recyclables generated in the course of the Company's operations.	<ul style="list-style-type: none"> <li>In 2021, we developed the Retail with Purpose training course, which offered a deep dive into Magnit's ESG practices while also instilling sustainable habits for bettering the environment in our employees (for details, see Our employees).</li> </ul>
<p><b>Local communities</b></p>	Park and square clean-up, tree planting in cities of the Company's operation timed to World Environment Day.	<ul style="list-style-type: none"> <li>10,000 apple tree seedlings planted on an area of 5 ha in Belgorodsky District's Novosadovy settlement</li> <li>Garbage removal across 7 ha of the Kudryashovskaya Zaimka woodland and also the horse shelter territory (with volunteers taking part)</li> <li>Clean-up and tree whitewashing in squares, plazas, parks, and along waterfronts in many cities, including Voronezh, Izhevsk, Murmansk, Kemerovo, Kirov, and Saratov.</li> </ul>

<p><b>Government authorities</b></p>	We participate in adjusting MSW regulations applicable in the regions of our operation both on the federal and regional level as part of round tables, meetings, and working sessions. Our representatives form part of the Expert Council for Sustainable Development of the Russian Environmental Operator public law company.	<ul style="list-style-type: none"> <li>We participated in the Reliable Partner – Environment national contest, and our project Green Construction at the Krasnodar Distribution Centre won in the Best Green Building Project (including low-rise) category.</li> </ul>
<p><b>Non-profits and associations</b></p>	Magnit is part of an ecology and waste working group under the Retail Companies Association (ACORT) and of a packaging and MSW working group under the Association of Internet Trading Companies (AKIT).	<ul style="list-style-type: none"> <li>We became an ambassador for sustainable development in the Saratov Region</li> <li>In 2021, we took part in ACORT's pilot project to collect consumer packaging in stores</li> <li>The rate of waste accumulation at St Petersburg stores was reduced</li> </ul>

## Mandatory environmental payments, RUB thous.



■ Payments for surpluses, fines  
■ Payments for permissible impact

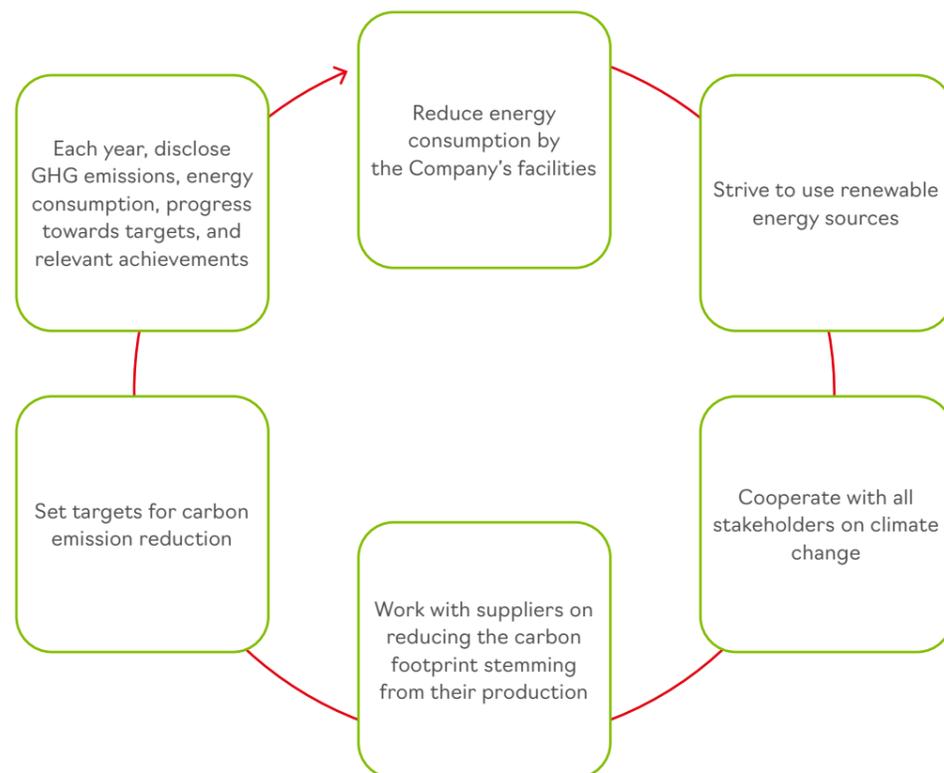
## Environmental footprint reduction expenses, RUB thous.

Area	2019	2020	2021
Waste management	1,717,299	2,084,844	2,516,117
Air protection	21,036	17,874	25,913
Wastewater collection and treatment	347,669	757,910	361,165
Protection and rehabilitation of land and water resources	3,054	2,991	2,929

# Climate change and energy efficiency

We as a Company recognise our responsibility to take urgent measures against climate change and for the betterment of the environment globally. We have set ambitious targets to cut GHG emissions and electricity consumption, and formalised them in the Sustainability Strategy 2025.

## Our climate change commitments



Physical risks	Transitional risks
<p>Risks stemming from phenomena such as rising temperatures, drought, and storms, as well as rising sea levels.</p> <ul style="list-style-type: none"> <li>– <b>Rising temperatures</b> – net increase in days requiring heating or cooling of the Company's facilities. Mitigating actions include energy efficiency efforts and looking into renewable energy sources.</li> <li>– <b>Drought</b> – reductions in crop yields. Mitigating actions include more sustainable agricultural practices and technology and seed innovation.</li> <li>– <b>Storm intensity</b> – potential damage to the Company's facilities. Mitigating actions include improved construction specifications, especially for distribution centres.</li> <li>– <b>Rising sea level</b> – mitigating actions include facilities siting and construction specifications that take into account the likelihood of a rising sea level.</li> </ul>	<p>Risks associated with the shift to a low-carbon economy.</p> <ul style="list-style-type: none"> <li>– <b>Introduction of carbon pricing and increased costs related to waste disposal.</b> Mitigating actions include progress towards carbon neutrality and reducing GHG emissions and waste.</li> <li>– <b>Regulatory risks.</b> We regularly monitor applicable requirements to climate risks and emissions reporting. Based on available information, we strive to improve the Company's approaches to reporting and stay one step ahead of new mandatory disclosure requirements..</li> </ul>



## Climate risk

In 2020, we did an internal climate risk analysis, which included assessment of such risks' potential impact on Magnit up to 2050; based on that, we determined mitigation measures. The analysis was done according to the "business as usual" scenario (RCP 8.5)<sup>1</sup>, which describes a temperature rise of around 4 °C by 2100.

It is clear that the climate crisis is no longer a far-off threat, and decisive measures need to be taken as fast as possible to prepare for any and all vagaries. With that in mind, in 2021 we included climate risks in the Company's Key Risks Map so as to ensure year-round monitoring of their short-term impact on the Company and adjust the relevant mitigating measures as part of the general risk management system (for details, see Risk Management in Magnit's Annual Report).

We recognise the need to do a detailed financial assessment of identified climate risks in order to measure their impact on the Company's operational metrics and business strategy, and well as on our strategy of growth and long-term value creation for stakeholders.

In 2020, Magnit identified key climate change risks, assuming as the baseline the "business as usual" scenario (RCP 8.5)<sup>1</sup> that describes a temperature rise of around 4 °C by 2100.

<sup>1</sup> REPRESENTATIVE CONCENTRATION PATHWAYS (RCPs) ARE GREENHOUSE GAS CONCENTRATION TRAJECTORIES ADOPTED BY THE INTERGOVERNMENTAL PANEL ON CLIMATE CHANGE (IPCC) AND SCIENTISTS THE WORLD OVER.

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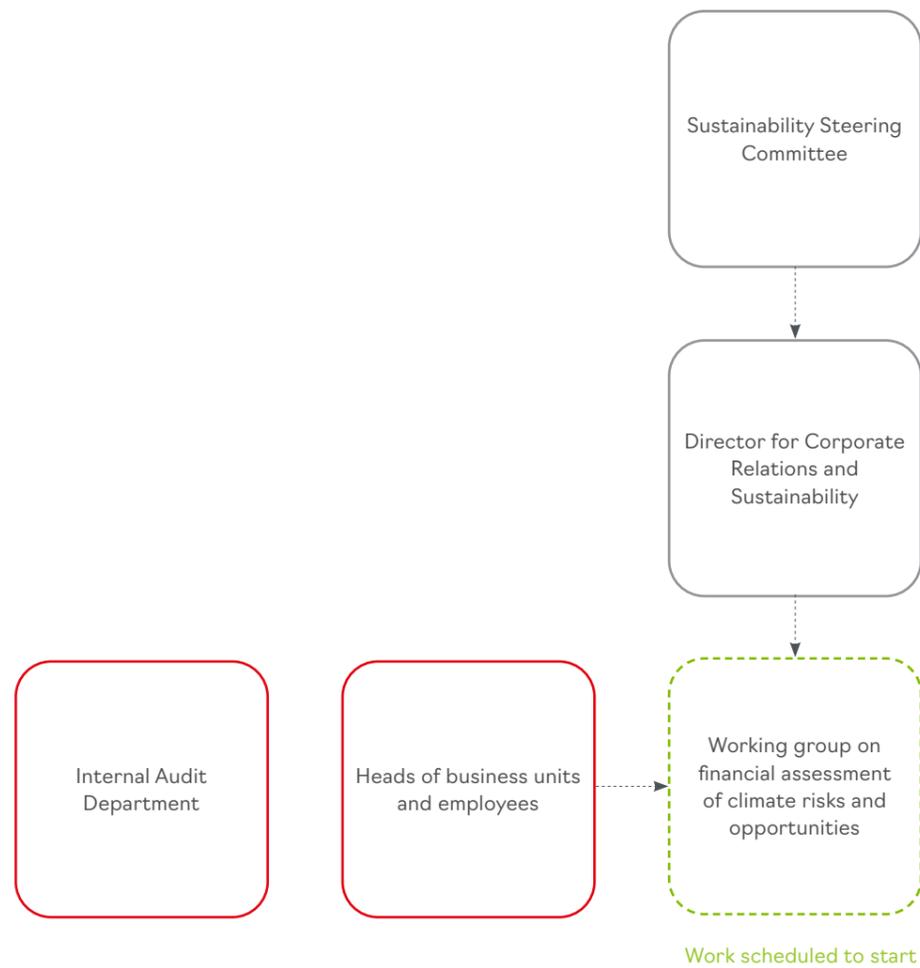
# Climate change and energy efficiency

(continued)

## Integration of long-term financial assessment of climate risks into Magnit's overall risk management system

Operational level

Control level



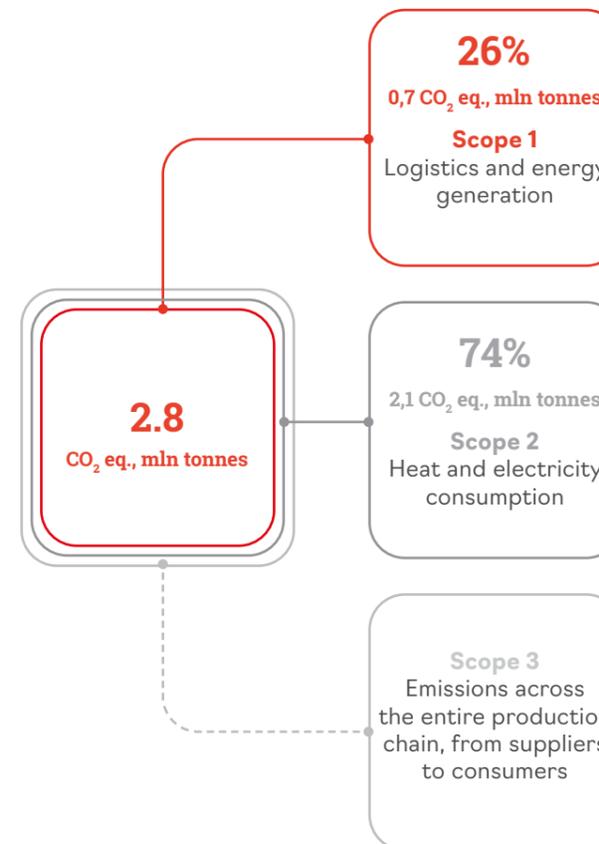
→ Administrative subordination  
 -.-> Functional subordination

## Carbon footprint reduction

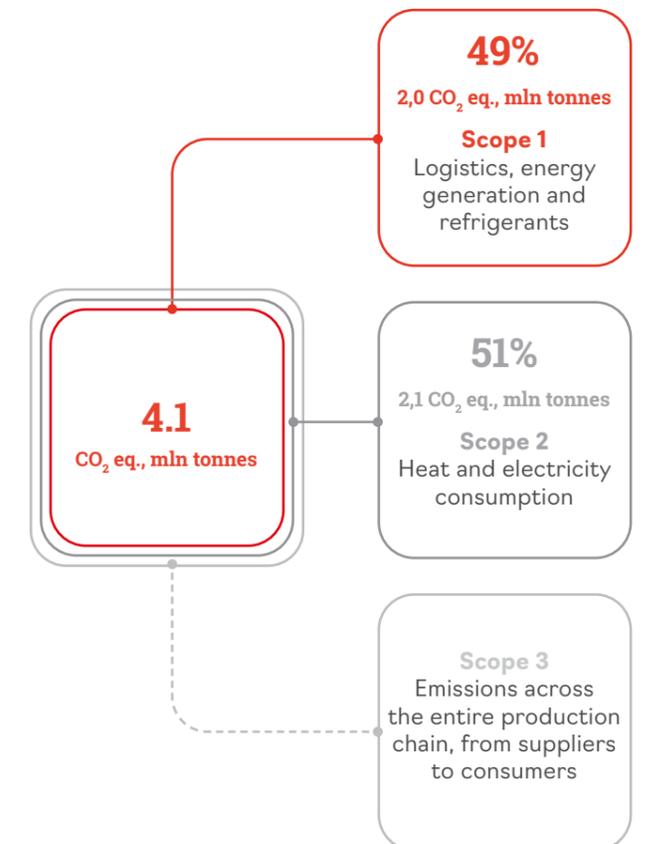
GRI 305-1, 305-2

Magnit has implemented a system for monitoring direct GHG emissions (Scope 1) as well as indirect emissions related to energy and heat consumption (Scope 2). Going forward, we plan to adopt an approach to accounting for refrigerant emissions (Scope 1) and for emissions in the supply chain (Scope 3).

### GHG emissions without refrigerants



### GHG emissions, including refrigerants



# Fleet transformation

Our fleet comprises over 5,000 trucks delivering goods all across the country, which places us among the nation's largest logistics operators. Focused on reducing emissions, we are transitioning to a greener fleet while also working to increase its overall efficiency and streamline logistics using lighter trucks.

## Seven steps to reduce direct GHG emissions

1. Transitioning to more fuel-efficient medium-duty trucks for deliveries to stores. In 2021, medium-duty trucks made 64% of all trips compared to 34% a year earlier.
2. Increase the share of electric and LNG-fuelled vehicles.
3. Partially fuel the vehicle fleet with biogas and phase out fossil fuels.
4. Enhanced vehicle aerodynamics to reduce fuel consumption by up to 4%.
5. Improve driver behaviour with telematics and training to improve fuel efficiency.
6. Increase in the number of Euro 5 vehicles that exhaust significantly less harmful emissions. The Company plans to fully switch to Euro 5 vehicles within the next five years.
7. Use the AdBlue fuel additive to significantly reduce the content of harmful substances in exhaust gases.

In the reporting year, one of our major milestones was an increase in the share of more fuel-efficient medium-duty trucks in transportation (from 36% in 2019 to 64% in 2021). Moreover, 251 vehicles transitioned to gas-diesel, which is approximately 5% of Magnit's entire fleet. We plan to increase this figure to 20% by 2023.

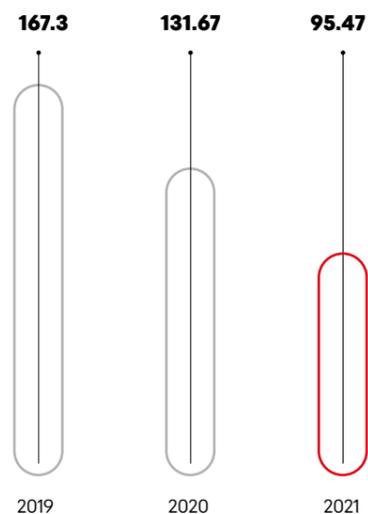
Electric trucks allow for reducing GHG emissions. The advance of this technology will help us ensure that the new vehicles are fit for their purpose as regards the number of daily trips and distances to be covered. We are currently testing different electric truck models to determine the number and range of trips they can make and select the best option based on the currently available technology. In 2021, Magnit's fleet saw an addition – fully electric MOSKVA truck (DE-truck 18IV) based on a two-axle KAMAZ truck. In 2022, we plan to test another Drive Electro's medium-duty truck based on the Japanese Isuzu Elf model.

Starting from 2021, we will introduce a unified SAP-based transportation management system to optimise our logistics. The unified system will replace more than

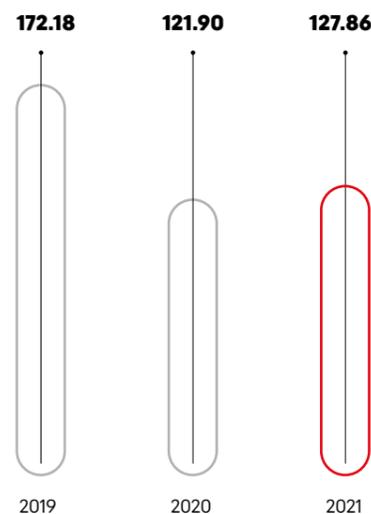
ten standalone IT systems and consolidate all logistics operations, which will significantly improve the quality and speed of processes and minimise downtime. On top of that, the system will use a single interface to interact with third-party carriers in real time. A fully integrated SAP platform will help reduce transportation costs, make our supply chain more transparent and optimise the fleet's mileage. We plan to disclose the outcomes of this initiative along with data on the resulting decrease in GHG emissions in the next reporting year.

In 2021, we piloted SOVA, an Excel-based driver assessment system used by all vehicles. As part of this project, we plan to develop a full-fledged programme with a user-friendly interface which will enable instructing engineers to remotely and automatically perform an in-depth analysis of the driver's actions, identify errors and correct their driving style, thus increasing safety and fuel efficiency. This comprehensive analysis is possible thanks to the control device installed on CAN tyres which monitors 42 parameters, such as vehicle speed, engine RPM, use of various braking systems, cruise control, speed limiter, gearbox, etc.

**Specific fuel consumption,**  
liter per mln RUR



**Specific gas consumption,**  
cbm per mln RUR



### Integrating DIXY: fleet transformation

DIXY logistics projects to cut GHG emissions

- Partial transition of the vehicle fleet to gas-diesel – replacing up to 40% of diesel fuel with compressed natural gas; some 33 trucks (5% of the fleet) operate on a gas-diesel engine.
- Use of IT systems for dynamic route planning and reducing vehicle downtime with the engine running. Introducing MOPOD (Shipment Monitoring and Delivery Portal), a single automated transportation management system; use of a route planner.

- Enhanced vehicle aerodynamics to reduce fuel consumption by up to 4%. DIXY is currently testing the use of spoilers on freight trucks.
- Improving driver behaviour with telematics and additional training to enhance fuel efficiency.
- Increase in the number of Euro 5 vehicles that exhaust significantly less harmful emissions. DIXY plans to fully transition to Euro 5 vehicles within the next three years.

# Energy generation

Magnit utilises natural gas in 19 power generation centres, selling some of its generated electricity in the open market. In late 2021, Magnit's own generation centres accounted for less than 5% of consumed energy. The Company plans to commission seven more such centres by 2025.

**7 more power generation centres** are planned to be put into service by 2025.

## Power generation centres and their advantages

A power generation centre is a complex of gas-fired cogeneration units that simultaneously produce electricity and heat. They are connected to a centralised power supply system, but their main purpose is to ensure continuous power and heat generation for Magnit's distribution centres.

Key advantages of using power generation centres to complement centralised power supply:

- An uninterrupted supply of electricity and heat to Magnit's distribution centres: in case of an external power outage, the centre can switch to the island mode without disrupting the electricity supply.
- Simultaneous generation of heat and electricity significantly reduces the cost of supply to the Company's facilities.

Use of modern emission treatment units to minimise the environmental footprint; our state-of-the-art, highly shielded equipment reduces exposure to electromagnetic radiation.

## Energy efficiency

GRI 302-1, 302-3, 302-4, 302-5, 305-4, 305-5

As we grow, we are continuously exploring new opportunities to improve our energy efficiency. Since 2019, we have reduced Magnit's electricity consumption by 8%. Efficient use of electricity also helps reduce overall costs.

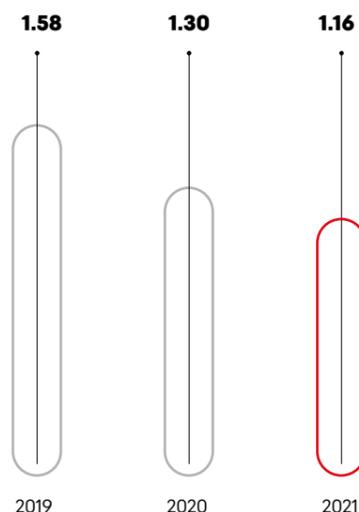
As part of our efforts to improve energy efficiency, we seek to optimise the power load of our facilities and diminish their energy consumption by partially shutting down electrical equipment in peak hours. This enables us to reduce the power load on our energy system and cut our own utility expenses by making the most out of cheap energy.

The share of electricity supply generated by renewable energy sources (RES) stood below 5%. Magnit is currently unable to directly source energy from renewables, as the Company does not control the wholesale electricity distribution in Russia.

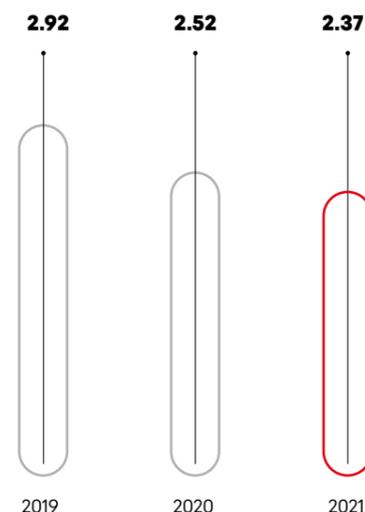
**8%** Reduction in specific electricity consumption from base year 2019



Specific GHG emissions (Scope 1), t CO<sub>2</sub> eq /mln RUR

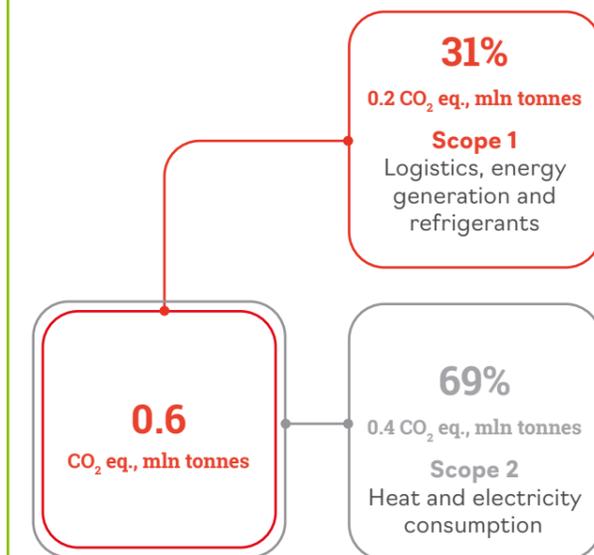


Specific GHG emissions (Scope 1 and 2), t CO<sub>2</sub> eq /mln RUR

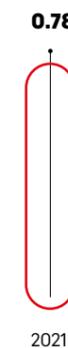


## DIXY specific GHG emissions

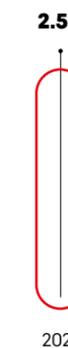
### GHG emissions, including refrigerants



Specific GHG emissions, (Scope 1), t CO<sub>2</sub> eq /mln RUR<sup>1</sup>



Specific GHG emissions, (Scope 1 and 2), t CO<sub>2</sub> eq /mln RUR<sup>1</sup>



<sup>1</sup> DIXY'S ANNUALIZED REVENUE SINCE THE COMPLETION OF THE ACQUISITION OF THE RETAIL BUSINESS BY MAGNIT

# Energy consumption

GRI 302-3, 302-4

In 2021, Magnit saved a total of RUB 41.4 mln by reducing electricity consumption of operating logistics centres during peak hours. Launched in 2018, this initiative is gaining traction.

To monitor energy consumption by the Company's facilities, we introduced an automated commercial electricity metering system. The system provides hourly readings, enabling us to track changes in energy consumption at our facilities over different periods and accurately assess progress against energy efficiency targets set in our Sustainability Strategy.

## Lighting

In 2013, we began installing energy-efficient LED lighting. The most recent initiative in this area was to equip our stores with LED accent fixtures, while maintaining the high quality of lighting (LUX level). Going forward, we plan to employ energy-efficient lighting equipment for building facades, street lighting, car parks and logistics centres.

After piloting a motion-activated lighting control system in the back offices of our large-format stores, we began rolling it out across our distribution centres. It is important for us to not overuse our lighting equipment and to have it turned on only when necessary. Similarly, we are introducing systems for the automatic and remote shutdown of non-essential equipment, such as interior lighting, refrigerated cabinets for non-perishable foods and exterior store lighting outside working hours.

## Heat energy

Our heat energy strategy focuses on three areas:

- Improve the energy efficiency of buildings to reduce heat loss
- Capture heat losses to convert them into usable energy
- Return condensate to boiler stations for reuse

We regularly inspect electrical installations at all our facilities, using thermal imagers to detect overheating and minimise heat loss.

To reduce our heat losses, we use gas generator sets installed in power generation centres to capture heat energy and transmit it through the heating network to our facilities. In 2021, this enabled us to utilise 157,161 Gcal of heat produced by power generation centres in our logistics hubs, Group's office, and the greenhouse complex.

## Refrigeration equipment

Similarly to heat insulation, we seek to reduce our energy consumption and loss in refrigeration units. We are currently replacing open-fronted refrigerated multidecks with doored cabinets in most of our stores. At present, 5,235 of our stores have such cabinets, which represents 32% of all Magnit convenience stores. By 2025, we plan to gradually install doored display cases in all our facilities.

In 2021, we began implementing a dispatching system for our in-store engineering equipment piloted in 300 convenience stores. As part of the project, the Company installed this system for refrigeration, air conditioning and retail equipment to monitor and adjust temperatures in refrigerators, eliminate equipment failures and ensure technical record-keeping of energy consumption. We plan to reduce the amount of write-offs and cut operating costs by minimising transportation trips and average repair costs. Based on the pilot results, we will make a decision on rolling it out across other formats.



## DIXY integration: energy efficiency

### Lower electricity consumption

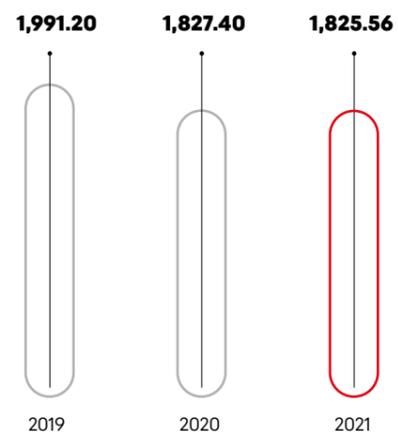
DIXY distribution centres are running a project to replace mercury light bulbs with LEDs, which will reduce energy consumption and eliminate the need to dispose of mercury.

## Emissions of air pollutants

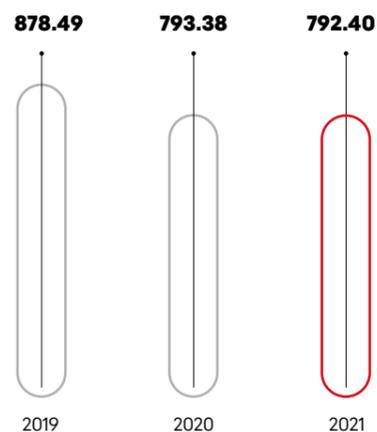
GRI 305-6, 305-7

We strive to cut air emissions from our operations, this is why we constantly monitor our emissions and conduct regular inventories of emission sources. Since 2019, we have made significant progress in the reduction of NOx, SOx and other major air pollutants.

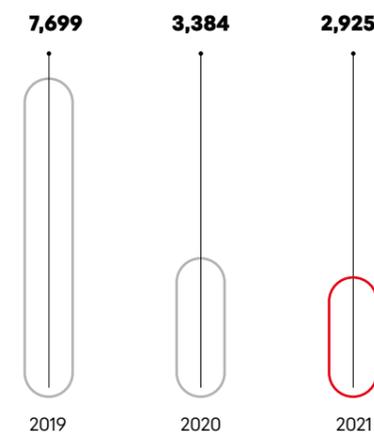
**Specific electricity consumption, kWh per mln RUR**



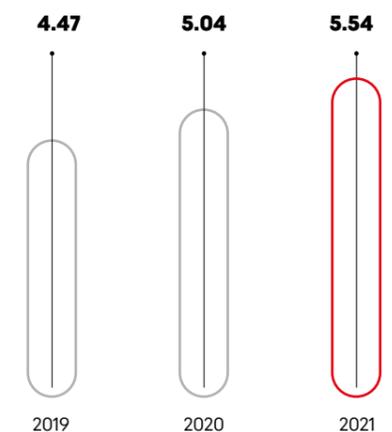
**Specific heat consumption, thous. Kcal / mln RUR**



**Air emissions of NOx, SOx and other significant pollutants, tonnes**



**Emissions of ozone-depleting substances, tonnes**

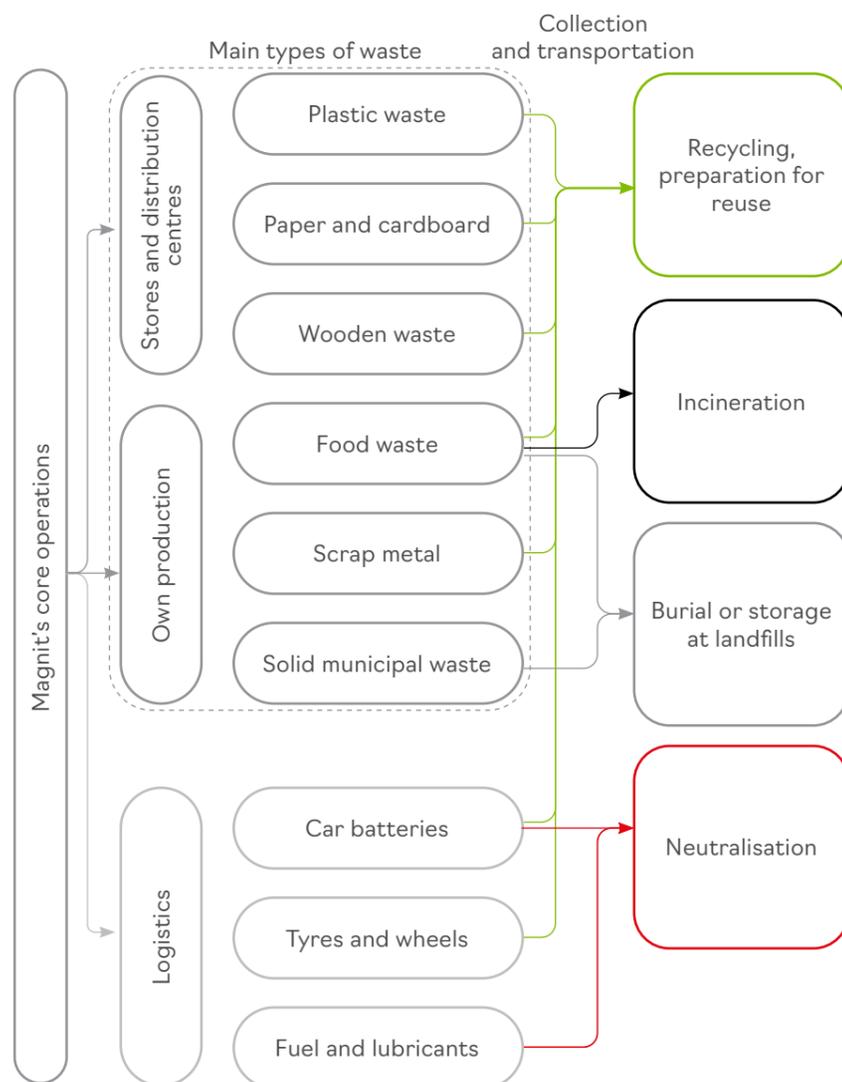


# Waste management

GRI 306-1, 306-2, 306-3, 306-4, 306-5

Sustainable waste management is one of Magnit's focus areas in environmental protection. As part of our consistent efforts to increase the share of reusable and recyclable waste, we are actively developing and implementing waste reduction initiatives.

## Waste management structure



## Chain waste

Packaging is the key source of waste for a retail chain. Magnit recognises its responsibility to minimise this type of waste. We have ambitious targets and are constantly exploring and testing various initiatives to recycle waste generated by the Company's trading activities.

The packaging waste from goods sold at Magnit is mostly cardboard, polyethylene film, plastic crates for fruit and vegetables, and wooden crates. The way we handle and dispose of each of these kinds of waste depends on the type and composition of their materials.

Last year, we made significant progress by recycling wooden waste, including scrap pallets and crates for fruit and vegetables, into wood chips at our Kolpino distribution centre. Wood chips are widely used in manufacturing construction materials, cardboard and paper. By selling them, we reduced the costs of household waste disposal by around RUB 1.2 mln in just six months.

## Plastic waste

With plastics making up the majority of our packaging waste, we set clear targets to mitigate our environmental footprint through recycling and innovation. As part of our Give Plastics a Second Life initiative supported by Procter & Gamble, we engage our customers and local communities in collecting plastic waste for recycling. For details on Give Plastics a Second Life and our other projects, see Responsible Marketing and Communications.

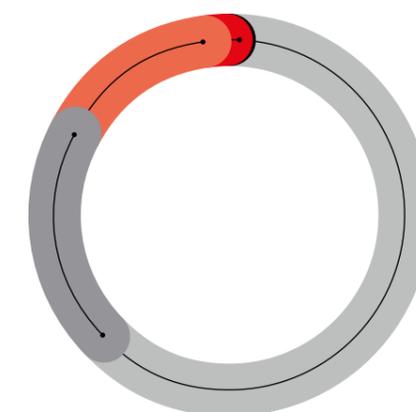
Magnit sends 100% of its plastic waste for recycling, and we aim to stick to this figure despite the expansion of our geographies.

Furthermore, we plan to lower the volume of plastic waste at all stages of goods use, among other things, by decreasing the amount of plastics from purchases in our stores and reducing the share of plastic in packaging. That said, we made great progress towards reducing plastic in packaging in our own production and private labels (for details, see Own Production).

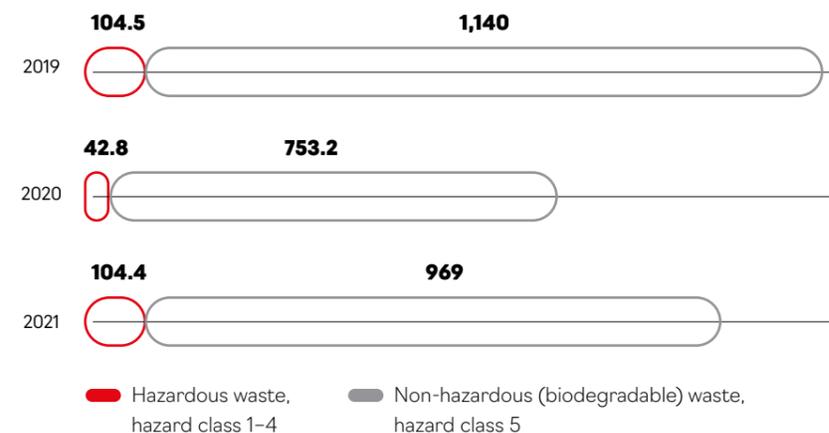
Having switched to plastic bags made of 30% recycled content, we keep exploring the options to increase this figure to 40%. This switch was more difficult than we had anticipated, as greater amounts of recycled material affect the bag's durability. We remain committed to using 100% recyclable plastic bags and are looking at a wide range of technologies as they emerge.

One of our focus areas is to study the role of additives in plastic packaging to make it more biodegradable. So far, our tests have shown positive outcomes in terms of packaging characteristics, and we are now evaluating the costs and the environmental effect of such additives on packaging materials for fresh categories.

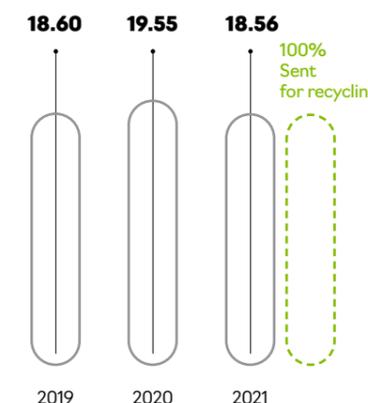
## Waste broken down by type of handling, %



## Waste generation, thous. tonnes



## Plastic waste generation, kg per mln RUR



# Waste management

(continued)



## Integrating DIXY: waste management

**Tyre recycling.** Landfilled rubber products emit harmful chemicals, including carcinogenic benzopyrene and more than 15 other compounds recognised as highly toxic by the International Union for Conservation of Nature. Industrial rubber waste leaves a greater environmental footprint than vehicle exhaust emissions. In 2020, DIXY-Yug launched a project to recycle used tyres. In 2021, the company sent over 100 tonnes of tyres for recycling, up 52% YoY.

**Car batteries.** Battery recycling creates new production materials, neutralises hazardous substances and protects the environment. DIXY-Yug actively cooperates with licensed companies equipped to recycle and dispose of car batteries. According to our data, some eight tonnes of batteries were shipped for recycling and disposal in 2021.

**Used petroleum products.** Fuel and lubricants cannot be reused, as they no longer provide proper lubrication due to the formation of sludge. Dumping them is also dangerous due to their toxicity. DIXY-Yug ships used fuel and lubricants to dedicated recycling companies. In 2021, the company sent over 8 thous. liters of waste oil for recycling and disposal.

**Waste recycling.** For many years, DIXY-Yug has been partnering with companies that recycle cardboard, polypropylene boxes, LDPE and stretch films, scrap metal, etc. Each year, DIXY-Yug enters into more agreements with suppliers to return reusable packaging as the company aims to limit the waste from wooden pallets.

**Plastics.** DIXY uses plastic shopping baskets, stretch films and price tag holders made from secondary and recyclable materials.

## Food waste

Magnit is committed to reducing the amount of food waste sent to landfills. The Company aims to halve its food waste by 2025 by minimising waste generation through streamlined procurement and by implementing food waste recycling initiatives. Apart from being the right thing to do in terms of ethics, the reduction of waste sent to landfills will help us cut expenses.

Our food waste reduction strategy has three dimensions:

- Streamlining procurement to reduce food waste generation
- Increasing the amount of waste sent for recycling
- Handing over expired food products to third parties

In 2021, Magnit collected and sent for recycling 4,800 tonnes of food waste. The Company keeps a strong focus on waste collection and recycling and closely monitors the performance of its waste recycling service providers to ensure the best results.

As part of our efforts to dispose of discarded food items, we selected potential buyers, with contact execution currently underway. In addition, a system of writing off and registering expired but still valuable products has been developed.

There is more work to be done, but we believe that the measures taken today will bring us closer to achieving a 50% reduction in food waste by 2025.

## Waste Morphology

In the summer of 2021, we launched an environmental audit of waste accumulating in containers used by Magnit's stores. Rolled out in 36 stores across four regions of our operation, the project is set to last through 2022, covering each of the year's seasons.

It will help us identify patterns of municipal solid waste generation and work out plans to reduce the amount of waste getting to garbage containers used by Magnit's stores. As its key outcome, the project will make it possible to precisely measure the amount of generated food waste as well as reusable and recyclable waste that is sent to landfill sites and that we intend to reduce.

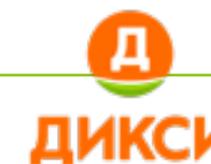
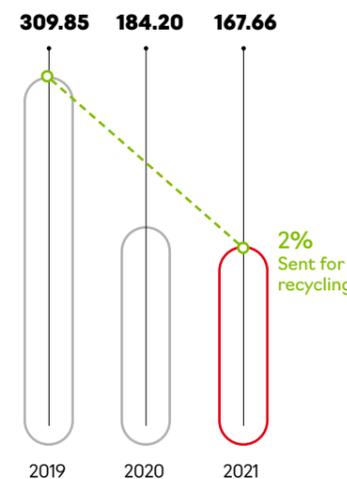
Aside from that, Magnit will focus on:

- Identifying anomalies in food waste generation and structure by waste category, waste accumulation rates per sq. m of selling space, extreme values for stores and regions, as well as correlation between write-offs and their share in garbage containers. Upon analysing the identified extreme values by season, we will be able to set up a relevant season-based plan of action for handling food waste as part of municipal solid waste management;
- Measuring the amount of recyclable content in municipal solid waste to assess the efficiency of recyclable waste collection in stores;
- Leveraging the conducted research to substantiate optimal municipal waste generation standards in potential disputes with regional operators and for challenging such standards.

The project is being conducted in the regions where Magnit has the densest concentration of stores or issues with regional waste handling operators, including Tatarstan, the Krasnodar region, Moscow and the Moscow region, St Petersburg and the Leningrad region.

In each region, nine facilities were selected among the Company's hypermarkets and convenience stores across a range of cities and towns. Such broad geography makes it possible to use the project results in discussions with regional operators if disputes over municipal solid waste generation standards arise.

## Food waste generation (kg per mln RUR)



## Integrating DIXY: Food waste

In 2020, DIXY-Yug developed and launched a project to hand over substandard vegetables and fruits to farmers and agricultural companies for using as animal feed and for making compost to support farmers and improve environmental locally. Since the project commenced, more than 22 tonnes of substandard products have been distributed. DIXY-Yug keeps a close eye on this project, continuously searching for new partners and signing more contracts.

# Water resources

GRI 303-1, 303-2, 303-3, 303-4

For the most part, Magnit operates in water-sufficient regions. At the same time, we are aware that, as a highly valuable commodity, fresh water must be preserved and protected. Besides, responsible water use helps cut expenses and reduce pressure on sewage systems.

Water consumptions spreads across the whole chain of the Company's operations, including farms and production facilities, stores, drainage units, and vehicles. Most of our sites have water supply networks in place connected to centralised sewage systems. The rest rely on their own sources of water and wastewater treatment facilities.

Before remote logistics hubs and production assets occupying large plots of land are equipped with water supply and disposal systems, we assess a number of solutions to select the best-fitting one.

19 out of Magnit's 39 logistics hubs, and the Company's own production and agricultural facilities, use their own wells. 12 logistics hubs have their own utility wastewater treatment units installed.

We measure the following types of our water footprint:

## 1. Blue water footprint

- consumption of fresh water either from surface resources used for irrigation of agricultural land or from underground resources used in the Company's logistics infrastructure, greenhouses, mushroom complexes, as well as food and confectionery production;
- consumption of water from centralised water supply networks at the Company's sites.

### Integrating DIXY: water resources

**Use of recycled water**

At DIXY, a water treatment system is applied in vehicle washing. As a result, about 75% of the water is continuously recycled.

**Modernisation of treatment units**

DIXY implemented a project to replace wastewater treatment equipment and launch a multi-stage wastewater treatment system, upgrading treated wastewater to the fishery category.

## 2. Grey water footprint

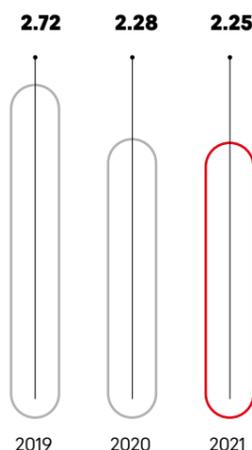
- pollution of water as a result of the Company's operations.

Magnit monitors the state of water supply resources, with a water withdrawal meter system installed, and quality control tools for underground and treated water applied. Each case of excessive water use is examined to remedy the situation.

Once a month, we have wastewater from our treatment units tested for pollutant concentrations by accredited laboratories to make sure it meets the safety requirements, releasing no pollutants into water bodies when disposed.

We minimise water use by installing tap flow regulators in stores, as well as by using water recycling systems for on-road car washing and treated wastewater for in-house processes at biological treatment stations (utility wastewater and stormwater). In addition, we put water saving nozzles on single and mixer taps across convenience stores, Magnit Family and Magnit Cosmetics chains, and our distribution centres.

**Specific water consumption, cbm per mln RUR**



# Green Office

GRI 301-2

In 2021, Magnit's head office in Krasnodar upgraded its Eco Green Office certificate awarded a year earlier from Basic (20%) to Standard (40%), not only confirming the Company's compliance with sustainable development requirements, but also illustrating the amount of progress made towards the ecologisation of sites and operations within a limited time span.

Our head office's heating system operates on recuperation from

the Company's own power unit, which contributes to lower CO2 emissions. The building boasts a heating and conditioning system that automatically adjusts to the weather, as well as other energy efficient equipment, such as LED lighting or water saving tap nozzles to reduce water consumption.

Magnit pays special attention to waste recycling. In the office and outside, the Company placed trash containers for separate waste collection and reverse vending

machines for plastic bottles and aluminium cans. In working and printing areas, there are boxes for paper waste for collection and further recycling. In addition, there are battery collection containers.

Magnit equally cares about its employees' health. The head office is equipped with rooms for men/women group training and cardio practice, and a workout zone. Adjacent to the main building is a green territory with rest benches, while inside the office there are vending machines with healthy snacks, including vegetables and fresh and dried fruits. Employees receive free medical help and vaccination.

Magnit's head office accommodates around 8,000 people. In the office, our staff get used to sorting waste, saving water, paper and energy, keeping fit, and healthy eating, and each of them brings these ideas to wider attention, sharing them with families and friends. As a result, the eco principles adopted by our employees expand into the society. We are planning to roll out the Green Office initiative to new offices in other regions besides Krasnodar.

Having analysed our previous experience, we developed a comprehensive programme with environmental protection and employee care at its core. Step by step, it will be implemented over the next few years, with new openings across the country adopting its values.

Starting 2015, Magnit has been gradually transitioning to the electronic document management system. In 2021, Magnit recorded a total of 191.9 mln electronic documents (5.9x increase YoY). Most of those are used when transporting products from suppliers to distribution centres and then to stores. After the official transition to the electronic document management system in 2018, we have been able to save 9.052 tonnes of paper and substantially minimise document transportation, both via the Company's own fleet and courier services, thus reducing the environmental footprint in terms of GHG emissions.

### Total impact of implementing the electronic document exchange system by Magnit in 2018-2021

**229,859 trees**  
or 574.6 ha of wood

**106 mln kWh**  
of energy efficiency

**283,900 tonnes**  
of CO<sub>2</sub>

**1,140,253 liters**  
of ink

**19 mln tonnes**  
of water resources

**9,502 tonnes**  
of paper



# CHAPTER 6

## Sustainable sourcing

# Sustainable sourcing

## Sustainable supply chain

### Material topics

**Sustainable** supply chain

### Priority SDGs



### 2021 highlights

- **Pilot project** for ESG certification of suppliers developed.
- **Cooperation** with local suppliers and farmers extended.
- In 2021, we held about **50 procurement sessions** with suppliers from various regions.
- In 2021, we started testing a **vendor-managed inventory system** providing large suppliers with information on the current inventory.

### Key documents

#### Magnit's policies and documents

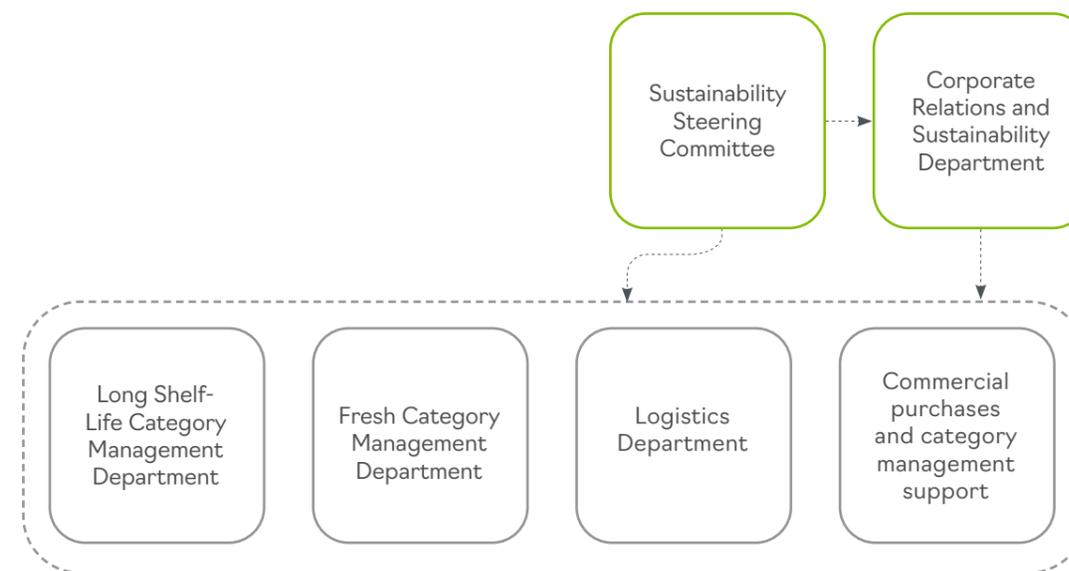
- Responsible Supply Chain Policy
- Procedure for Selecting Suppliers through the System of Interaction with External Partners
- Procedure for Selecting Suppliers of Fresh Vegetables, Fresh Fruits and Berries, Fresh Mushrooms, and Herbs through the System of Interaction with External Partners

#### External documents

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



### Governance structure



→ Administrative subordination

→ Coordination within the framework of the Sustainability Strategy and advisory support

### Progress towards our goals

Strategic goal to 2025	2021 performance
<b>100% responsible sourcing for socially important categories</b>	<ul style="list-style-type: none"> <li>- Development of a pilot project for ESG certification of socially important goods suppliers, which will be further rolled out across all Magnit suppliers</li> </ul>
<b>Responsible sourcing for commercial and non-commercial purchases</b>	<ul style="list-style-type: none"> <li>- The Company received certificates of compliance with the international Food Safety Management System (FSSC 22000-2018)</li> <li>- We launched an initiative to use sustainable packaging for private labels</li> <li>- Magnit piloted a vertical greenhouse</li> <li>- In 2021, the Company's own products received over 100 quality awards</li> </ul>
<b>Partnership in the development programme for local suppliers and farmers</b>	<ul style="list-style-type: none"> <li>- Total purchases of locally produced goods increased by 16%</li> </ul>

# Sustainable supply chain (continued)

GRI 2-6

## Approach to management

Magnit's supply chain consists of over 6,000 suppliers in Russia and abroad. We build honest and open relations with suppliers and contractors, which helps us effectively manage environmental, social and economic risks across our supply chain.

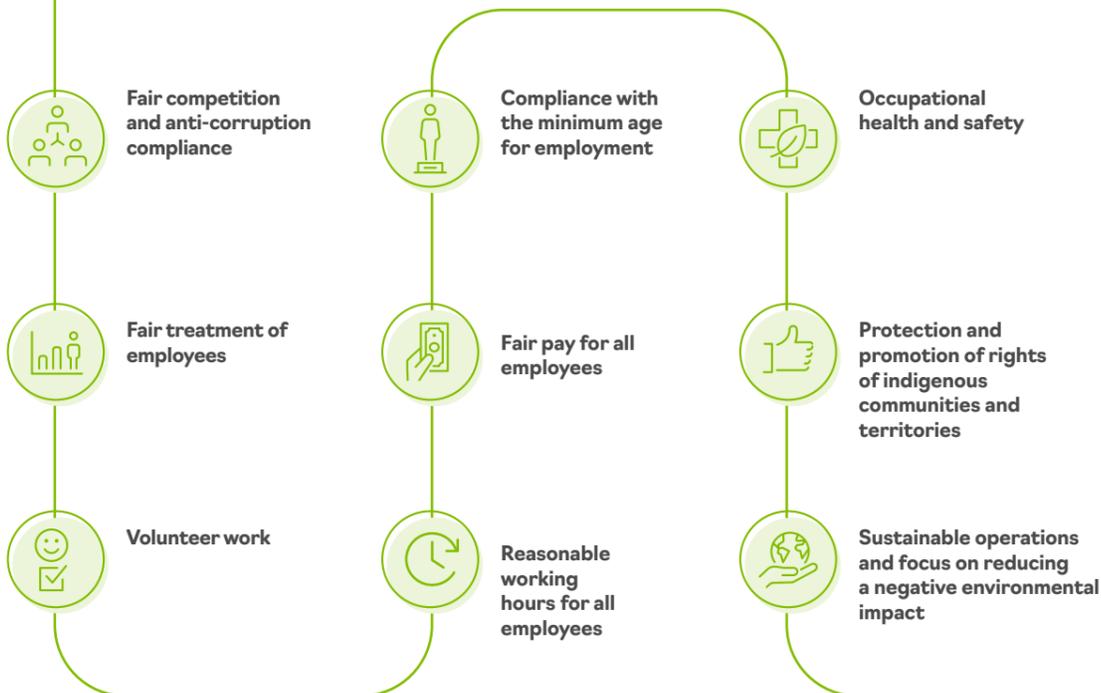
We rely on partners sharing our commitment to high standards and thus maintain cooperation with a view to feeding the nation together.

**> 6,000** suppliers in Russia and abroad

## We focus on

- **Sourcing products** and raw materials responsibly
- **Reaching the highest standards** in our own agriculture and production
- **Evolving and optimising our logistics** and delivery infrastructure to improve efficiency
- **Supporting** smaller scale and local producers

Magnit's activities in this area are governed by its Responsible Supply Chain Policy, which includes the list of criteria we expect our suppliers to meet.



## Magnit's key suppliers in 2021

Over 50% of the items we procure are sourced from major Russian and international FMCG companies, which have sustainability practices well integrated into their operations, and also are certified by independent entities. Most of our suppliers publish non-financial reports and disclose information on sustainable development on their official websites.



A key aspect of our supplier management rests on open and ongoing dialogue. Magnit builds relationships with suppliers through:

- joint projects to develop and manufacture new products, including eco-friendly and private label products
- developing and supporting local suppliers and farmers
- offering training to suppliers so that they have a better understanding of Magnit's requirements and expectations
- joint social charity campaigns, and
- regular procurement sessions

In recent years, Magnit has been digitalising its day-to-day communications with suppliers, accelerating the speed of information transfer and decision-making. Our dedicated analytical portal RetailService. Magnit, which is aimed at our largest suppliers, supports nationwide product tracking and analytics. Suppliers working with Magnit on deferred payment terms can access fast finance from major banks and factoring companies. The automated interaction between our procurement experts, suppliers and factoring companies help minimise paper document flow and ensure quick access to information, data and tools.

In 2021, we carried out a pilot for a vendor-managed Inventory system that shares current inventory data with large suppliers. This system will allow large suppliers to take responsibility to restock shelves themselves, ensuring the availability of their goods.

Striving for 100% responsible sourcing for socially important categories, which is one of our goals in developing a sustainable supply chain, in 2021 we launched a project for independent ESG assessment and certification of our suppliers. Our pilot will be focused on assessment of suppliers of socially important goods.

In the reporting year, we had meetings with 15 suppliers of Magnit, including representatives of both big businesses and smaller local producers. As part of joint initiatives, we developed an approach to assess suppliers against sustainability criteria. We are now looking for a partner to carry out independent assessment, and we intend to go on with the project in 2022.

## Socially important goods

According to the Russian law, the list of socially important goods includes cereals, meat, milk, eggs, bread, some vegetables and fruits, i.e. the food people need on a daily basis. The prices for these categories of goods are controlled by the government.

# Sustainable supply chain (continued)

GRI 204-1, 205-1

## Supporting local suppliers

The Company strives to support smaller and local producers so that they can increase their presence on our shelves. Working with local producers helps Magnit to expand its product range, encourage entrepreneurship and support the development of local economies. Adding local products to our shelves lets us reduce the travel footprint of essential goods and offer the freshest products to our customers.

Local products are offered in two ways – Farmer’s Yard, where the store displays locally sourced farm products on its shelves, and Farmer’s Shop, where Magnit leases space in its stores to local producers for them to sell their products independently.

To support cooperation with local producers, we have developed a simplified standard supply contract for smaller farmers that find it difficult to meet all the requirements that we larger suppliers to meet. The new contract is aimed at producers with an annual income of less than RUB 150 mln, and those engaged in production and processing of certain types of agricultural products such as milk, meat, eggs or fish. We encourage small farms by taking first shipments of as little as 500 – 1,000 kg of goods in order to work out the supply process with them before they make any larger commitments.

In order to optimise and facilitate cooperation with small producers, we have introduced such measures as simplifying contracts, reducing paperwork and delays by going digital, and introducing shorter payment terms for goods supplied. At the same time, we monitor compliance and ensure availability of high quality farm products on our shelves.

Magnit cooperates with more than 6,000 partners, of which about half are regional. As compared to 2020, the Company increased the number of domestic suppliers by 19%. The shares of Russian-made products in socially important categories were as follows: bread and baked goods – 95%, dairy products – 59%, poultry – 59%. Magnit keeps expanding the sales geography for Russian producers. In 2021, about 250 of our partners started offering their goods beyond their home regions and were able to boost their sales.

The share of purchases from local suppliers in the total procurement amounted to about 14%, remaining flat YoY. In money terms, local procurement rose by 16%. Over the years of partnership with local producers, Magnit helped their businesses grow, supported job creation and enabled some producers to offer their products beyond the regional level and across the nation.

The shares of Russian-made products in socially important categories were as follows:



**14%** share of purchases from local suppliers in the total procurement

**250** of our partners started offering their goods beyond their home regions

# Product quality and safety

## Material topics

**Product quality and safety**

## Priority SDGs



## 2021 highlights

- We carried out more than 32,000 laboratory tests of product samples provided by suppliers and our own products, as well as more than 1,500 sample tests for products made by industrial production complexes.
- In 2021, we run a large-scale review of the quality standards and regulations for goods sold in Magnit stores.

## Governance structure



## Key documents

### Magnit's policies and documents

- Quality Food & Non-Food Safety Policy

### External documents

- Government product quality assurance and product labelling requirements (GOST)

## GRI 416-1

### Our approach to management

Ensuring quality and safety of products is a top priority for Magnit. We daily serve over 15 million customers in 3,898 localities across Russia.

All-in store products must meet the statutory requirements of the Eurasian Economic Union and Russia, corporate standards, technical specifications and the terms agreed with suppliers. Magnit has a dedicated Quality Management System Department (DSMK), which is responsible for quality and safety management systems for goods sold in its stores. Product quality and safety is assured through clear standards for Magnit's own and supplier products, regular sample testing, harnessing technology and big data, staff training and regular audits.

**> 15** mln customers daily

**in 3,898** localities across Russia

Throughout 2021, the department continued to make improvements to quality and safety controls to maintain the high standards that our customers expect.

## Product quality and safety (continued)

### Quality and safety standards

During the year, we continued to update existing and develop new standards of product quality and safety across our retail network, improve and expand the relevant internal regulations, including documents on acceptance, transportation and storage of goods of various categories. Supplier quality requirements were also updated and communicated to our partners.

Each of our stores has an appointed Quality Controller who is tasked with running daily quality control checks making sure that stores are kept clean, and that all products meet quality standards, are properly displayed and correctly labelled and tagged.

We regularly test product samples engaging external accredited providers. In 2021, we carried out more than 32,000 laboratory tests of product samples provided by suppliers and our own products, as well as more than 1,500 sample tests for products made by integrated facilities.

**more than 32,000**  
laboratory tests in 2021

GRI 417-1

### Product labelling

For more confidence in the products we offer to consumers, we have joined the national track and trace digital system Chestny ZNAK. A digital code put on the product's label guarantees its authenticity and quality, and the marking meets the requirements of the applicable Russian law.

In 2020, Magnit launched its own tracking platform that will contain marking codes for products delivered to distribution centres and sold via its retail chain.



**ДИКСИ**

### Integrating DIXY: product quality assurance

DIXY carries out regular quality assurance procedures which consist of several stages, including packaging and labelling control when the products arrive at stores, and control of products laid out onto the shelves. On top of that, the company practises random inspections of suppliers' production process parameters.

DIXY assesses the impact of products on health and safety through laboratory tests for compliance with regulatory requirements. Laboratory control covers all categories of goods.

### Training

In the reporting year, we continued to provide training to our staff, focusing on communicating the updated standards and requirements to employees of Magnit Family, Magnit Cosmetics and convenience stores, as well as training employees of large and convenience formats in food safety, sanitation and hygiene.

Our training programmes are delivered in a variety of ways to increase engagement, including documents, presentations, cheat sheets, e-courses and videos and are aimed at all positions from floor staff to senior management.

**400** audits  
of production facilities in 2021

### Audits

Audits are a regular feature of quality and safety control. DSMK conducts audits at all stages: from the production process of suppliers to stores. In 2021, the Quality Management System Department arranged for about 400 audits of production facilities of suppliers and about 18,000 remote and on-site audits of our stores. The findings of these audits ensure that facilities are maintained at the expected standards, and help inform policies and training programmes.

To increase understanding amongst our staff on the importance and role audits have in our operations, we filmed training videos, carried out trainings and organized webinars on such main topics as: "Personal hygiene", "Quality control", "Sanitary requirements for the premises of retail facilities", "Keeping own production logs", "Shell processing rules", "Production technologies".

Together with the Department for the Import of Goods, we have been conducting a pilot project on using external providers to audits suppliers' production facilities in order to obtain reliable information on their condition and prevent the risk of Magnit accepting low-quality and unsafe products.

# Product quality and safety (continued)

## Quality matters and customer communication

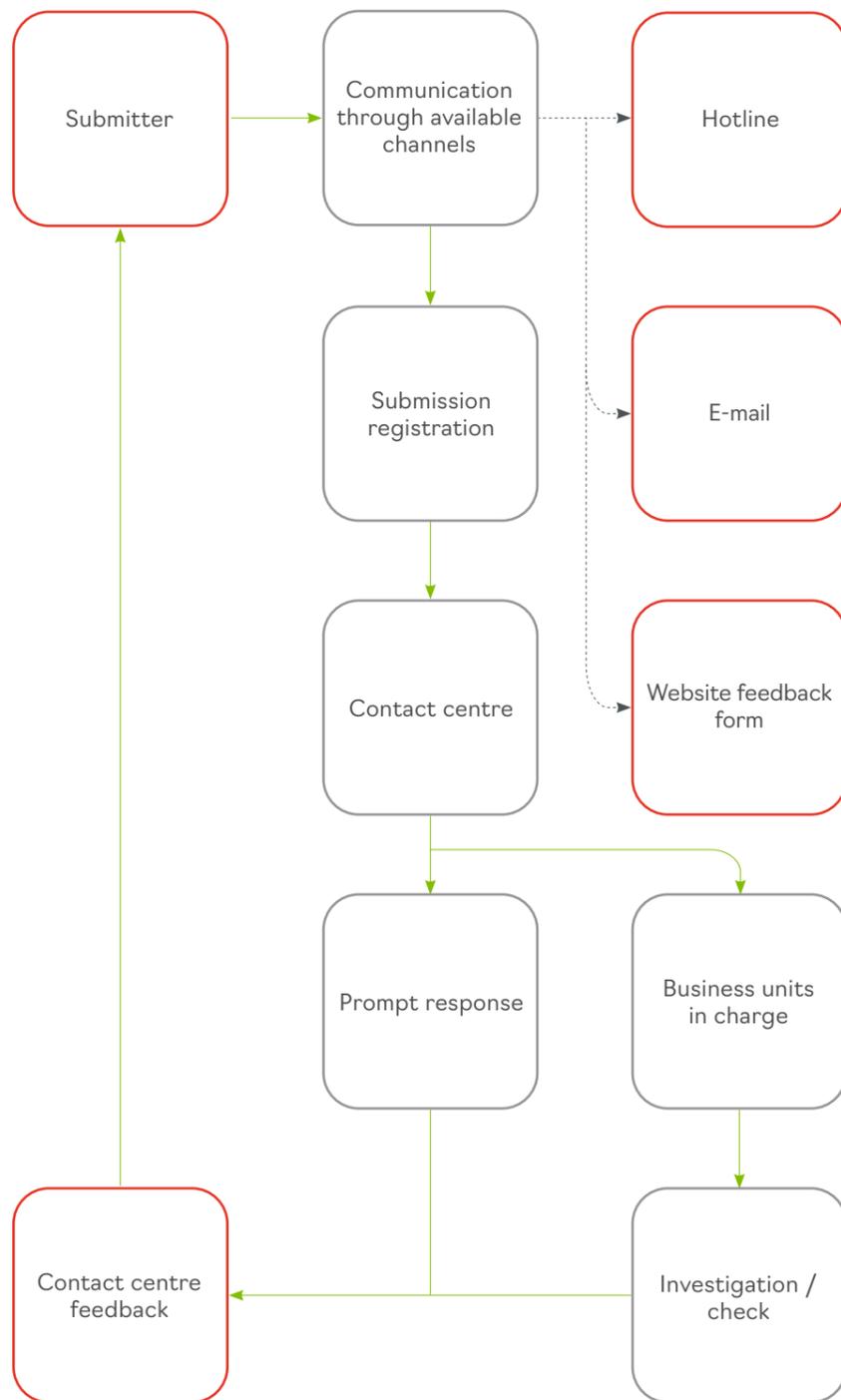
The Company has a contact centre that records all submissions using an automated system, including those on product quality, labelling and packaging. All submissions are thoroughly analysed by Magnit employees with a view to providing feedback to our customers. We pay close attention to customer comments, look into particular situations, conduct investigation and take corrective action addressing all the submissions received.

In 2021, Magnit received about 335,600 submissions from customers. The number of submissions has been growing since 2019, which is due to new openings and also to better work of employees with our automated submission handling system. We look into each of the submissions and provide feedback according to our submission handling process. The rate of the customer satisfaction with our responses went up to reach 80% in 2021 versus 75% in 2020.

Where a product does not meet the required standards and is flawed, we discuss it with the relevant supplier and make sure they correct the situation. The product items already sold are recalled, and the remaining ones are not offered in our stores any more. In addition, Magnit and its suppliers jointly work on improving the product quality and preventing low-quality goods from getting to our shelves.

about **335,600** submissions from customers in 2021

## Handling Magnit customers' submissions



## Customer surveys

It is essential that we take customer opinions into account when selecting products for our stores, designing advertising campaigns, setting prices and planning promos. We regularly do customer satisfaction research, both online and through interviews to get NPS results. In 2021, our NPS showed positive dynamics across all formats. In 2022, we are planning to launch a project to assess satisfaction with visits to our stores.

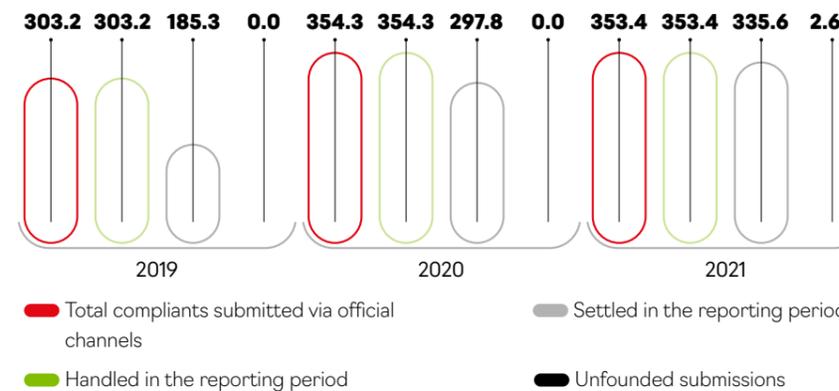
We hold annual customer satisfaction surveys, including with regard to the Company's sustainability progress. The 2021 survey results confirmed that our customers are keen to learn more about sustainable development. The survey findings showed that

— A vast majority of the recipients (96%) agreed that Magnit thoroughly controls the quality of products it sells

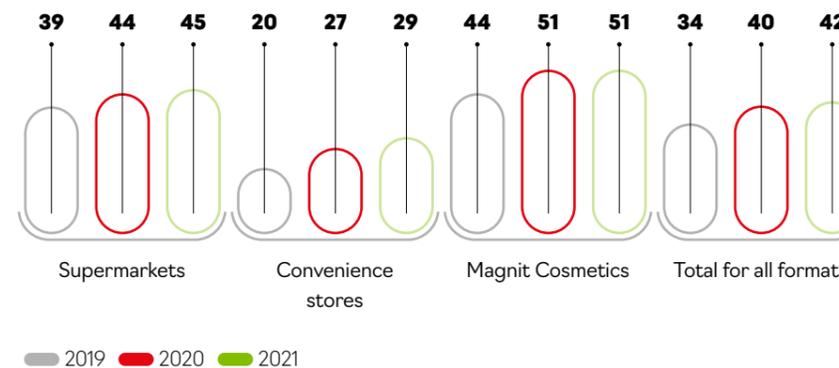
- Most of the recipients (90%) pointed out the Company's responsible approach to its own agricultural and food production
- 88% agreed that we work with companies operating in compliance with labour, environmental, ethical and social standards
- On average 75% agreed that we keep accurate records of our food and plastic waste which is sent to landfill
- Only 64% agreed that we keep accurate records of our water and energy consumption
- Just over half (57%) believe that we keeping accurate records of our GHG emissions

Whilst the results show a positive response to the quality of our products and our approach to production, the survey also prompts that we could be doing more around climate related topics, and promote a greater understanding of the work we are already doing to our customers

## Customer submissions



## NPS by Magnit formats



# Own production

## Material topics

**Product quality**  
and safety

**Environmental**  
stewardship

## Priority SDGs



## 2021 highlights

- **Magnit's own production** totalled 362,000 tonnes, up 17% YoY.
- An initiative was launched to use **sustainable packaging** for private labels.
- **We piloted a vertical greenhouse** next to the superstore in Krasnodar in partnership with the Israeli company Vertical Field.
- **Magnit was certified for compliance** with the international Food Safety Management System (FSSC 22000-2018).
- **Company's own products** received 22 gold and 15 silver medals, as well as 63 diplomas following participation in various quality assessment competitions in 2021.



## Key documents

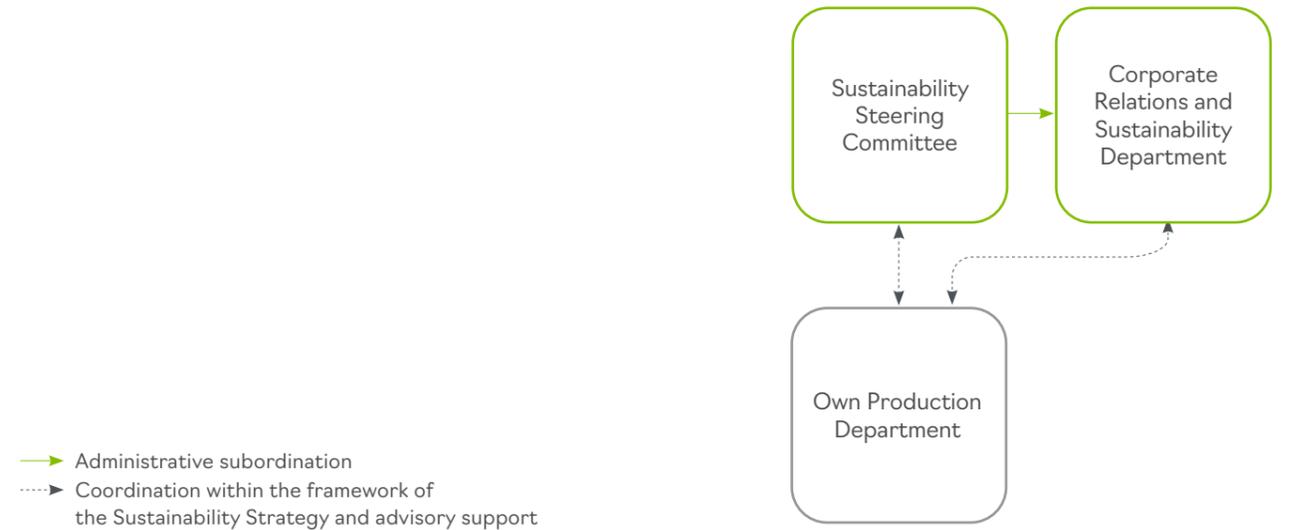
### Magnit's policies and documents

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

### External documents

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

## Corporate governance structure



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

## Progress towards our goals

Strategic goal to 2025	2021 highlights
 <b>100% responsible own production and agriculture</b>	<ul style="list-style-type: none"> <li>– Magnit checks both its own packaging materials and those of its suppliers to ensure that the packaging is as sustainable as possible.</li> <li>– Magnit assessed the feasibility of using green packaging for its private labels. As at the end of 2021, 38.5% of SKUs were ready to be promptly transitioned to sustainable packaging, 24.5% could be transitioned after investing into raw materials for packaging, and 37.0% were not ready for the transition due to the current lack of optimal solutions.</li> </ul>

## Our approach to management

We offer our customers the best quality to price ratio thanks to our own production that enables us to monitor quality at all stages of the production cycle and avoid extra mark-ups on goods.

Magnit is the only food retailer in Russia with its own food production facilities. Magnit's production assets are spread across 7 regions of Russia and include 13 industrial production and 4 agricultural complexes that supply our shelves with confectionery, pasta, pastry, and frozen ready-to-cook products, as well as fresh vegetables, herbs and mushrooms all year round. Combined, Magnit's in-house production facilities deliver more than 360,000 tonnes of goods every year.

# Own production (continued)

The Company's own products are manufactured under its private labels – My Price, Magnit, and Magnit Freshness. In total, industrial production complexes supply the chain with around 760 SKUs.

Magnit's largest facilities are located in the Krasnodar Territory. One of them is the Green Line greenhouse complex, which covers over 86 ha and grows organic vegetables and herbs. Magnit's industrial park in Krasnodar is home to Kuban Baked Goods Factory and Konditer Kubani, two of the Company's largest food production assets for manufacturing pastry, pasta and confectionery products. These facilities are equipped with modern production lines and meet high quality assurance standards. Magnit also owns one of Russia's largest mushroom growing facilities which almost completely satisfies its need in fresh champignons.

In late 2020, we launched the Tikhoretsk greenhouse complex, which reached its design capacity in 2021 and became the Company's largest greenhouse facility spanning 247 ha. In 2022, we plan to begin the construction of a berry production facility, which will enable Magnit to substitute a significant portion of imported berries with domestic ones, especially out of season. The facility is scheduled for launch in 2023.

## Greenhouse production

Magnit owns two greenhouse complexes for growing vegetables, as well as one of the largest mushroom growing facilities in the country.

The greenhouse complexes use hydroponics to produce a stable yield, maximise output, whilst reducing the consumption of water and fertilizers, and preserving large areas of land from intensive use. This highly efficient production method ensures we can make available all year round this otherwise seasonal produce, thus reducing the carbon footprint of imports.

The mushroom growing facility has a reservoir to collect rainwater which is later used for making compost. This approach reduces the intake of water from the nearby artesian wells, as well as the production process costs. This technology helped save 4.2 thous. cbm and 4.5 thous. cbm of drinking water in 2021 and 2020, respectively; in total, this volume is comparable to the area of 3–4 Olympic-size swimming pools.

We continually explore new technologies that would unlock more sustainable and organic solutions for growing agricultural products. For example, we actively leverage entomophagy (insect predators), which is an eco-friendly and highly effective way of combating pests. We are also looking into robotics to minimise human interaction with crops.

Grain crops and vegetables span 3,566 ha of our arable lands, where we have adopted deep tillage technology to reduce soil erosion. We take every effort to minimise chemical load on plants and land and use alternatives wherever we can.

Year after year, Magnit has been implementing an initiative to reduce its environmental footprint by using CO<sub>2</sub> exhausted from boilers for additional fertilizing. Not only does this help reduce our carbon footprint, but also boosts the vegetable yield by up to 15%. The use of the system resulted in reduction of CO<sub>2</sub> emissions at Plastunovskaya Greenhouse and Tikhoretsk Greenhouse complex by 15% and 18%, respectively. The initiative is equivalent to planting more than 165,000 trees a year in terms of CO<sub>2</sub> reduction.

Magnit's own production

**totalled over 360,000 tonnes**

industrial production complexes supply the chain with

**around 760 SKUs**

## Vertical greenhouse

In autumn 2021, we opened our first vertical greenhouse in partnership with the Israeli company Vertical Field. The greenhouse, located next to the superstore in Krasnodar, has begun growing four types of herbs. Having an urban farm like this gives us confidence in our ability to provide a stable year-round supply of fresh produce to stores without any seasonal restrictions. Thanks to this herbs growing technology we are able to save on logistics costs associated with delivering produce to stores. Besides, the technology needs approximately 90% less water as compared to conventional greenhouses.



The reduction of GHG emissions from refrigeration equipment used in own production is a major focus for Magnit. To this end, the Company is reducing its consumption of Freon (R22), replacing it with an eco-friendly, bio-degradable refrigerant for air conditioning and process needs of in-house production.

In 2018, two refrigerator plants fitted with ammonia refrigeration units were constructed and commissioned at Kuban Factory of Bakery Products and Kuban Confectioner located in the Krasnodar industrial park. They are used for maintaining climate control and for process operations.

In its responsible production, Magnit exercises a proactive approach to mitigate its potential environmental impact and reduces its GHG emissions in line with the applicable ESG requirements.

## Quality of products

Magnit's own production facilities have implemented the Food Safety Management System based on HACCP<sup>1</sup> principles and are certified in accordance with GOST R ISO 22000-2007 and the international Food Safety System Certification (FSSC 22000 v.5).

In 2021, two of Magnit's largest production facilities, Kuban Factory of Bakery Products and Kuban Confectioner, as well as Tverskoye, a subsidiary of TD-Holding, received certificates of compliance with the international Food Safety Management System (FSSC 22000-2018).

## Case: Lean production

The Company's Own Production Department has a Lean Production Unit that has been continuously operating since 2019.

Lean production is a management approach based on improving product quality while reducing all types of losses with an aim to optimise the production process and thus reduce customers' costs.

Our own facilities employ various tools and techniques of lean production, including 5C, a rationalisation and continuous improvement system, SMED, and elements of TPM.

This area is inextricably linked to the economy, employee development, environmental protection and energy efficiency.

Our lean production efforts have earned national recognition: in 2021, the team of Kuban Confectioner secured second place in the first Rationalisation and Productivity Cup – Process Factory competition run by a non-profit organisation Skills Development Agency (Worldskills Russia).

In the Krasnodar Territory, TD-Holding earned a silver medal in the Path to Perfection contest, a lean production technology competition.

<sup>1</sup> HACCP (HAZARD ANALYSIS AND CRITICAL CONTROL POINTS) IS A SYSTEM FOR IDENTIFYING, ANALYSING, CONTROLLING AND MANAGING FOOD PRODUCTION RISKS.

## Own production (continued)

### Using green packaging

Every year, we seek to increase the share of green packaging used for private label SKUs and our own products. Concurrently, we are exploring innovations for reducing the total amount of packaging and are looking for ways to increase the share of bio-degradable materials that we use.

We assess packaging materials of our suppliers to ensure that our packaging is as sustainable as possible.

Our counterparties that deliver plastic packaging for Magnit's production needs have switched to shrink wrap made of recycled plastic and are supplying the Company with thermoplastics for the bulk of our recyclable plastic packaging.

Since 2019, we have reduced our packaging material thickness by 9.5% and continue our optimisation efforts. This approach helps reduce the amount of total packaging waste without sacrificing productivity.

In 2021, Magnit launched an initiative to use green packaging for private labels. Green packaging is recyclable and contains no components harmful to people, such as phosphates, phthalates, active chlorine, heavy metals or other hazardous substances. The materials are dye and fragrance free and are not toxic to aquatic life.

As part of this project, we check packaging of all private labels and own products. So far, we have assessed nearly 2,000 SKUs, taking into account the following characteristics of each product:

- sustainability of the current packaging,
- timing and cost of transition to green packaging,
- readiness of suppliers to transition to green packaging.

Currently, 38.5% of Magnit's SKUs are ready for an immediate transition, while the packaging of 24.5%, although can be replaced, will require further work to find better solutions. 37% of SKUs will require a more innovative approach, as introduction of eco-packaging for those goods would significantly affect the cost of production, thus making them less marketable.

We are currently in the process of converting the entire private label product range to eco-packaging, which would enable us to track progress as regards the share of green packaging versus conventional packaging used for private labels. In addition, we are on a working group on the ECR platform designed to exchange experiences between manufacturers and retailers to improve the quality of products and customer service. As part of the working group, Magnit engages in discussions on an industry standard for green packaging with suppliers and retailers from 20 European countries.

In June 2021, we launched Gardenica, our private label for eco-friendly household cleaning products. Gardenica products are safe for humans and the environment, with all packaging made from recyclable materials. The development of this product range reaffirms Magnit's commitment to provide affordable, reliable and eco-friendly products and encourages our suppliers to follow suit..

 (For details on our Gardenica brand, see Responsible marketing).

### Our accolades

In 2021, Magnit's responsible own products and private labels were featured in a number of quality awards, yielding the Company 22 gold and 15 silver medals, as well as 62 diplomas.

For the third year running, we successfully participated in the international Quality Assurance awards. In the reporting year, 19 SKUs garnered gold medals, which is the highest possible award, while 10 SKUs brought home silver medals and another two were awarded with diplomas.

Our facilities were also featured in the 100 Best Goods of Russia nationwide competition for the second year in a row. Following the regional and federal stages of the contest, 9 SKUs were awarded prizes, with another 15 receiving diplomas. Besides, this year's competition was a major milestone for our production facilities, which, for the first time ever, received the Taste of Quality award.

**22** gold medals

**15** silver medals

were awarded to Company's own products in various quality assessment competitions in 2021

# Responsible marketing practices

## Material topics

**Responsible marketing**

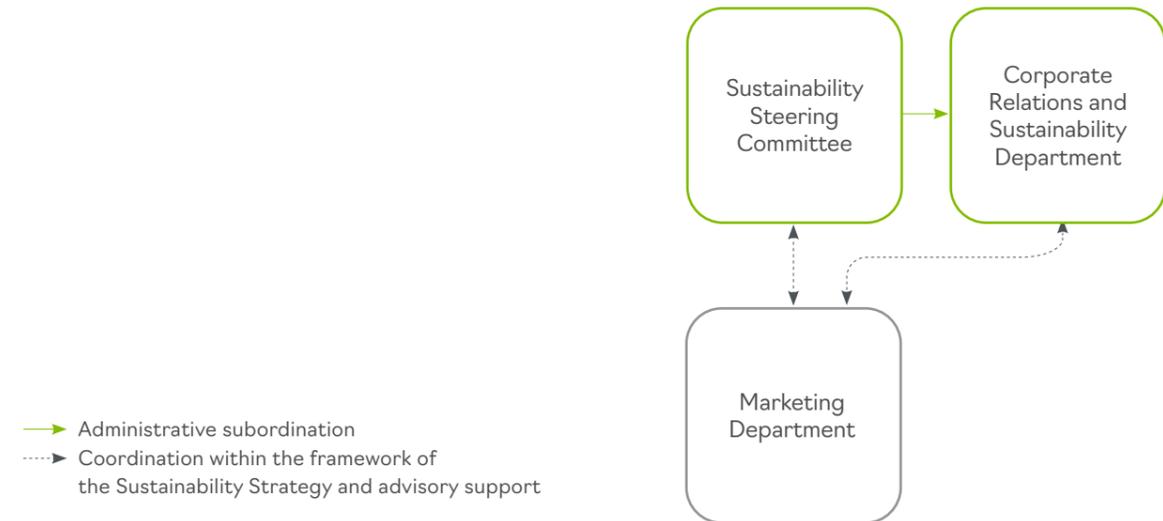
## Priority SDGs



## 2021 highlights

- **Opening of three new playgrounds built** entirely from recycled plastic as part of the Give Plastic a Second Life initiative launched jointly with Procter & Gamble.
- **Launch of Gardenica**, Magnit's own brand of eco-friendly household cleaning products.
- **17 joint partnership projects** aimed at raising customer awareness of sustainability, environmental protection and charity.

## Governance structure



## Key documents

### Magnit's policies and documents

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

### External documents

- Federal Law No. 38-FZ "On advertising"

## Our approach to management

We deeply value the trust of our customers, suppliers and partners. When developing marketing initiatives, we recognise the impact of advertising on the society and take a responsible approach to communicating reliable information. Our marketing initiatives, including advertising, promotional campaigns and social projects, always fully comply with legal regulations, ethical standards and voluntary commitments.

Magnit recognises the importance of ensuring that the food and non-food products we manufacture and sell boast the highest degree of quality and safety. We also seek to ensure transparency as regards our products and communicate information on the safety and quality of our food and non-food goods to our employees, customers and other stakeholders.

As one of the nation's largest retailers, we have the power to influence the habits of a wide range of customers and thus aim to promote the principles of sustainability both through our private labels as well as through partnerships with major brands whose products are sold by Magnit.

We aspire to improve the quality of life of our customers all across Russia. Our marketing tools are aimed at promoting healthy lifestyles and products for a well-rounded diet. We place a particular focus on monitoring marketing communications relating to alcohol and tobacco products. Safeguarding our customers' personal data that can be used for marketing purposes is an overriding priority for Magnit.

(For details on personal data protection, see Information security).

# Responsible marketing practices (continued)

## Green marketing: Gardenica, a brand of eco-friendly household chemicals

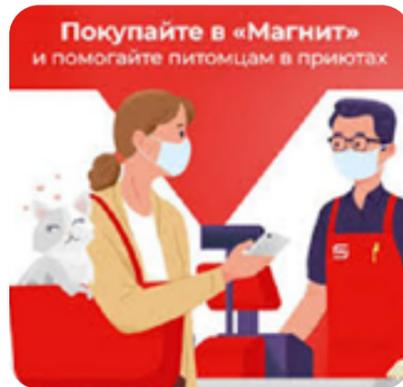
In June 2021, we launched Gardenica, our private label for eco-friendly household cleaning products. The development of this product range reaffirms Magnit's commitment to provide affordable, reliable and eco-friendly products and encourages our suppliers to follow suit.

Gardenica products are safe for humans and the environment, with all packaging made from recyclable materials. Gardenica is the first private label of consumer goods in Russia to be certified under the international Vitality Leaf standard.

Gardenica's assortment comprises 19 SKUs; among them are laundry, household cleaning, dishwashing and baby care goods. These products are stocked on special 'eco-shelves' in Magnit Family and Magnit Cosmetics outlets.

## Partnership projects

We actively promote sustainability initiatives by cooperating with our partners, major producers of food and non-food goods. In 2021, we implemented 17 joint partnership projects aimed at raising customer awareness of sustainability, environmental protection and charity.



### Animal care

Magnit launched a charity campaign as part of its mutual loyalty programme with the pet food manufacturer Pedigree. Following the two-month project, the dog food manufacturer Mars donated 5% of sales revenue received as part of the campaign to homeless animals foundations.



### Environmental protection

In 2020, Magnit partnered with Procter & Gamble to foster sustainable development in Russia. One of the bigger sustainability initiatives launched via this partnership was the social and environmental campaign named Give Plastic a Second Life. Through this initiative, we have launched 73 reverse vending machines for collecting household plastic in Moscow, Krasnodar, Adler, St Petersburg, Nizhny Novgorod and Sochi. In 2021, the recycled plastic was used to build five playgrounds.



### Social initiatives

In April 2021, we supported an initiative launched by the baby food manufacturer Agusha, under which Wimm-Bill-Dann donated RUB 1 to the Naked Heart Foundation from each own-brand cream yoghurt with the #RightToBeHappy label sold. For Agusha products bought in our stores, the amount donated to the fund would double.



### Educational projects

Magnit seeks to instil respect for the environment into the nation by organising and participating in public educational campaigns. The Eco Curious Academy was one of the initiatives launched jointly with Henkel Rus in 2021. Customers who met the conditions of the promotional campaign were given access to online classes on ecology and responsible consumption.

We also took part in a women's health project launched jointly with Kotex, a manufacturer of feminine hygiene products, and organised giveaways for customers with a guaranteed prize of an online course on women's health.

**17** joint partnership projects were implemented in 2021

ПРИВОЗИМ СЕЗОННЫЕ  
ФРУКТЫ И ОВОЩИ.  
ВЕДЬ В КАЖДОМ СЕЗОНЕ  
ЕСТЬ ЧТО-ТО ХОРОШЕЕ

## CHAPTER 7

# Health and well-being

# Health and well-being

## Material topics

**Promotion** of healthy lifestyles

## Priority SDGs



## 2021 highlights

- **Establishment of an international coalition** with eight major FMCG producers under the United for Healthier Future Initiative to improve the quality of life for consumers and local communities.
- **Launch of the 'Raising Responsible Consumers Together'** joint project with Nestlé aimed at fostering a nutrition culture among schoolchildren.
- **Partnership** with the Federal Research Centre of Nutrition, Biotechnology and Food Safety.
- **Establishment of the pro.healthy habits club** as part of the loyalty programme to provide customers with reliable information on healthy lifestyles and beauty trends.
- **Beginning of My Magnit magazine's transition** to the Gastronom digital media portal to publish content about healthy lifestyles, nutrition and products available in Magnit stores, and tap into new audiences.
- **In 2021, Magnit scrutinised its private label assortment** to increase the share of healthy products in its own production.

Sales of private label health products amounted to

**RUB 41,487 mln**



## Progress towards our goals

Strategic goal to 2025	2021 Performance
 <p><b>Healthy lifestyle products are available to all our customers</b></p>	<ul style="list-style-type: none"> <li>– The number of Health Islands in our supermarkets increased to 228; the popularity of this product category grew by 9%</li> <li>– Sales of private label health products amounted to RUB 41,487 mln, which accounts for 27% of private label sales</li> </ul>
 <p><b>Information about healthy lifestyle and nutrition is available to all our customers</b></p>	<ul style="list-style-type: none"> <li>– We increase our nationwide outreach by implementing new partner projects to educate people on healthy lifestyles while actively developing our own initiatives</li> </ul>

## Key documents

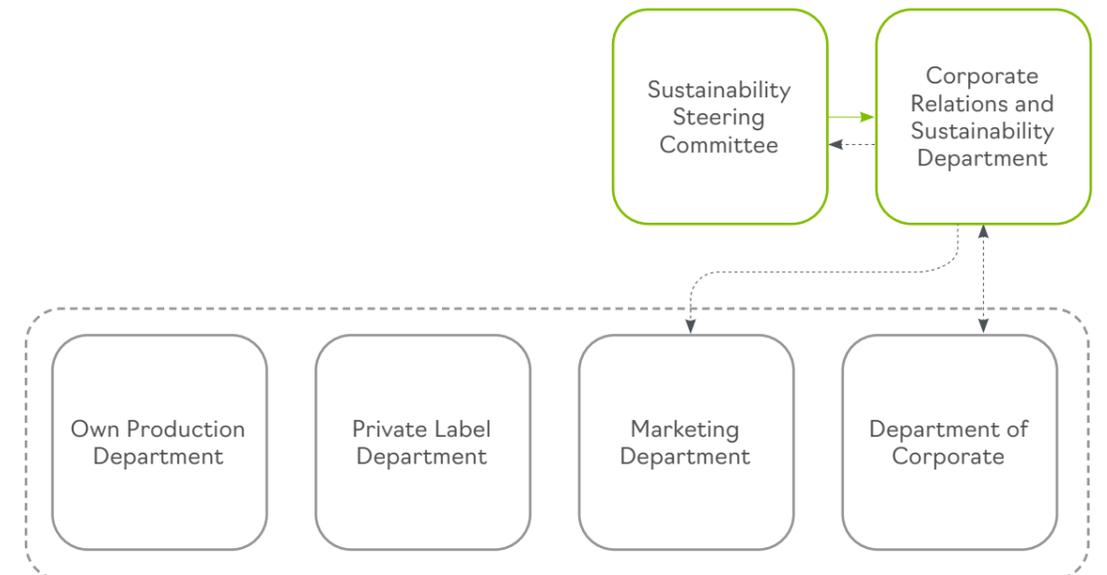
### Magnit's policies and documents

- Health and Wellness Policy
- Quality, Food & Non-Food Safety Policy

### External documents

- Code of Participants in United for Healthier Future Initiative
- Federal Law No. 47-FZ "On food quality and food safety"
- Healthy Nutrition federal project as part of the Demography national project
- World Health Organisation (WHO) healthy lifestyle guidelines
- Commitments of responsible companies to ensure the availability of healthy foods (Tokyo Nutrition for Growth Summit 2021)

## Governance structure



→ Administrative subordination  
 -.-> Coordination within the framework of the Sustainability Strategy and advisory support

# Our approach to management

As Russia's leading retailer, we operate in 3,898 towns and cities in Russia, and our brand is well known and trusted by more than 15 million customers across 26,077 stores who encounter us daily. Magnit's headcount exceeds 360,000 people, which grants the Company a unique opportunity to develop and promote healthy lifestyles among our customers and employees, as well as other stakeholders we engage with.

**Our aim** is to promote healthy lifestyles by providing customers with access to healthy, safe and quality products, as well as reliable information on healthy nutrition and a balanced diet.

Our commitment to promote healthy lifestyles and spread knowledge about good nutrition is enshrined in the Company's Sustainability Strategy 2025.

more than **15 million** customers across 26,077 stores who encounter us daily

To follow through on this commitment, we pursue a wide range of projects and initiatives leveraging the Company's own resource base, while continuously looking to expand our toolkit and enhance the existing approaches. We educate people about the rules of a balanced diet and the basic healthy lifestyle principles. Magnit is increasing the share of healthy products in its entire assortment, laying a particular emphasis on quality and affordability. The Company is fully aware of the synergies that come on the back of partnerships with major retail players and food manufacturers. By pooling resources and communication channels, implementing joint projects and campaigns, we significantly increase our outreach, which in turn empowers us to improve the health and well-being of the entire nation.

In 2021, we conducted an in-depth analysis of Magnit's existing practices and planned initiatives, as well as partner health and well-being projects. Based on this analysis, Magnit has begun to develop a detailed roadmap and quantitative targets for both creating a healthy food basket and promoting healthy lifestyles among customers, employees and the general public.

## Magnit's approach to public health and well-being



\*Magnit's current activities (see Quality)  
 --- Partnership projects

# Healthy food basket

Magnit seeks to offer a wide range of products that will enable customers to shape their shopping basket in line with the WHO nutritional guidelines and their personal needs. The Company continuously works to increase the share of healthy products on the shelves in general and in its own production mix in particular.

## Selection of healthy foods in all categories

To determine whether or not a product can be categorised as healthy, the Company has developed a system for rating all food products, including its private labels.

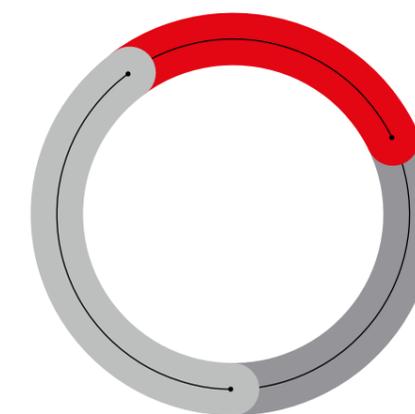
In 2021, Magnit defined an approach to composing the healthy food basket and assessed all product categories according to WHO recommendations and Russian standards. The healthy basket includes basic groceries, such as fruits, vegetables, cereals, dietary and diabetic foods, as well as portion-sized products like pasta, tea, coffee, juice, etc. As at the end of the reporting period, 28% of the private label range were healthy products that could be added to the basket.

Another 32% of the chain's products require optimisation, such as reduction of fat, sugar and salt content. Once their formulation has been improved, these products will be assessed for their health benefits and may be included in the healthy food basket. 40% of products are not planned for inclusion in the healthy basket, but Magnit will continue looking for ways to optimise their ingredients, make them healthier and ramp up the supplies of these categories from farmers.

The Company plans to have all its products categorised under this system and go on with initiatives to enhance the nutritional value and health benefits of its private labels and suppliers' products alike.



## Share of healthy products in private labels and the overall assortment mix, %



■ **28** Healthy food basket  
 ■ **32** Products to potentially be added to the basket  
 ■ **40** Other product categories

## Healthy food basket (continued)

### Supplier engagement and Company's initiatives

The goods from local producers take a special place in the Magnit's assortment of healthy products. To increase the share of farm products on its shelves, the Company simplifies contracting with domestic agribusinesses (for details, see Sustainable sourcing). 305,000 tonnes of products were supplied to our stores in 2021 under such contracts, while the number of partners among local producers stood at around 2,500. In the reporting year, we also doubled the number of Farmers' Shops and Farmers' Yards to 300 and 185, respectively.

Health Islands are Magnit's another initiative to increase the accessibility and awareness of healthy products. As part of this initiative, we set up dedicated sections in our stores, stocking them with natural products, superfoods, dietary and sports products, as well as sugar- and gluten-free goods. As at the end of 2021, 228 Health Islands were set up in Magnit's supermarkets, superstores and Magnit Family outlets, which is 70% more than there were in 2020. The Company plans to set up health islands in its convenience stores as well.



In 2021, Magnit launched the Special foods section in its delivery app. The section displays healthy products and vitamin supplements, as well as products for people with special nutritional needs, such as gluten- and sugar-free products and sports foods. Not only does this solution help make healthy products more accessible to our customers, but also serves as an additional communication channel to raise awareness of the importance of healthy lifestyles among the app users.

### Partnership with Coop Italy

In 2021, we continued our cooperation with Coop Italy, Italy's largest supermarket chain, which comprises 6.8 million independent members and claims an over 14% share in the Italian retail market.

One of our key lines of engagement is the supply of so-called 'free from' products, i. e. foods free from gluten or other substances for people with special nutritional needs. Our effective 'free from' assortment currently includes gluten-free and organic pastas. Sales of certain SKUs supplied under the agreement with Coop increased by 53% YoY. We also plan to arrange the supply of gluten-free biscuits and diabetic products.



# Promoting healthy lifestyles

We believe that our customers can keep a healthy and balanced diet by making informed product choices, which is why we are continuously working to raise awareness of healthy lifestyle principles. The Company's initiatives, including the Raising Responsible Consumers Together programme, My Magnit magazine, and our pro.healthy habits club, are aimed at promoting responsible and mindful consumption. By publishing consumer-oriented articles in its magazine or on its website, the Company disseminates information about healthy nutrition and a balanced diet, which in turn helps customers compose their own food basket by combining products from different categories while adhering to the principles of healthy eating.

### United for healthier future

In 2021, Magnit furthered its efforts to promote sustainability principles among partners and customers: The Company joined eight major FMCG producers in signing the Code of Participants in United for Healthier Future Initiative.

The initiative pledges to improve the quality of life for consumers and local communities in Russia. Signatories to the Code in 2021 include Nestlé, Johnson & Johnson Consumer Health, Danone, Mars, PepsiCo, L'Oréal, Procter & Gamble, as well as Boston Consulting Group.

Project participants cooperate in three areas: Self Care, Community Care, and Employee Care, in support of the goals of the Strengthening Public Health federal project (part of the Demography national project). Together the organisations are tasked in actively promoting healthy living and environmental care, and supporting the development of unified requirements to educational outreach in the field of healthy living and ecology.

### In signing the Code, Magnit has made the following commitments:

#### Education

To provide information to consumers and employees that support raising health awareness, encouraging more responsible consumption, and increasing interest in balanced nutrition, healthy living, disease prevention, and environmental care

#### Availability

To offer consumers goods, comprehensive solutions, and services aimed at increasing the attractiveness, accessibility, and affordability of healthy living and environmental care. The members will also strive to increase the share of food and associated products for healthy living and environmental care in the consumer basket

#### Partnerships

To remain open to cooperation with retailers, FMCG producers, public authorities, research institutes, and other stakeholders with a view to sharing relevant experiences in promoting healthy living and environmental care

#### Research

To support studies aimed at identifying consumer trends and the level of consumer awareness with regard to healthy living and environmental care

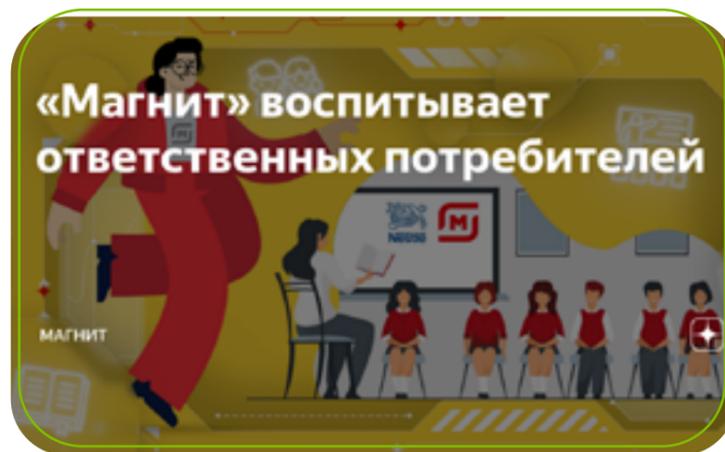
# Promoting healthy lifestyles (continued)

## Raising responsible consumers together

Magnit's first joint initiative with Nestlé is supporting the launch of the Raising Responsible Consumers Together project, which will become part of the Good Nutrition Talk educational programme.

As part of the programme launched in September 2021, teachers give online lessons aimed at fostering a culture of healthy eating among schoolchildren aged seven to twelve. Children attending these classes are taught to maintain a balanced diet and be responsible consumers, and gain practical knowledge about healthy lifestyles. The project has been backed by the Federal Research Centre for Nutrition, Biotechnology and Food Safety and spans 648 schools in 60 regions of Russia with the support of regional education departments.

During extracurricular activities, schoolchildren learn about the standard



assortment of different store departments, gain knowledge on how to choose products, find and understand the key packaging information, and get to know about commerce-related jobs as well as the rights and responsibilities of consumers with the help of their teacher. It is the combination of the basics of good nutrition and mindfulness of rational consumption and use of food that will help foster a culture of health in the younger generation.

To make children and teachers more involved in the project, the initiative includes a photo contest. All participants who submit photo reports of their lessons are awarded with a Participant Diploma, with ten people's favourite teams receiving a Diploma and gifts from Magnit.

**648 schools**  
in **60 regions of Russia**  
are spanned by the project Raising Responsible Consumers Together

## pro.healthy habits club

The new thematic pro.healthy habits club was established to provide comprehensive, reliable and practical information on healthy lifestyles and beauty trends. Club members will have access to useful articles and recommendations, new product reviews and announcements, as well as tips and comments from experts. The club will also feature video tutorials and free workshops by beauty experts, as well as healthy and delicious recipes, tests, quizzes, and marathons.

The pro.healthy habits club is available through the Company's mobile app and provides its members with an access to increased bonuses for purchasing health and beauty products, personalised promotions, exclusive contests and giveaways, and special offers from club partners.



pro.healthy habits club  
<https://magnit.ru/info/beauty/>

## My Magnit magazine

Since 2020, the Company has been publishing My Magnit, a magazine for its customers exploring the topics of health and well-being. The magazine publishes articles about healthy lifestyles, beauty, nutrition and products available at Magnit, as well as other content, including as trends, tips, collabs with customers and bloggers, etc. To achieve high production value, we engage experts from various fields, such as renowned chefs, nutritionists and dietitians, beauty and health experts, athletes and trainers, Russian doctors and scientists, representatives of leading food producers, and our in-house specialists.

## Gastronom media platform

To facilitate the digital transition of its magazine, Magnit partnered with Gastronom, a leading culinary media in Russia, to develop an online media platform about food and healthy lifestyles. This partnership will enable Magnit to attract new audiences, enhance its communications with customers, and potentially create an additional source of both online and offline customer traffic.

For details, visit  
Project timespan  
10 September 2021 – 29 May 2022  
<https://www.prav-pit.ru/healthy-consumer>

My Magnit's latest issues:  
<https://magnit.ru/magazine/>

Gastronom media platform is available at  
<https://www.gastronom.ru/>



# CHAPTER 8

## Communities

# Communities

## Material topics

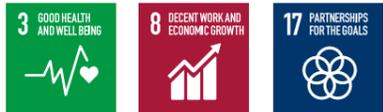
**Supporting**  
local communities

**Personnel**  
management and decent working conditions

**Sustainable**  
supply chain

**Creating**  
financial value

## Priority SDGs



## 2021 highlights

- **RUB 19 bln contributed to regional budgets** across the Company's geography
- **In 2021, Magnit added 870 Russian suppliers**, increasing the total number of its local suppliers by 19% YoY.
- **Over 4,500 employees completed training** on interacting with customers with disabilities as part of the Kind Bunny project.
- **The Kind Bunny – Inclusive City project** won second place at the #WEARETOGETHER international award
- **A Corporate Volunteering Programme** developed
- **5,600 volunteers took part in volunteer initiatives**, including community clean-ups, visits to infant orphanages and animal shelters, blood donations, and other activities.

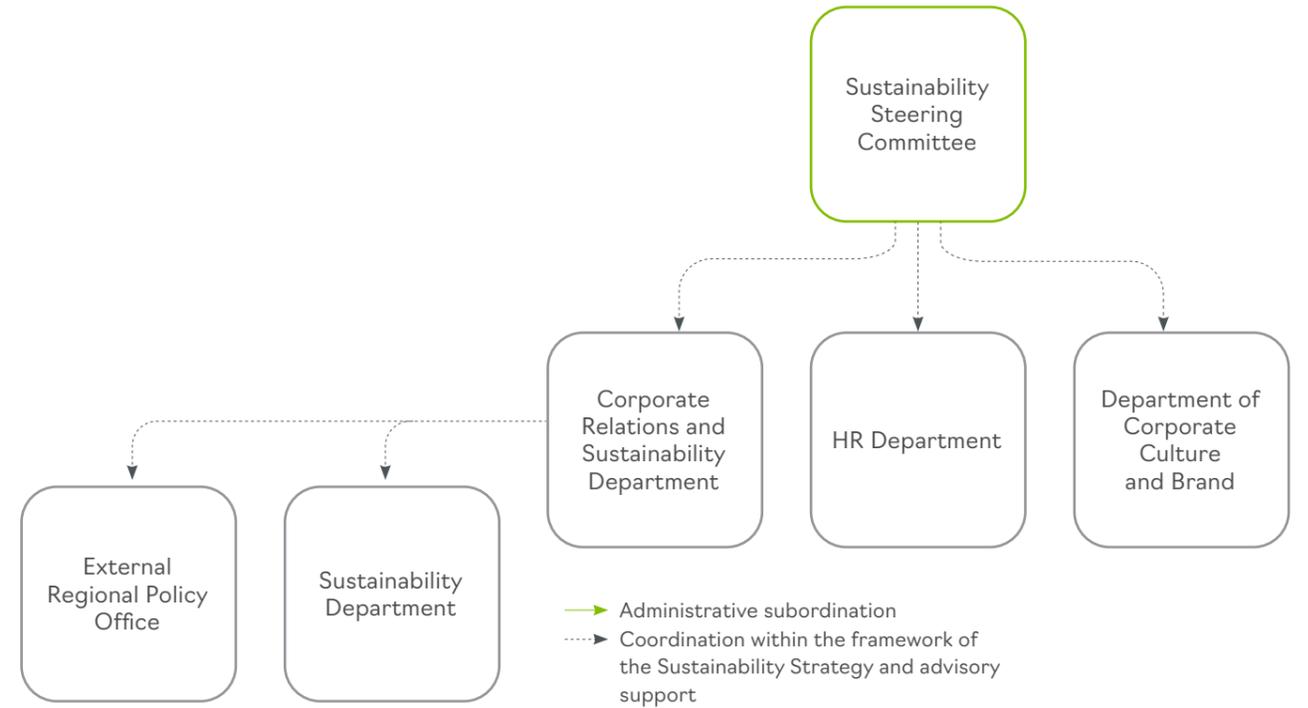
## Key documents

### Magnit's policies and documents

- Charity, Sponsorship and Volunteer Policy
- Magnit's Corporate Volunteering Programme



## Governance structure



## Progress towards our goals

Strategic goal to 2025	2021 performance
<p>10% volunteering employees</p>	<p>1.1% (2020)      2.5% (2021)</p> <p>3,500 (2020)      8,000 (2021)</p>
<p>Community programmes for all the regions of the Company's presence</p>	<p>– Social projects in 2021 covered all 67 regions where Magnit operates</p>



# Our approach

GRI 203-2, 413-1

As we expand our footprint across Russia, we seek to contribute to the development of these regions and improve people's well-being. For over 28 years we have provided local communities with quality and affordable products, fostering health and welfare of our customers and creating jobs.

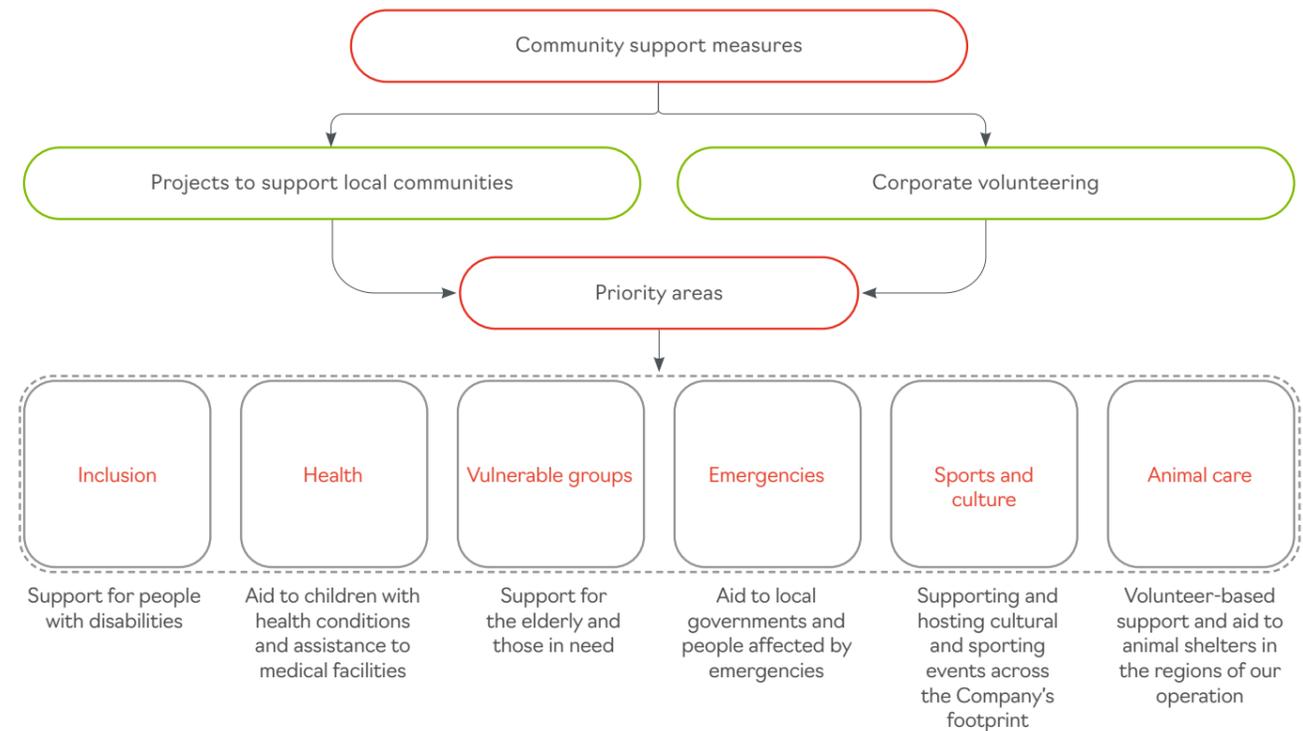
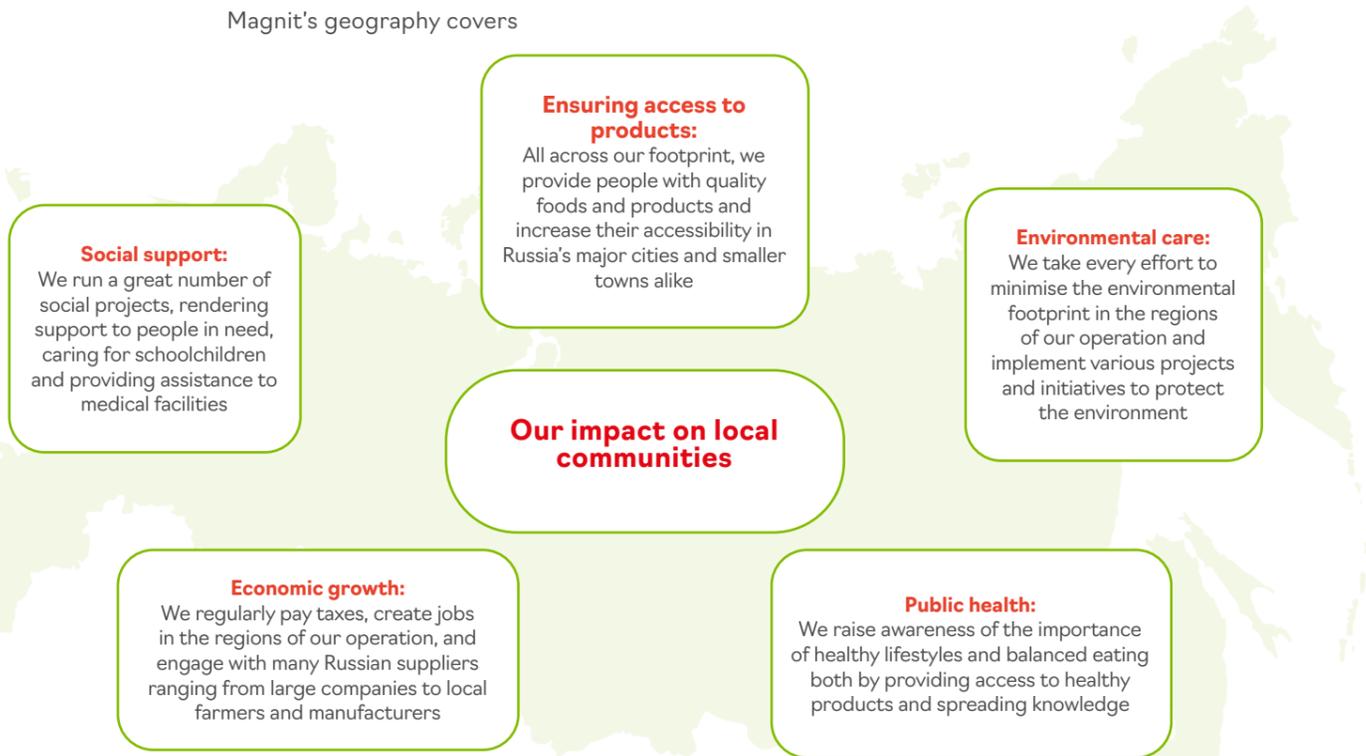
Magnit's Sustainability Strategy 2025 defines key priority areas and sets strategic social

goals for the regions where the Company operates, helping to engage our employees in corporate volunteering, charity work, and emergency assistance. Our activities are in line with UN Sustainable Development Goals and the priority charitable and volunteer initiatives set out in Magnit's policy. We work in constant dialogue and close cooperation with local communities across our footprint.

The goal of initiating local community development projects across our geography is enshrined in our Strategy 2025. Today, we are proud to report that Magnit has implemented projects to improve people's well-being in all 67 regions where it operates. To make our contribution most effective, we decided to focus on several priority areas.

**For over 28 years**  
we have provided local communities with quality and affordable products

over **133 million people**  
Magnit's geography covers



In shaping our approach to local community development we seek to understand and meet people's needs, helping to redress social and environmental problems in partnership with local authorities.

**Our partners in 2021**

In implementing our social projects, we have partnered with major international organisations and charitable foundations, including Mars, P&G, Nestlé, and Foodbank Rus.

## Engaging with local communities

Authorities	People	Charitable foundations	Educational and healthcare institutions
Magnit closely cooperates with local authorities by participating in government working groups and meetings. We also collaborate with the Federal Antimonopoly Service and the Ministry of Industry and Trade.	The Company is always open to dialogue with local communities, constantly surveying their needs and suggestions and engaging local suppliers. We also take into account the opinions of our employees, as they are usually well aware of the existing issues in their communities, including through social media.	Magnit partners with regional charitable foundations for joint events and volunteering initiatives in support of vulnerable groups.	To create a talent pool, we offer internships for students across our geography and help arrange third-party lectures and seminars. We closely collaborate with regional healthcare institutions, including as part of the effort to fight the COVID-19 pandemic.

# Key social projects

## Contributing to an inclusive environment

Federal project

### Kind Bunny – Inclusive City project

Since 2020, we have been sponsoring the Kind Bunny project, which seeks to create an inclusive environment in the retail and services sector by training employees to interact with people with disabilities



A pilot project launched in Veliky Novgorod

The pilot successfully implemented in the Northwestern Federal District

The project rolled out across Magnit's footprint

2020

2021

2022

In 2021, the pilot was expanded across Russia's Northwestern Federal District, with over 4,500 Magnit employees completing the training by the year end. They received badges with the project logo so shoppers would feel comfortable to approach them. More than 90% of our trained employees have given positive feedback on the project, with Kind Bunny stickers placed at the entrance to participating Magnit stores.

The success in the Northwestern Federal District inspired us to roll out the project across the Company's geography. In 2022, the training will be available to all our customer-facing employees. The stores with over 80% of their employees properly trained will display stickers with the project logo, providing a smoother shopping experience for people with disabilities.

In 2021, Kind Bunny – Inclusive City won the second prize in the business competition of the #WEARETOGETHER international award for helping people and promoting inclusivity. Held under the Russian President's aegis, the #WEARETOGETHER international award seeks to foster a culture of mutual assistance, support leaders of social change, and promote initiatives aimed at helping people and improving well-being.

over **4,500** employees completed the training in 2021



## Supporting vulnerable groups

Federal project

### Pure Happiness with Tide

In 2021, Magnit partnered with Procter & Gamble's Tide to launch a Pure Happiness with Tide charitable programme in 15 cities across Russia. As part of the project, residents could donate clothes they no longer needed by taking them to a mobile laundry. The collected clothes were thoroughly sorted, with items in good condition given to families in need and rags sent for recycling. People could also contribute to the project by buying Tide powder or liquid detergent at Magnit stores, with one rouble from each purchase going to fund clothing donations. In other cities, you could drop off your clothes in special containers or bring them to the collection points of our partners marked on the Useful City map.

## Emergency support

Southern Federal District

### Flooding in the Krasnodar Territory

Magnit provided humanitarian aid in the wake of devastating floods in the Krasnodar Territory, sending 3,000 food kits to Tuapse District and Goryachy Klyuch in July 2021 and 2,000 kits to Anapa in August 2021.

### Accident at a water pumping station in Krasnodar

In December 2021, we responded to the request from Krasnodar authorities by donating 1,500 five-litre bottles of drinking water following an accident at a local pumping station.

Central Federal District

### Donate Food project

In 2021, Magnit joined forces with the Tver Foundation in a charitable alliance to collect long shelf life food for vulnerable groups at five Magnit stores. During the first six months of the project, we collected as much as 1.5 tonnes of groceries, with volunteers helping to make food kits and distributing them to single pensioners and large families in need. In October 2021, eleven more stores joined the project in Tver and the Tver Region. Given its major success, we plan to carry on with the initiative.

## Supporting children

Northwestern Federal District

### New Year to Every Home

As part of the New Year to Every Home nationwide initiative, Magnit volunteers in St Petersburg and Leningrad and Murmansk regions visited children in hospitals and orphanages to wish them a happy holiday. The event is held annually by the Unified Volunteer Centre and the regional headquarters of the #WeAreTogether initiative in tandem with the Foodbank Rus and Magnit. Volunteers handed out around 2,000 sweet gifts donated by Magnit.

around **2,000** sweet gifts were donated as part of the New Year to Every Home nationwide initiative

## Key social projects (continued)

### Other initiatives

Magnit conducts a variety of projects aimed at protecting the environment and improving the quality of life in the regions where it operates.

- As part of the Farewell, Plastic Bag campaign, we installed drop-off boxes at our stores in Ufa to collect and recycle plastic bags, helping to clear the city of 250 kg of plastic waste.
- We supported community clean-up events held across the North Caucasian Federal District under the Clean Cities environmental initiative.
- The Company sponsored the construction of a playground at the Nadezhda Rehabilitation Centre for children with disabilities in the Republic of Dagestan.
- We took part in a tree planting campaign to improve the environment in the Belgorod region.
- Magnit helped organise the ECOquest project to promote environmental awareness, respect of nature, and waste sorting in the Saratov region.

about **250 kg** of plastic waste

was collected to help clear the city, as a result of the Farewell, Plastic Bag campaign

### Integrating DIXY: social projects

DIXY implements major social projects and targeted charitable initiatives across its geography, having spent a total of RUB 2.15 mln on these activities in 2021.

### Food to Help project

The Food to Help project is an annual joint project with the Foodbank Rus to donate food and non-food products to disadvantaged groups. During the year, volunteers conduct regular campaigns at Magnit stores to explain customers how they can take part in the charitable project and help them buy and place their donations in special boxes. Collection boxes have been installed in 80 DIXY stores in Moscow, the Moscow region (Khimki and Dolgoprudny), St Petersburg, Kaluga and Tula.

In 2021, the project won a grant from the Mayor of Moscow to manufacture and install an additional 60 boxes in DIXY stores. Over the year, more than 2,200 adults and 1,400 children received assistance as part of the project.

**1,400** children

and more than **2,200** adults received food and non-food products as a result of the project



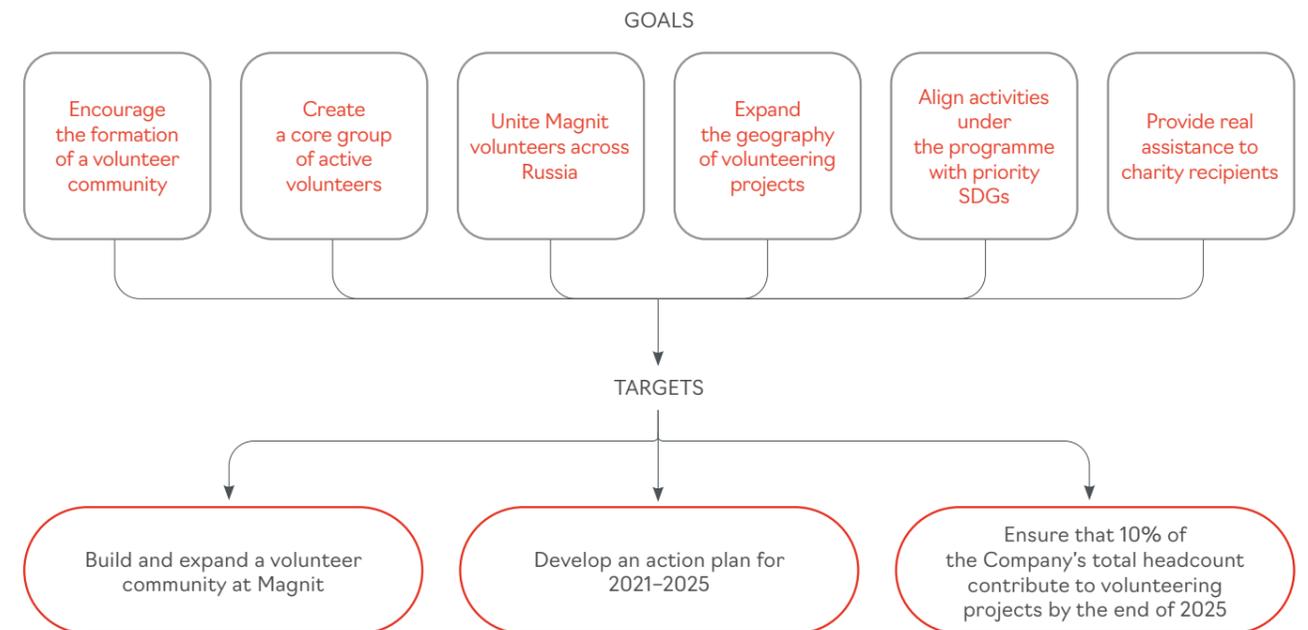
# Corporate volunteering

In 2021, Magnit launched a Corporate Volunteering Programme until 2025. The programme sets out clear quantitative targets for each year, outlines activities to achieve them, and defines a communication strategy to support and promote the programme.

The Corporate Volunteering Programme is a major cross-functional effort involving the Communications, Sustainability, and HR departments. The Company's top management took an active part in launching the programme at the beginning of the year to further underscore its importance for Magnit. In 2021, we achieved the target – 8,000 employees participated in corporate volunteering initiatives.

The programme includes a bonus scheme to encourage staff involvement in volunteering activities. Additionally, the programme envisages training courses for employees to help increase the efficiency of volunteering projects and improve the personnel's hard and soft skills. The programme is scheduled to kick off in 2022.

It has three focus areas: community, animal care and environmental care. In each of these areas we have planned a number of projects and initiatives.



### Community care

Siberian Federal District

### Excursions for children

In the summer of 2021, Magnit joined forces with the Ministry of Labour and Social Development of the Novosibirsk region to arrange volunteer-led excursions to the Novosibirsk Zoo for children from disadvantaged families. The initiative was part of Magnit's Corporate Volunteering Programme.



# Corporate volunteering (continued)

## Community care

### Central Federal District

#### Donor Day initiative in Voronezh

In Voronezh, employees of the head office and branches donated blood as part of the Donor Day. The Blood Service set up mobile stations for blood collection and transfusion.

### Siberian Federal District

#### Clothing donations for the poor – a joint project with the BlagoDarya charitable foundation

In the spring of 2021, our St Petersburg office launched a Yellow Container campaign. Interested employees could put their used, but still decent clothes into this container to be sold at a specialised store. All proceeds went to the Rzhevka charitable animal shelter.

### Southern Federal District

#### Grandson by Correspondence – a joint project with the Enjoyable Ageing Foundation

In the summer of 2021, together with the Enjoyable Ageing Foundation we piloted the Grandson/Granddaughter by Correspondence project. The goal of the project is to make nursing home residents feel that there are people who care about them. A birthday or holiday card from an unknown but well-wishing volunteer can warm up the hearts of the elderly and fill in the lack of communication they often experience.

Our volunteers acted through the Enjoyable Ageing Foundation to communicate with the nursing home residents. In 2022, we plan to roll out the project across our footprint



## Animal care



### Kind Purchase – a joint project with Mars Petcare

At nine Magnit hypermarkets, we installed boxes to collect animal food for the Krasnodog shelter, with our volunteers delivering it to the facility. A pilot launched in Krasnodar as part of a grants competition under the auspices of the Brave Ideas Fund will be expanded to other Magnit regions.

The initiative helped collect about two tonnes of dry and wet food for cats and dogs.

We are proud that our colleagues are willing to help those in need and contribute to a culture of volunteering at Magnit through personal example. Every year, we mark the Volunteer Day to celebrate our employees. In 2021, we did it online, congratulating and awarding diplomas to the most active volunteers across our geography.

### Visiting animal shelters

On 5 March 2021, our volunteers started a new tradition of visiting animal shelters during the year. Magnit employees all over Russia visit shelters to:

1. Bring food, medicine, and other essentials to shelters
2. Walk, comb, and socialise dogs and cats
3. Clean shelter grounds
4. Build kennels

We launched a campaign to collect animal food at Magnit offices, deliver it to shelters and walk dogs. About 90 people responded in the campaign's WhatsApp account, and that was in one city alone. We were off to a great start in spring and ended up having over 500 volunteers visiting shelters during the year in more than 20 cities across Russia.

## Environmental care

Every year, we join forces with local authorities to arrange community clean-ups across our footprint. In 2021, over 4,000 Magnit employees took part in these events. Throughout April and May, they worked hard to tidy up our cities by sweeping and cleaning squares, parks, and waterfronts.

In Volgograd, our colleagues spruced up the embankments of Volga. In the Novosibirsk region, we helped clean the huge Kudryashovsky Bor nature reserve and the I believe in Life horse shelter at the reserve. In Samara, Magnit employees participated in cleaning the grounds of the Solnyshko and Rovesnik orphanages. In Voronezh, we combined the community clean-up activity with the Children's Day, arranging a fun family event.

### Brave Ideas Fund's project – United for Healthier Future

Brave Ideas Fund's joint project with Mars – United for Healthier Future – attracted more than 260 applications from Magnit employees for projects to improve well-being. The project included a grant competition for volunteering initiatives. Of more than 120 applications, 12 received grants for RUB 50,000, including six for projects to help homeless animals.

We are proud that our colleagues are willing to help those in need and contribute to a culture of volunteering at Magnit through personal example. Every year, we mark the Volunteer Day to celebrate our employees. In 2021, we did it online, congratulating and awarding diplomas to the most active volunteers across our geography.

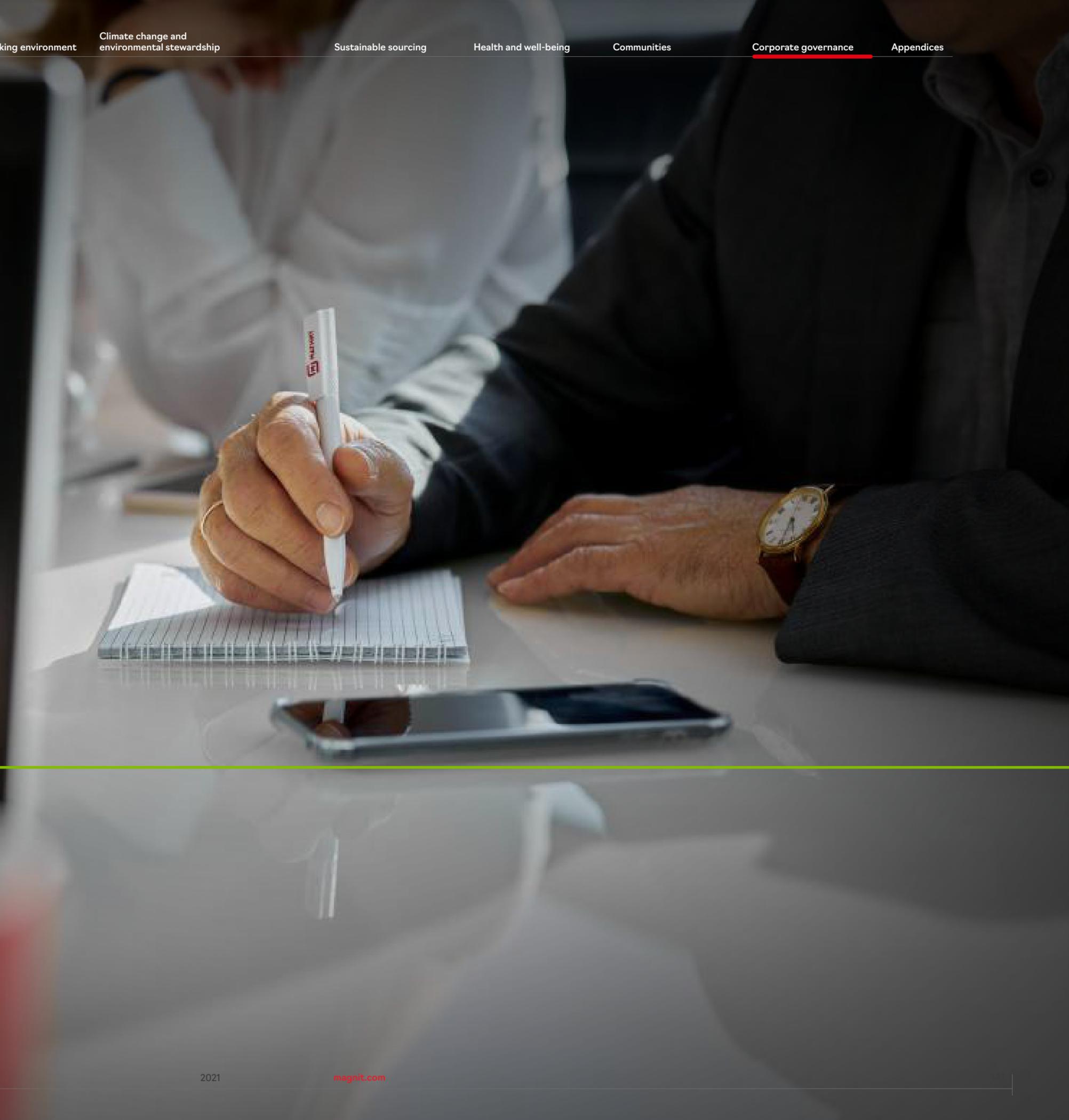
### The Good Deeds in the Neighbourhood Telegram channel

In December 2020, we launched the Good Deeds in the Neighbourhood Telegram channel to encourage more of our colleagues and the wider public to join volunteer ranks in the regions where we operate. In the channel, we talk about different types of volunteering, explain how to become a volunteer, and share information about recent events.



Join our Telegram channel and let us do good together.

[https://t.me/Volonterstvo\\_magnit](https://t.me/Volonterstvo_magnit)



# CHAPTER 9

## Corporate governance

# Risk management and internal control

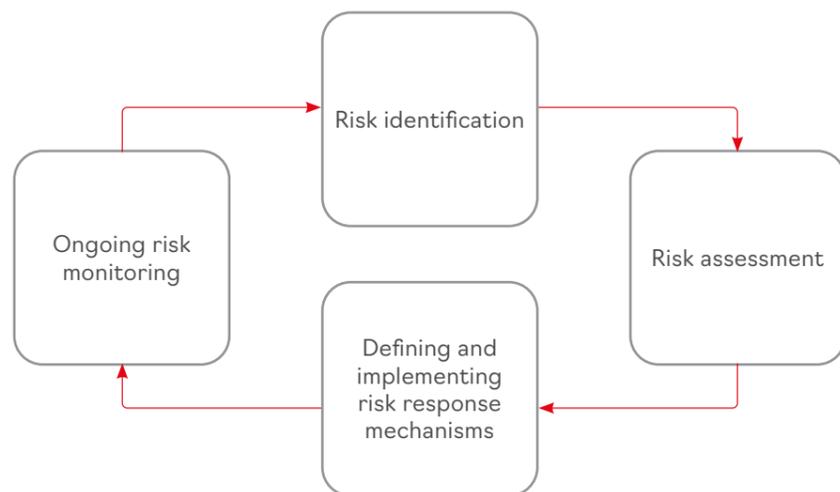
GRI 205-1

Magnit has an established system for managing financial and non-financial risks that forms part of an organization-wide internal control and risk management framework. Risk management is an ongoing and cyclical process. Managing non-financial risks is the shared responsibility of the management team and the Board of Directors.

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

The Corporate Governance Department performs the functions of the Corporate Secretary, ensures the efficient operation of the remaining corporate governance bodies and is responsible for all necessary disclosures.

## Risk management consists of the following key elements



For Magnit, key risks are those that could have a material adverse effect on its operations, prospects or reputation. The Company identifies the following key sustainability risks:

### Regulatory risk

Potential changes in environmental, talent management, health and safety regulations may have a negative impact on business. Experts closely monitor regulatory changes to mitigate regulatory risk.

### Corruption and fraud risks

To manage these risks, the Company has in place a Code of Business Ethics and an Anti-Corruption Policy, operates a whistleblower hotline and reviews its work, participates in the UN Global Compact, and provides ethics and corporate conduct training to employees.

### Epidemiological risks

Magnit closely monitors the spread of COVID-19, strictly follows all recommendations from national public health agencies (Rospotrebnadzor and the Health Ministry) and the WHO, performs regular disinfection of premises, and allows employees to work remotely.

### HSE risks

Health, safety and environment (HSE) risks include disregard for occupational health requirements and fire safety rules, failure of contractors to comply with HSE requirements, etc.

Magnit provides HSE training to employees (with post-knowledge tests conducted by in-house HSE teams), participates in the UN Global Compact, performs regular checks of fire safety systems, ensures that employees have required competencies, has managers responsible for maintaining these competencies, performs workplace assessments, and observes the Environmental Protection and Occupational Health and Safety Policy and the Fire Safety Policy

### Talent risk

Talent risk is the risk that the Company will face difficulties in retaining, sourcing or attracting qualified staff. This risk is managed by adopting comprehensive long-term incentive schemes and unique corporate training and adaptation programs, providing social and networking opportunities, teaming up with universities to attract top talent, and building a strong talent pool

### Reputational risk

This risk includes the risk that the Company will not be able to maintain its reputation as a socially responsible business. Magnit has adopted a Sustainability Strategy, provides ethics and sustainability training to employees, and maintains an ongoing dialogue with all stakeholders

### Climate risks

In 2021, we included climate risks in the overall risk management system of Magnit. In 2020, the Company conducted its first climate risk assessment using the "business as usual" (RCP 8.5) scenario whereby temperatures will rise by around 4°C by 2100. We analysed the impact on Magnit until 2050, identified risk mitigation actions and set clear GHG reduction targets. (for details, see Climate change and energy efficiency)

# Tax Policy

## Material topics

**Creating**  
economic value

## Priority SDGs



## Key documents

### Magnit's policies and documents

- Tax Policy of Magnit
- Accounting Policy of Magnit

### External documents

- Russian Tax Code and federal laws adopted in accordance therewith, Russian regional laws, laws and regulations on taxes and duties adopted by representative bodies of municipalities and executive bodies of various levels within the scope of their authority.

## Our approach to management

GRI 207-1, 207-2

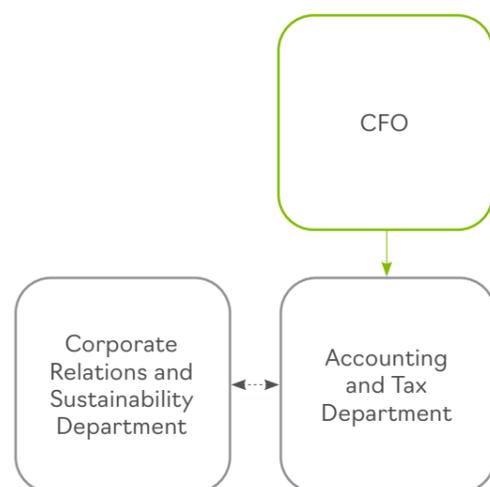
As one of the largest taxpayers in Russia, Magnit helps generate budget revenues and contributes to the social and economic development of its business geographies and the entire nation. We support the territorial economic development and have a transparent tax policy. In 2021, the Company paid over RUB 122 bln in taxes, duties and insurance contributions to budgets of all levels and extra-budgetary funds in Russia.

As a responsible and diligent taxpayer, Magnit calculates and pays all applicable taxes, duties and fees in accordance with the Russian law and pursues a sound and consistent tax policy.

## Tax policy goals



## Governance structure



→ Administrative subordination  
 ↔ Coordination within the framework of sustainability reporting

## The principles of Magnit's tax policy

### Integrity

We calculate and pay taxes based on the economic substance of operations and transactions and make use of tax incentives strictly in accordance with statutory requirements.

### Uniformity

The Corporate Centre ensures uniform interpretation of tax legislation in accounting operations across different companies of Magnit Group and during the preparation of tax returns.

### Transparency

We fully cooperate with the government agencies conducting tax audits and provide all necessary documents and reports as required by law.

### Effective dispute resolution

In case of tax disputes, we seek to resolve them through pre-trial procedures envisaged by the law and bring the issue to court only as the last resort.

### Reliability of counterparties

We scrutinise our counterparties and avoid doing business with the companies that are believed to be tax evaders or involved in tax avoidance schemes.

### Tax risk management

Whenever there are uncertainties as regards interpretation of tax laws, we always ask government agencies for clarification. As a member of various industry associations, Magnit communicates its viewpoint on industry regulation and taxation to government officials.

# Tax Policy

## (continued)

The tax function is an integral part of Magnit's financial unit, ensuring that all of the Company's tax obligations are effectively discharged across its geographies. The overall financial management falls within the remit of our Chief Financial Officer.

The Deputy CFO heads the Accounting and Tax Department and is directly responsible for the tax function. The department's responsibilities include the following:

1. Tax accounting
2. Preparation and filing of tax returns
3. Cooperation with tax authorities during desk and on-site audits
4. Reconciliation of accrued and paid taxes
5. Identification of tax risks and their mitigation
6. Analysis of options for reducing tax liabilities, including incentives and preferences
7. Preparation of tax legislation initiatives
8. Development of internal policies, regulations and procedures.

The department is staffed with professionals who boast a great depth of expertise and relevant experience in this field. To raise our competencies, we engage external consultants from the Big Four accounting firms to deal with specific issues.

### Stakeholder engagement

GRI 207-3

Our tax-related activities focus on timely compliance with tax regulations, including as part of tax audits conducted by tax authorities.

We actively cooperate with the Retail Companies Association (ACORT) in developing new tax regulations, assessing tax legislation amendments proposed by government agencies and adopting a stance on relevant initiatives aimed at improving the efficiency of the retail industry.

We expect full compliance with the tax legislation from Magnit's counterparties and monitor their activities to ensure that they are not involved in any tax avoidance schemes as a means to safeguard the Company against potential tax risks.

### Tax risks and control

We continuously enhance our control procedures to increase the effectiveness of the tax function and tax risk management. Risks are managed through:

- implementing and maintaining an integrated system of internal tax controls;
- planning and controlling the pricing of intra-group transactions;
- monitoring the compliance of potential counterparties with the tax legislation when entering into transactions with them.

### Tax payments

GRI 207-4

Tax data are regularly disclosed in the Company's consolidated financial statements. Magnit engages an independent auditor to confirm the reliability of its consolidated financial statements, including as regards the reported tax amounts and other tax data.

> **RUB 122 bln**

total tax payments, insurance contributions and duties

**RUB 103 bln**

Contributions to the federal budget: income tax, value added tax, and payments made to the budget on behalf of our employees, including personal income tax and contributions to the pension and health insurance funds

**RUB 19 bln**

Contributions to regional and local budgets: regional surtax on income tax, property tax, land tax, transport tax, and trade levy

# Business ethics and anti-corruption

## Material topics

**Business ethics** and anti-corruption

## Priority SDGs



## UN Global Compact principles

**Nº 10**

## Key documents

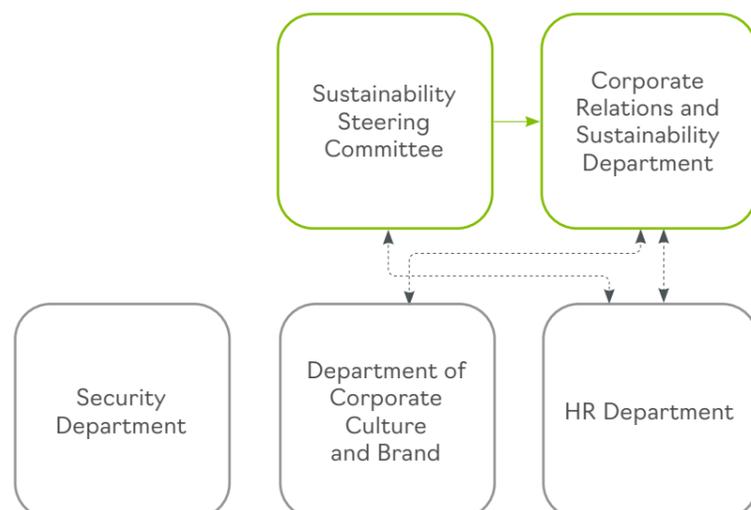
### Magnit's policies and documents

- Business Ethics Code of Magnit
- Anti-corruption policy
- 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
- Tendering Policy of Magnit
- Regulation on Counterparty Due Diligence

### 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. 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

## Governance structure



→ Administrative subordination  
 ..... Coordination within the framework of the Sustainability Strategy and advisory support

## Our approach to management

GRI 205-1, 205-2

We maintain high legal, ethical and moral standards as part of our business activities and cooperation with business partners. These standards are set out in Magnit's Business Ethics Code, which is grounded in best Russian and international practices of business conduct, corporate governance and relationships with employees and other stakeholders.

Healthy human relations are at the core of every company, especially in the retail industry. The actions and decisions of any of our employees build and strengthen the Company's overall reputation. We seek to ensure that all our hires make honest and appropriate decisions based on the principles set out in the Code and follow the guidance that will enable us to meet the highest standards of business ethics.

Our zero tolerance approach to corruption in all its forms and manifestations provides the basis for the Anti-Corruption Policy, which underpins our corruption risk management system and our corruption prevention tools. Magnit's managers and employees should avoid being affected by any influences, interests, or relations that may have an adverse impact on the Company's business or facilitate any corrupt practices.

All new employees are required to attend courses on Business Ethics, Anti-Corruption Policy and Information Security, with refresher courses provided every three years.

All Company employees receive anti-corruption training after joining Magnit and are subject to control tests to check their acquired knowledge. In 2021, more than 166,000 employees completed anti-corruption training.

## Underlying principles of the Anti-Corruption Policy

No.	Principle	Our responsibility
1	<b>Zero tolerance towards corruption</b>	Our Company is committed to zero tolerance of corruption in all its forms and manifestations, both on the corporate level and in stakeholder relations.
2	<b>Liability for corrupt practices</b>	We make every effort to promptly and indivertibly prevent any corrupt practices in accordance with the Company's by-laws.
3	<b>Senior management leadership by example</b>	Members of the Board of Directors, the Chief Executive Officer and other senior officers of the Company take a zero tolerance approach to corruption, establish and observe high ethical standards of business conduct and set an example to all Magnit employees.
4	<b>Corruption risk identification and assessment</b>	We identify and regularly assess the corruption risks relevant to the Company's operations, taking into account its strategic and investment development plans.
5	<b>Control procedures</b>	We have implemented control procedures to minimise corruption risks, including, but not limited to, checks of counterparties and addition of an anti-corruption clause to contractor agreements. We regularly assesses the effectiveness of our anti-corruption control procedures and takes steps to improve them.
6	<b>Counterparty checks</b>	To minimise reputational, financial and operating risks arising from relations with untrustworthy counterparties, we conduct thorough counterparty checks. We analyse information from open sources about the extent to which the counterparty adheres to ethical business principles and any anti-corruption practices it has in place, along with its willingness to comply with our principles and include anti-corruption provisions in agreements, as well as cooperate with a view to ensuring ethical business conduct and minimising corruption risks.
7	<b>Communication and training</b>	Our Anti-Corruption Policy is publicly available on the Company's website. We communicate anti-corruption principles and requirements to our employees, contractors, suppliers and other stakeholders. All our new hires go through mandatory anti-corruption training.
8	<b>Monitoring and control</b>	We regularly assess the compliance with anti-corruption procedures and communicate the results to the senior management and shareholders.

## Business ethics and anti-corruption (continued)

### Hotline

GRI 2-26

The Company maintains a 24/7 anti-corruption hotline for filing reports of corrupt practices and/or conflicts of interest occurring within the Company or on the side of counterparties. Each report is assigned a reference number with the date of receipt and the subject of the report. After the report has been received, a notification with its reference number and the date of registration is sent to the whistleblower to confirm that their report is being processed. Registered reports are assigned an ID, processed and registered by employees of the Department for Compliance and Antitrust Practices and the Economic Security Department for the purposes of further analysis and making appropriate management decisions.

All information submitted to the hotline is confidential and is not subject to disclosure except in cases stipulated by the relevant Russian legislation. The information that reaches the hotline can be accessed only by a limited number of employees who have received appropriate training.

The anti-corruption hotline is supervised by employees of Magnit's Department for Compliance and Antitrust Practices within the scope of their responsibilities. The manner, frequency and methods of performance evaluation are determined independently by the employees of the Department for Compliance and Antitrust Practices based on their professional judgement and experience.

# Information security

### Material topics

### IT security

### 2021 highlights

- There were no confirmed incidents involving personal data of our stakeholders in 2021

### Key documents

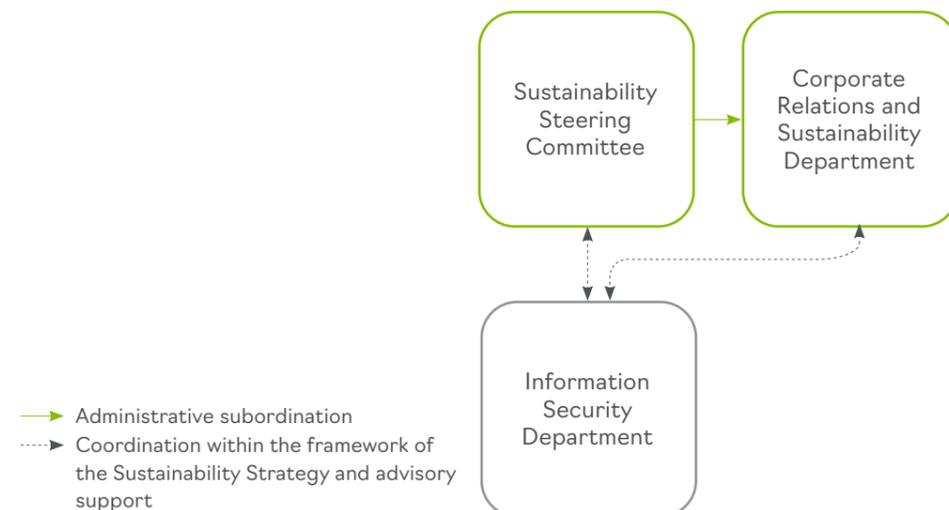
#### Magnit's policies and documents

- Anti-Virus Protection Policy
- Information Security Audit Policy
- Employee Information Security Awareness Policy
- Information Security Risk Management Policy
- Policy for Installing System Software Updates on Servers
- Regulation on Remote Access for Employees of Magnit Group's Companies
- Information Security Compliance Standard for Creating Information Systems and Services

#### External documents

- ISO 27001, an international information security standard developed jointly by the International Organisation for Standardisation and the International Electrotechnical Commission
- GOST R ISO/MEK 27001-2006 (Information technology. Methods and means of ensuring security. Information security management systems)
- Federal Law No. 152-FZ "On personal data"

### Governance structure



**24/7 hotline:** 8 (800) 6000-477

**Email:** [ethics@magnit.ru](mailto:ethics@magnit.ru)

**Website feedback form:**  
<https://www.magnit.com/ru/anti-corruption/>



We guarantee that there will be no retaliation against any person contacting the hotline, including whistleblowers who report suspected acts of corruption committed by the Company's employees, no matter the circumstances.

# Information security

## (continued)

### Cyber security

#### Our approach to management

Magnit's information security is based on a set of interrelated organisational and technical tools which comprise an integrated information security management and assurance system. Our comprehensive approach enables us to protect ourselves against modern information security threats, comply with Russian legal requirements and international standards, and prevent financial, reputational and other damage. The Company's information security system is designed and developed in line with global best practices and the ISO 27000 series of international standards, and we are actively preparing for ISO 27001 certification.

Magnit has a formalised procedure for internal auditing, which falls within the remit of a dedicated department. We regularly assess information security risks and test our information systems on a quarterly basis.

#### Cyber security system

In line with our commitment to maintaining a cyber security system, we identify and eliminate vulnerabilities in information devices, search for viruses and zero-day attacks<sup>1</sup>, while also monitoring and responding to security incidents. Additionally, Magnit monitors the integrity of software architecture across all of its external IT services. We carry out regular, scheduled updates of network devices, servers and software.

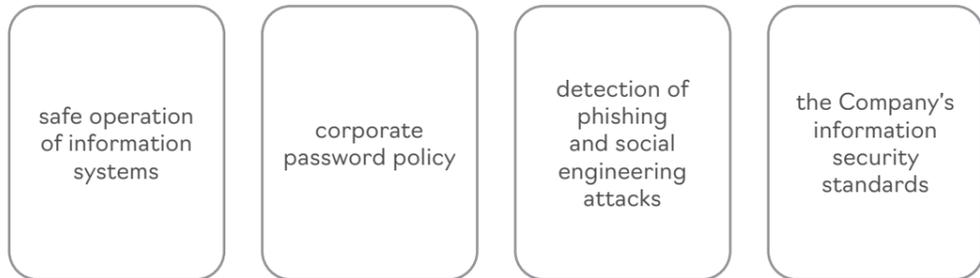
We carry out daily routine scans of all of the Company's external addresses for known vulnerabilities and eliminate all threats. All of Magnit's web services are protected through web application firewalls (WAFs), designed to detect and block network attacks on web applications. We actively employ Anti-DDoS<sup>2</sup> solutions, and regularly scan open internet ports. Upon the detection of an unauthorised port, our software automatically raises a red flag, and the connection is immediately checked. Every year, Magnit conducts an external independent vulnerability assessment of its IT system.

#### Development of IT security competencies

One of our information security priorities is to make employees more aware of cyber security rules. We lay particular emphasis on the training and professional development of the employees at our IT Department who ensure information security. Other departments working with IT systems in their day-to-day operations also hold regular trainings.

We seek to proactively and sufficiently train our employees working in various departments responsible for personal data processing. This became especially relevant during the pandemic when we introduced a hybrid work option.

#### Focus areas for raising employee awareness about information security



It was even before COVID-19 that the Company implemented a remote access system that enabled remote access to the corporate network for a number of employees whenever it was necessary, but this was done on a much smaller scale, with fewer simultaneous connections. Leveraging state-of-the-art technical solutions allowed us to quickly provide employees of all categories with stable and secure remote access to the corporate network. These activities became a priority for us amid the pandemic-related restrictions.

Our information security continues to improve as we are transitioning to a remote work format. For example, we are integrating security services to reflect corporate policies and provide users with a more advanced and convenient toolkit for remote work. Another major achievement that cannot be overlooked is the successful configuration of traffic control and assessment of users' devices security prior to their connection to the network, with further status updates to automatically respond to arising threats.

We strive to continuously improve our security systems to mitigate new threats; to this end, the Company has set the following targets for 2022:

- Introduction of a system for automatically assessing the security of information systems or networks by simulating an attack (a penetration test). The system is scrutinised for vulnerabilities that could cause the target to malfunction or to completely break down.
- Annual penetration tests for the Company's IT infrastructure and web services.
- Implementation of anti-fraud solutions in payment systems, accounting systems, B2B, and loyalty programmes.

<sup>1</sup> ZERO-DAY – AN EXPOSED SOFTWARE VULNERABILITY OR MALWARE WITH NO IDENTIFIED MEANS OF CONTAINMENT

<sup>2</sup> ANTI-DDoS IS A TOOL OF PROTECTION AGAINST DDoS ATTACKS, WHICH AIM TO DISRUPT THE COMPUTER SYSTEM THROUGH A CONSTANT STREAM OF REQUESTS

# Protection

## of personal data

### Our approach to management

We have developed a systematic approach to protecting the personal data of our stakeholders and continuously monitor the existing and planned information systems to ensure that personal data is processed appropriately and lawfully. Employees working with user data, including those in the IT Department, are duly trained, and persons charged with organising the processing of personal data receive regular briefings. We have developed consent forms for the processing of personal data, which are required to be filled by each employee, and appointed people responsible for organising and monitoring the data protection process. We believe it essential to raise awareness of information security, including personal data protection, among all our employees. We support and monitor business processes that require the processing of personal data as a means to safeguard the Company against possible sanctions from the government authorities. We also give guidance to experts from our subsidiaries on regulating the personal data processing matters

Magnit has an established procedure for reporting personal data breaches. We maintain a log of information security incidents in information systems for processing personal data; in 2021, no such incidents were reported. Furthermore, Magnit maintains a log of requests and enquiries regarding personal data from external stakeholders. In 2021, the Company received several enquiries and provided a reasoned response in writing within the deadlines stipulated in the relevant by-laws.

We carry out regular risk assessments as part of internal audits, as well as analyse processed data, develop and update threat models for information systems, design and implement technical solutions to eliminate such threats, and draft guidelines and regulations that help us comply with the laws on personal data.

### Key documents

#### Magnit's policies and documents

- Personal Data Processing Policy
- Regulation on the Protection of Personal Data Processed by JSC Tander
- Regulation on the Officer in Charge of Organising Personal Data Processing
- Regulation on Handling Information Security Incidents in Information Systems for Processing Personal Data
- Regulation on Trade Secret
- Regulation on Classification of Information

#### External documents

- Federal Law No. 152-FZ "On Personal Data" dated 27 July 2006
- Federal Law No. 98-FZ "On trade secret" dated 29 July 2004
- Federal Law No. 149-FZ "On information, information technologies and information protection" dated 27 July 2006
- Presidential Decree No. 188 "On the approval of the list of confidential information" dated 6 March 1997



# ABOUT THIS REPORT

## Appendices

# About this report

**GRI 2-3**

The Sustainability Report is a standalone document presenting non-financial information in a detailed manner in line with international standards and national guidelines on non-financial reporting.

This is the third report intended for the stakeholder community. It covers our management approaches, non-financial performance indicators, sustainability strategy and progress towards its goals, and contains an overview of our short-term and mid-term ESG plans and initiatives.

The information in this Report was prepared by the relevant business units of the Company within their areas of responsibility. It was collected and consolidated by the Sustainability Department on the basis of international and national guidelines and standards.

This Report is part of Magnit's annual reporting suite and should be read together with its Annual Report.

**Scope of this Report**

**GRI 2-2**

This Report presents Magnit Group's non-financial results for 2021. Data is disclosed for Magnit Group's companies referred to in Appendix 3.

**Content of this Report**

**GRI 2-3**

This Report is prepared in accordance with the Core Option of the GRI Standards. This Report is aligned with key principles as set out in the GRI Standards, including balance, comparability, accuracy, timeliness, clarity and reliability. A list of indicators described in the GRI Standards is provided in Appendix 1.1 hereto.



**ДИКСИ**

**Integrating DIXY: Non-financial reporting**

In Q3 2021, the DIXY retail chain became part of the Company. Previously, DIXY has not made any non-financial disclosures. For the purposes of this Report, we decided not to consolidate the 2021 sustainable development data and to consider disclosing DIXY's results under the GRI Standards. We made qualitative and quantitative disclosures for DIXY in the key sustainability areas on a standalone basis. We plan to develop further DIXY's non-financial reporting framework to present the consolidated data in future reporting periods.

In 2021, we added disclosures under the TCFD recommendations (Appendix 1.2), and retail-specific indicators in line with the SASB standards (Appendix 1.3). We also provide data on the Company's contribution to the UN Sustainable Development Goals and compliance with the UN Global Compact principles.

To avoid duplicate disclosures, this Report makes references to the Company's 2021 Annual Report and other publicly available documents.

**Material topics of the Report**

The content of the report was defined in accordance with the applicable standards and guidelines in consultation with the Company's stakeholders.

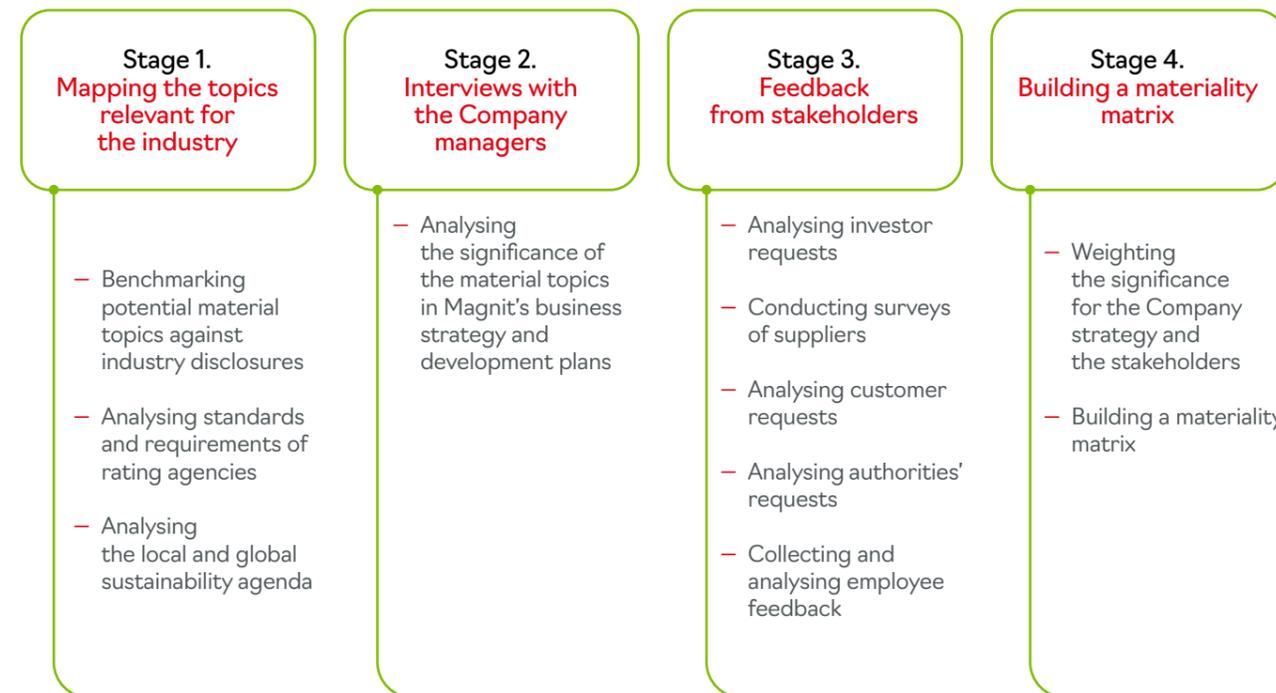
The list of material topics was amended from the previous 2020 report. The Report also updates some of the historical data, which is expressly pointed out in the Report.

In late 2021, to reach out to as much different stakeholders as possible and give them an opportunity to define the relevance of the topics to be covered in the 2022 Sustainability Report, we started to draw up a uniform online survey on material topics. The online survey will be available to all stakeholder categories at the Company's official web site.

**Defining material topics**

**GRI 3-1**

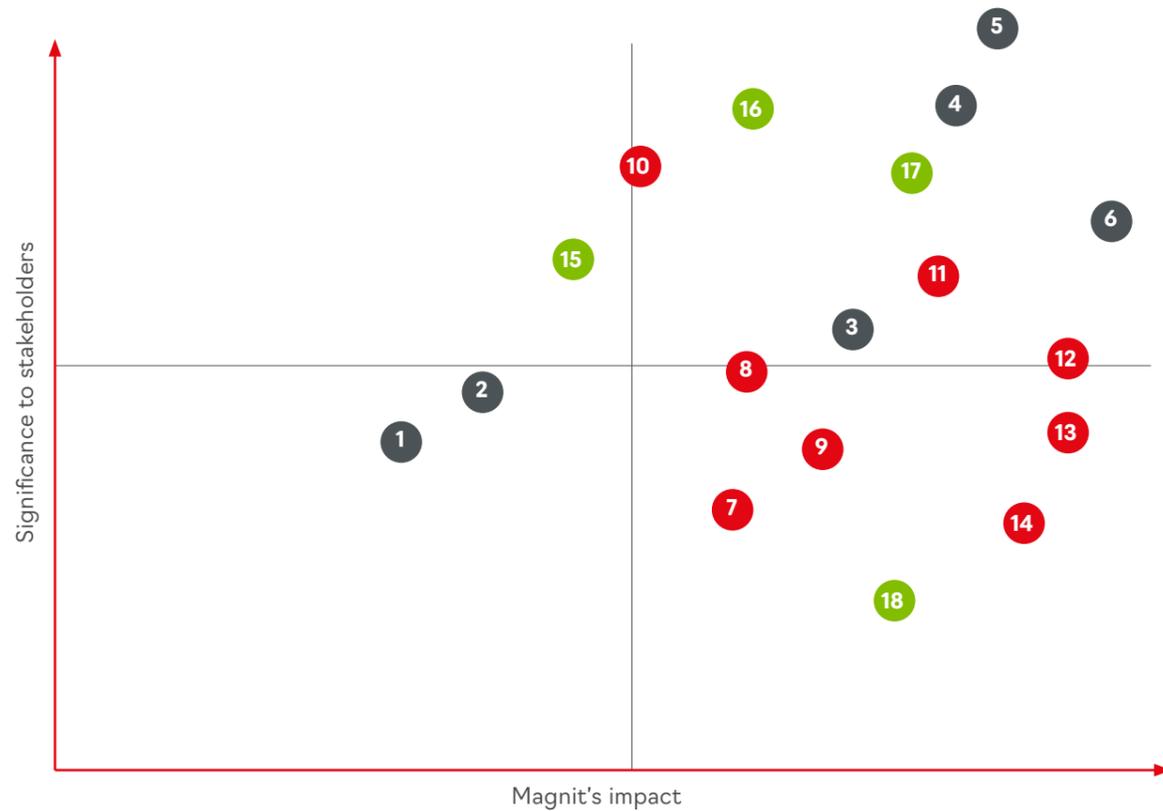
Defining material topics constitutes an important stage of ESG reporting for the Company. By analysing the material topics, we can provide relevant and up-to-date information to our stakeholders, and review internal approaches to sustainability management.



# About this report

(continued)

## Materiality matrix 2021



- 1. Sustainable supply chain
- 2. Business ethics and anti-corruption
- 3. IT security
- 4. Product quality and safety
- 5. Responsible governance
- 6. Creating financial value
- 7. Responsible marketing
- 8. Diversity and inclusion
- 9. Health and well-being
- 10. Supporting local communities
- 11. Personnel management and decent working conditions
- 12. Human rights
- 13. Safe working environment
- 14. Training and development
- 15. Resource use
- 16. Waste management
- 17. Climate change and energy efficiency
- 18. Environmental management

## Relevance of the material topics to Magnit

Topic	Relevance to the Company	GRI	Report chapter
<b>Environment</b>			
<b>Climate change and energy efficiency</b>	Climate change exposes our business to risks in the long term due to growing food and energy prices. Magnit believes it is essential to reduce GHG emissions and improve energy efficiency, given that the efforts on this front have the greatest impact on climate change. As a major retailer with its own production facilities and logistics network, Magnit generates GHG emissions (Scopes 1 and 2) with an impact on the climate. We plan to assess the volume of other indirect GHG emissions (Scope 3) across all the value chain.	GRI 302: Energy, GRI 305: Emissions	Climate Change and Environmental Stewardship
<b>Waste management</b>	Our core business is to sell food products and other everyday essentials. Procurement, transportation and sales of goods result in a large quantity of different waste being produced. Plastic and food waste makes up the largest share. We strive to curb both the quantity of initial waste generated and the quantity of waste sent for recycling or reuse.	GRI 306: Waste management	Climate Change and Environmental Stewardship
<b>Developing practices for eco-friendly packaging</b>	As part of our core business, we sell products in plastic packaging and use plastic packaging for private label products. We intend to reduce the volume of plastic used in private label packaging by switching to advanced eco-friendly materials.		Own Production

## About this report (continued)

Topic	Relevance to the Company	GRI	Report chapter
<b>Social aspect</b>			
<b>Personnel management and decent working conditions</b>	As at the end of 2021, we have over 326,000 employees and continue to create new jobs. The Company recognises its responsibility to support the well-being of its employees and create a comfortable working environment. We are committed to fair pay, comprehensive social benefits, opportunities for career progression and professional development. We aim to be a great workplace and an employer of choice in the labour market.	GRI 202: Market presence, 401: Employment, 404: Training and education	Our Employees
<b>Human rights</b>	In the course of business, we engage with many stakeholders and put absolute respect for human rights at the heart of our interaction. We strive to promote the importance of protecting human rights at Magnit, including when interacting with suppliers and contractors and all our stakeholders.	GRI 408: Child labour, 409: Forced or compulsory labour	Human Rights
<b>Supporting local communities</b>	With our operations spanning 67 Russian regions, we embrace our duty of care to local communities across our footprint. We demonstrate our commitment to fulfilling this responsibility and making a difference by creating new jobs, offering decent working conditions, supporting local producers, making investment in social projects and promoting corporate volunteering.	GRI 204: Procurement practices	Local Communities, Health & Well-being, Sustainable Sourcing

Topic	Relevance to the Company	GRI	Report chapter
<b>Corporate governance and economics</b>			
<b>Responsible governance</b>	It is of utmost importance for us to conduct business in a responsible manner, make transparent and fair management decisions and take a top-down approach to ESG integration into Magnit's strategy. We recognise our responsibility to provide regular high-quality reports on our management approaches and performance.		Sustainability Management, Corporate Governance
<b>Product quality and safety</b>	Product safety and quality are vital to the Company's reputation and business growth. The goods produced and sold by Magnit meet all the applicable regulatory requirements. We regularly improve and develop our systems and policies in this area and continuously monitor the quality of goods.	GRI 416: Customer health and safety	Sustainable Sourcing
<b>Creating financial value</b>	We strive to improve our operational and financial performance on an ongoing basis.  Our business development drives economic growth in the regions of our footprint. We aim to attain long-term and sustainable growth in the interests of our investors and shareholders, as well as other stakeholders.	GRI 201: Economic performance	About the Company
<b>IT security</b>	We recognise our responsibility for the personal data of our customers, employees, partners and other stakeholders. Ensuring data security is high on our agenda. Given the rapid development of remote technologies, our priority is to maintain high level of security and ensure uninterrupted operation of our IT systems in case of external threats.	GRI 418: Customer privacy	Corporate Governance

We also make disclosures on topics that are not on the list of material topics for the 2021 report, provided that they reflect our commitment to sustainable development and can be of interest to the stakeholder community.

# About this report

## (continued)

### Feedback

#### Online survey

We value feedback from the readers of the Report, as it helps us improve non-financial reporting. In 2021, we made the feedback process more convenient for the stakeholder community by taking it online. We will analyse this feedback and take it into account in compiling our 2022 report. The findings of the survey are to be presented in our Sustainability Report 2022, along with the actions taken to improve non-financial disclosure on the basis of your assessment, comments and proposals.

### Contact us

**GRI 2-26**

You can share your opinion on the 2021 Sustainability Report and ask any related questions by getting in touch with the contacts below.

- |                              |  |
|------------------------------|--|
| <b>Anna Meleshina</b>        | <b>Director for Corporate Relations and Sustainability</b><br>E-mail: meleshina_ay@magnit.ru |
| <b>Nadezhda Galaktionova</b> | <b>Head of the Sustainable Development Unit</b><br>E-mail: galaktionova_na@magnit.ru         |
| <b>Tatiana Kovaleva</b>      | <b>Head of Rating Analytics and Non-Financial Reporting</b><br>E-mail: kovaleva_tv@magnit.ru |

### Disclaimer

The Sustainability Report should be read as a whole taking into account the content of all sections as well as the notes and the explanations herein, including the information set forth in this section.

The Sustainability Report was prepared based on the information available to Magnit and the Group as of 31 December 2021, unless otherwise implied by the meaning or content of the information provided.

When using the information in this Sustainability Report, please note that the information on S&P and MSCI sustainability ratings assigned to Magnit is given as of 31 December 2021, whereas as of the date of actual publication of the Sustainability Report such ratings have been revised due to the general change/withdrawal of ratings of Russian issuers and entities.

Forward-looking statements are not based on actual circumstances and include all statements concerning the Company's intentions, opinions, or current expectations regarding its performance, financial position, liquidity, growth prospects, strategy, and the industry in which Magnit operates. By their nature, such forward-looking statements are characterised by risks and uncertainties since they relate to events and depend on circumstances that may not occur in the future.

Such terms as "assume," "believe," "expect", "predict", "intend", "plan", "project", "consider" and "could" along with other similar expressions as well as those used in the negative usually indicate the predictive nature of the statement. These assumptions contain risks and uncertainties that are foreseen or not foreseen by the Company. Thus, future performance may differ from current expectations, therefore the recipients of the information presented in the Sustainability Report should not base their assumptions solely on it.

Since February 2022 we are witnessing growing geopolitical tension and certain countries have announced and imposed and subsequently expanded various sanctions against the Russian Federation's sovereign debt, certain Russian banks, organizations and individuals. The Russian Federation has taken a number of retaliatory measures, including those drastically changing the regulation of Russian business compared to what it was as of 31 December 2021.

These events, separately or jointly with other known and unknown circumstances, including those arising after 31 December 2021 in terms of changes in the conditions for the functioning of international businesses in the territory of the Russian Federation, may affect the Company's strategy, plans, ongoing projects and partnerships in the field of sustainable development.

In addition to official information on the activities of Magnit, this Sustainability Report contains information obtained from third parties and from sources which Magnit finds to be reliable. However, the Company does not guarantee the accuracy of this information, as it may be abridged or incomplete. Magnit offers no guarantees that the actual results, scope, or indicators of its performance or the industry in which the Company operates will correspond to the results, scope, or performance indicators clearly expressed or implied in any forward-looking statements contained in this Sustainability Report or elsewhere. Magnit is not liable for any losses that any person may incur due to the fact that the above person relied on forward-looking statements.

Except as expressly envisaged by applicable law, the Company assumes no obligation to distribute or publish any updates or changes to forward-looking statements reflecting any changes in expectations or new information as well as subsequent events, conditions, or circumstances.

# Appendix 1.

## Compliance with ESG reporting standards and recommendations

### Appendix 1.1 GRI Index

Indicator	Definition	Information / Report chapter
<b>GRI 2: General Disclosures 2021</b>		
<b>The organisation and its reporting practices</b>		
2-1	Organisational details	Chapter 1. About the Company
2-2	Entities included in the organisation's sustainability reporting	Appendix 3. List of companies
2-3	Reporting period, frequency and contact point	About this Report
2-4	Restatements of information	About this Report
2-5	External assurance	Taking into account the incorporation of DIXY in the Magnit Group, which took place in Q3 2021, we decided not carry out the external verification of data for the reporting period
<b>Activities and workers</b>		
2-6	Activities, value chain and other business relationships	Chapter 1. About the Company
2-7	Employees	Chapter 3. Our employees
2-8	Workers who are not employees	Chapter 3. Our employees
<b>Governance</b>		
2-9	Governance structure and composition	Annual Report
2-10	Nomination and selection of the highest governance body	Annual Report
2-11	Chair of the highest governance body	Annual Report
2-12	Role of the highest governance body in overseeing the management of impacts	Chapter 2. Sustainability management
2-13	Delegation of responsibility for managing impacts	Chapter 2. Sustainability management Chapter 9. Corporate governance
2-14	Role of the highest governance body in sustainability reporting	Chapter 2. Sustainability management
2-15	Conflicts of interest	Chapter 9. Corporate governance Annual Report
2-16	Communication of critical concerns	Annual Report
2-17	Collective knowledge of the highest governance body	Annual Report

Indicator	Definition	Information / Report chapter
2-18	Evaluation of the performance of the highest governance body	Annual Report
2-19	Remuneration policies	Annual Report Chapter 9. Corporate governance
2-20	Process to determine remuneration	Annual Report Chapter 9. Corporate governance
2-21	Annual total compensation ratio	–
<b>Strategy, policies and practices</b>		
2-22	Statement on Sustainable Development Strategy	Chapter 2. Sustainability management
2-23	Policy commitments	Chapter 2. Sustainability management
2-24	Embedding policy commitments	Chapter 2. Sustainability management
2-25	Processes to remediate negative impacts	Chapter 2. Sustainability management
2-26	Mechanisms for seeking advice and raising concerns	Chapter 2. Sustainability management Chapter 3. Our employees Chapter 9. Corporate governance
2-27	Compliance with laws and regulations	Magnit complies with all relevant laws and acts, working in cooperation with the stakeholders on a responsible basis and in strict line with the Russian legislation
2-28	Membership associations	Chapter 2. Sustainability management Chapter 5. Climate change and environmental stewardship
<b>Stakeholder engagement</b>		
2-29	Approach to stakeholder engagement	Chapter 2. Sustainability management
2-30	Collective bargaining agreements	The Company had no collective bargaining agreements as at 31 December 2021

# Appendix 1.

## Compliance with ESG reporting standards and recommendations

(continued)

Indicator	Definition	Information / Report chapter
<b>GRI 3: Material Topics 2021</b>		
3-1	Process to determine material topics	About this Report
3-2	List of material topics	About this Report
3-3	Management of material topics	Chapter 3. Our employees Chapter 5. Climate change and environmental stewardship Chapter 6. Sustainable sourcing Chapter 8. Local communities Chapter 9. Corporate governance
<b>GRI 201: Economic Performance</b>		
201-1	Direct economic value generated and distributed	Chapter 1. About the Company Chapter 2. Sustainability management
<b>GRI 202: Market Presence</b>		
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Chapter 3. Our employees
<b>GRI 203: Indirect Economic Impacts</b>		
203-2	Significant indirect economic impacts	Chapter 8. Local communities
<b>GRI 204: Procurement Practices</b>		
204-1	Proportion of spending on local suppliers	Chapter 6. Sustainable sourcing
<b>GRI 205: Anti-corruption</b>		
205-1	Total number and percentage of operations assessed for risks related to corruption and significant risks related to corruption identified through the risk assessment	Chapter 9. Corporate governance
205-2	Communication and training about anti-corruption policies and procedures	Chapter 9. Corporate governance
205-3	Confirmed incidents of corruption and actions taken	No confirmed instances of corruption were recorded as at 31 December 2021

Indicator	Definition	Information / Report chapter
<b>GRI 207: Tax</b>		
207-1	Approach to tax	Chapter 9. Corporate governance
207-2	Tax governance, control, and risk management	Chapter 9. Corporate governance
207-3	Stakeholder engagement and management of concerns related to tax	Chapter 9. Corporate governance
207-4	Country-by-country reporting	Chapter 9. Corporate governance Tax payments are reported for the Russian Federation and include taxes paid to federal and regional budgets
<b>GRI 301: Materials</b>		
301-2	Percentage of recycled input materials used	Chapter 5. Climate change and environmental stewardship
<b>GRI 302: Energy</b>		
302-1	Energy consumption within the organisation	Chapter 5. Climate change and environmental stewardship Chapter 6. Sustainable sourcing
302-3	Energy intensity	Chapter 5. Climate change and environmental stewardship
302-4	Reduction of energy consumption	Chapter 5. Climate change and environmental stewardship
302-5	Reductions in energy requirements of products and services	Chapter 5. Climate change and environmental stewardship
<b>GRI 303: Water and Effluents</b>		
303-1	Interactions with water as a shared resource	Chapter 5. Climate change and environmental stewardship
303-2	Management of water discharge-related impacts	Chapter 5. Climate change and environmental stewardship
303-3	Water withdrawal	Chapter 5. Climate change and environmental stewardship Chapter 6. Sustainable sourcing
303-4	Water discharge	Chapter 5. Climate change and environmental stewardship

# Appendix 1.

## Compliance with ESG reporting standards and recommendations

(continued)

Indicator	Definition	Information / Report chapter
<b>GRI 305: Emissions</b>		
305-1	Direct GHG emissions	Chapter 5. Climate change and environmental stewardship
305-2	Energy indirect GHG emissions	Chapter 5. Climate change and environmental stewardship
305-4	GHG emissions intensity	Chapter 5. Climate change and environmental stewardship
305-5	Reduction of GHG emissions	Chapter 5. Climate change and environmental stewardship
305-6	Emissions of ozone-depleting substances (ODS)	Chapter 5. Climate change and environmental stewardship
305-7	Nitrogen oxides (NOx), sulphur oxides (SOx), and other significant air emissions	Chapter 5. Climate change and environmental stewardship
<b>GRI 306: Waste</b>		
306-1	Waste generation and significant waste-related impacts	Chapter 5. Climate change and environmental stewardship
306-2	Management of significant waste-related impacts	Chapter 5. Climate change and environmental stewardship
306-3	Waste generated	Chapter 5. Climate change and environmental stewardship
306-4	Waste diverted from disposal	Chapter 5. Climate change and environmental stewardship
306-5	Waste directed to disposal	Chapter 5. Climate change and environmental stewardship
<b>GRI 401: Employment</b>		
401-1	Total number and rate of new employee hires and employee turnover during the reporting period, by age group, gender and region	Chapter 3. Our employees
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Chapter 3. Our employees
401-3	Parental leave	Chapter 3. Our employees
<b>GRI 402: Labour/Management Relations</b>		
402-1	Minimum notice periods regarding significant operational changes and whether these are specified in collective bargaining agreements	The minimum notice period regarding significant operational changes is fully compliant with applicable labour laws of the Russian Federation

Indicator	Definition	Information / Report chapter
<b>GRI 403: Occupational Health and Safety</b>		
403-1	Occupational health and safety management system	Chapter 4. Safe working environment
403-2	Hazard identification, risk assessment, and incident investigation	Chapter 4. Safe working environment
403-3	Occupational health services	Chapter 4. Safe working environment
403-4	Worker participation, consultation, and communication on occupational health and safety	Chapter 4. Safe working environment
403-5	Worker training on occupational health and safety	Chapter 4. Safe working environment
403-6	Promotion of worker health	Chapter 7. Health & well-being
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Chapter 4. Safe working environment
403-8	Workers covered by an occupational health and safety management system	Chapter 4. Safe working environment
403-9	Work-related injuries	Chapter 4. Safe working environment
403-10	Work-related ill health	The Company had no cases of recordable work-related ill health as at 31 December 2021. Moreover, work-related ill health is uncharacteristic of Magnit's current industry
<b>GRI 404: Training and Education</b>		
404-1	Average hours of training per year per employee by gender and employee category	Chapter 3. Our employees
404-2	Programmes for upgrading employee skills and transition assistance programmes provided to facilitate continued employability and the management of career endings	Chapter 3. Our employees
404-3	Percentage of employees receiving regular performance and career development reviews	Chapter 3. Our employees

# Appendix 1.

## Compliance with ESG reporting standards and recommendations

(continued)

Indicator	Definition	Information / Report chapter
<b>GRI 405: Diversity and Equal Opportunity</b>		
405-1	Diversity of governance bodies and employees in main employee categories, by gender, age group, minority group and other indicators of diversity	Chapter 3. Our employees
405-2	Ratio of basic salary and remuneration of women to men for each employee category, by significant locations of operation	Chapter 3. Our employees
<b>GRI 406: Non-Discrimination</b>		
406-1	Incidents of discrimination and corrective actions taken	No confirmed instances of discrimination on any ground were identified in the reporting period
<b>GRI 407: Freedom of Association and Collective Bargaining</b>		
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be violated or at significant risk	No violations were identified at the Company or its current suppliers in the reporting period
<b>GRI 408: Child Labour</b>		
408-1	Operations and suppliers at significant risk for incidents of child labour	No incidents of child labour were identified at the Company or its current suppliers in the reporting period
<b>GRI 409: Forced or Compulsory Labour</b>		
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	No incidents of forced or compulsory labour were identified at the Company or its current suppliers in the reporting period
<b>GRI 412: Human Rights Assessment</b>		
412-1	Total number and percentage of operations that have been subject to human rights reviews or human rights impact assessments	The Company did not perform any human right reviews of its operations in the reporting period
412-2	Total number of hours in the reporting period devoted to training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	There was no training on human rights in the reporting period

Indicator	Definition	Information / Report chapter
<b>GRI 413: Local Communities</b>		
413-1	Percentage of operations with implemented local community engagement, impact assessments, and development programmes	Chapter 8. Local communities
<b>GRI 414: Supplier Social Assessment</b>		
414-1	Percentage of new suppliers that were screened using social criteria	The Company did not screen any suppliers using social criteria in the reporting period
<b>GRI 416: Customer Health and Safety</b>		
416-1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	Chapter 6. Sustainable sourcing
<b>GRI 417: Marketing and Labelling</b>		
417-1	Types of information required by the organisation's procedures for product and service information and labelling and the percentage of significant product or service categories covered by and assessed for compliance with such procedures	Chapter 6. Sustainable sourcing
<b>GRI 418: Customer Privacy</b>		
418-1	Total number of substantiated complaints received concerning breaches of customer privacy and losses of customer data  No substantiated complaints concerning breaches of customer privacy or losses of customer data were recorded in the reporting period	No substantiated complaints concerning breaches of customer privacy or losses of customer data were recorded in the reporting period

# Appendix 1.

## Compliance with ESG reporting standards and recommendations

(continued)

### Appendix 1.2 SASB Index

Indicator	Definition	Information / Report chapter
Fleet Fuel Management FB-FR-110a.1	Fleet fuel consumed, percentage renewable	Chapter 5. Climate change and environmental stewardship
Air Emissions from Refrigeration FB-FR-110b.1	Gross global Scope 1 emissions from refrigerants	Chapter 5. Climate change and environmental stewardship
Energy Management FB-FR-130a.1	(1) Operational energy consumed, (2) percentage grid electricity, (3) percentage renewable	Chapter 5. Climate change and environmental stewardship
Food Waste Management FB-FR-150a.1	Amount of food waste generated, percentage diverted from the waste stream	Chapter 5. Climate change and environmental stewardship
<b>Data Security</b>		
FB-FR-230a.1	(1) Number of data breaches (2) percentage involving personally identifiable information (3) number of customers affected	No data breaches involving personal data were recorded in 2021
FB-FR-230a.2	Description of approach to identifying and addressing data security risks	Chapter 9. Corporate governance
<b>Product Health &amp; Nutrition</b>		
FB-FR-260a.1	Revenue from products labelled and/or marketed to promote health and nutrition attributes	Chapter 8. Health and well-being
FB-FR-260a.2.	Discussion of the process to identify and manage products and ingredients related to nutritional and health concerns among consumers	Chapter 8. Health and well-being
Labour Practices FB-FR-310a.2	Percentage of active workforce covered under collective bargaining agreements	The Company had no collective bargaining agreements as at 31 December 2021
Management of Environmental & Social Impacts in the Supply Chain FB-FR-430a.4	Discussion of strategies to reduce the environmental impact of packaging	Chapter 6. Sustainable sourcing
<b>Activity Metrics</b>		
FB-FR-000.A	Number of (1) retail locations and (2) distribution centres	Chapter 1. About the Company
FB-FR-000.B	Total area of (1) retail space and (2) distribution centres	Chapter 1. About the Company
FB-FR-000.C	Number of vehicles in commercial fleet	Chapter 1. About the Company

### Appendix 1.3 Compliance with TCFD recommendations

Section	Recommendations	Information / Report chapter
<b>Governance</b> The organisation's governance around climate-related risks and opportunities	a. Describe the board's oversight of climate-related risks and opportunities b. Describe management's role in assessing and managing climate-related risks and opportunities	Chapter 5. Climate change and environmental stewardship
<b>Strategy</b> Actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material	a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	Chapter 5. Climate change and environmental stewardship
<b>Risk Management</b> How the organisation identifies, assesses, and manages climate-related risks	a. Describe the organisation's processes for identifying and assessing climate-related risks b. Describe the organisation's processes for managing climate-related risks c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management	Chapter 5. Climate change and environmental stewardship Chapter 9. Corporate governance Annual Report
<b>Metrics and Targets</b> Metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material	a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process b. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas emissions and the related risks c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	Chapter 5. Climate change and environmental stewardship

# Appendix 2.

## Overview of our contribution towards UN SDGs and related targets

### Overview of Magnit's contribution towards the UN Sustainable Development Goals (SDGs)

We have prioritised eight SDGs and 20 related targets in terms of Magnit's contribution towards each. For details on the priority SDGs, see Sustainability management.

	UN SDG and its targets
	<p><b>SDG 2: Zero Hunger</b></p> <ul style="list-style-type: none"> <li>– <b>2.1</b> By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round.</li> <li>– <b>2.4</b> By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality.</li> <li>– <b>2.5 (c)</b> Adopt measures to ensure the proper functioning of food commodity markets and their derivatives and facilitate timely access to market information, including on food reserves, in order to help limit extreme food price volatility.</li> </ul>
	<p><b>SDG 3: Good Health and Well-being</b></p> <ul style="list-style-type: none"> <li>– <b>3.7</b> By 2030, ensure universal access to sexual and reproductive health-care services, including for family planning, information and education, and the integration of reproductive health into national strategies and programmes.</li> <li>– <b>3.9 (d)</b> Strengthen the capacity of all countries, in particular developing countries, for early warning, risk reduction and management of national and global health risks.</li> </ul>
	<p><b>SDG 6: Clean Water and Sanitation</b></p> <ul style="list-style-type: none"> <li>– <b>6.5</b> By 2030, implement integrated water resources management at all levels, including through transboundary cooperation as appropriate.</li> </ul>
	<p><b>SDG 7: Affordable and Clean Energy</b></p> <ul style="list-style-type: none"> <li>– <b>7.3</b> By 2030, double the global rate of improvement in energy efficiency.</li> </ul>
	<p><b>SDG 8: Decent Work and Economic Growth</b></p> <ul style="list-style-type: none"> <li>– <b>8.2</b> Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors.</li> <li>– <b>8.6</b> By 2020, substantially reduce the proportion of youth not in employment, education or training.</li> <li>– <b>8.8</b> Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.</li> </ul>

	UN SDG and its targets
	<p><b>SDG 12: Responsible Consumption and Production</b></p> <ul style="list-style-type: none"> <li>– <b>12.2</b> By 2030, achieve the sustainable management and efficient use of natural resources.</li> <li>– <b>12.3</b> By 2030, halve per capita global food waste at the retail and consumer levels and reduce food losses along production and supply chains, including post-harvest losses.</li> <li>– <b>12.4</b> By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimise their adverse impacts on human health and the environment.</li> <li>– <b>12.5</b> By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.</li> <li>– <b>12.8</b> By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature.</li> </ul>
	<p><b>SDG 13: Climate Action</b></p> <ul style="list-style-type: none"> <li>– <b>13.2</b> Integrate climate change measures into national policies, strategies and planning.</li> <li>– <b>13.3</b> Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.</li> </ul>
	<p><b>SDG 17: Partnership for Sustainable Development</b></p> <ul style="list-style-type: none"> <li>– <b>17.10</b> Promote a universal, rules-based, open, non-discriminatory and equitable multilateral trading system under the World Trade Organisation, including through the conclusion of negotiations under its Doha Development Agenda.</li> <li>– <b>17.16</b> Enhance the global partnership for sustainable development, complemented by multi-stakeholder partnerships that mobilise and share knowledge, expertise, technology and financial resources, to support the achievement of the sustainable development goals in all countries, in particular developing countries.</li> </ul>

# Appendix 2.

## Overview of our contribution towards UN SDGs and related targets

(continued)

### Additional contribution towards SDGs and related targets

SDG	SDG target	Magnit's contribution
<p><b>SDG 1: No Poverty</b></p>	By 2030, reduce at least by half the proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions	<ul style="list-style-type: none"> <li>– Magnit set a new record, with 362,000 tonnes of private label products put out in 2021 to ensure, among other things, high availability of socially significant consumer goods.</li> <li>– The Company plans to introduce voluntary markup restrictions for a fixed range of socially significant products as a mechanism to ease the inflationary pressure on the incomes of Russian residents.</li> <li>– As a result of Magnit's operations, some quantity of leftover products does not make it to the shelves. Still usable, these are allocated for donations as we seek to support people in need.</li> </ul>
	By 2030, build the resilience of the poor and those in vulnerable situations and reduce their exposure and vulnerability to climate-related extreme events and other economic, social or environmental shocks and disasters	<ul style="list-style-type: none"> <li>– As part of the Cart of Kindness project launched in cooperation with the All-Russia People's Front, Magnit installed special carts in supermarkets across 26 regions of Russia for those wishing to donate products. As soon as the carts were filled, our volunteers would prepare packages and deliver them according to the list of people in need.</li> </ul>
<p><b>SDG 4: Quality Education</b></p>	By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship	<ul style="list-style-type: none"> <li>– In 2020, Magnit launched Corporate Academy, an education platform for employees of all ranks across key corporate functions.</li> <li>– As part of the employee training and development strategy, training stores were opened, with a mobile e-programme developed and an online anti-corruption course arranged.</li> </ul>
	By 2030, ensure that all learners acquire the knowledge and skills needed to promote sustainable development, including, among others, through education for sustainable development and sustainable lifestyles, human rights, gender equality, promotion of a culture of peace and non-violence, global citizenship and appreciation of cultural diversity and of culture's contribution to sustainable development	<ul style="list-style-type: none"> <li>– Magnit designed a sustainable development training course for employees.</li> <li>– Raising Responsible Consumers Together. Magnit and Nestle will support a new project for schoolchildren.</li> </ul>

SDG	SDG target	Magnit's contribution
	By 2020, substantially reduce the proportion of youth not engaged in employment, education or training	<ul style="list-style-type: none"> <li>– To attract young specialists and grow a talent pool, Magnit cooperates with leading educational institutions of Russia: Kuban State University, Kuban State Technological University, Kuban State Agricultural University, Kuban State Medical University, Kuban Institute of Vocational Education, Academy of Marketing and Social Technologies, Krasnodar College of Electronic Instrumentation, Russian University of Cooperation, Financial University under the Government of the Russian Federation, Saint Petersburg State University of Economics, and Plekhanov Russian University of Economics.</li> </ul>
<p><b>SDG 5: Gender Equality</b></p>	Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life	<ul style="list-style-type: none"> <li>– Magnit strives to provide equal career opportunities for all employees regardless of their gender and age. Women account for 20% of senior executives, playing a key role in the Company's management.</li> </ul>
<p><b>SDG 9: Industry, Innovation and Infrastructure</b></p>	By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities	<ul style="list-style-type: none"> <li>– Strengthening the focus on freshness, Magnit launched the first of its citrus packaging lines at the Novorossiysk distribution centre in 2020.</li> <li>– In the same year, the Company piloted a joint project with City Farmer for growing shiitake with AI technologies.</li> <li>– Magnit commenced testing of the robot cleaner. With moderate amount of dirt in stores, the cleaner consumed less water and detergent.</li> <li>– Magnit tested an exoskeleton solution at distribution centres, laying the foundation to ease the heavy-load impact by about 20%, increasing the individual performance of employees by 10%, as well as improve working conditions.</li> <li>– Magnit tested an AI-based greenhouse management approach via an e-platform that monitors resource consumption at separate facilities, proposing ways to minimise the Company's costs and environmental footprint.</li> </ul>

## Appendix 2.

# Overview of our contribution towards UN SDGs and related targets

(continued)

SDG	SDG target	Magnit's contribution
 <p>SDG 10: Reduced Inequalities</p>	Adopt policies, especially Fiscal Policy and Wage and Social Protection Policy, and progressively achieve greater equality	Key initiatives: <ul style="list-style-type: none"> <li>– The Company's key rules of conduct and ethical values are set out in the Code of Business Ethics and the Human Rights Policy adopted in 2020.</li> </ul>
	Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and action in this regard	<ul style="list-style-type: none"> <li>– Magnit was the first among retailers to support the Kind Bunny volunteer project in Novgorod aimed at teaching sales assistants to communicate with disabled people in a correct manner and provide first aid in emergency cases.</li> <li>– As at the end of 2020, Magnit employed 888 people with disabilities.</li> </ul>
 <p>SDG 11: Sustainable Cities and Communities</p>	Support positive economic, social and environmental links between urban, per-urban and rural areas by strengthening national and regional development planning	<ul style="list-style-type: none"> <li>– Magnit contributes to the growth of local infrastructure and well-being of communities across the Company's geography by making regular tax payments to budgets and creating jobs.</li> <li>– Development of volunteer and charity programmes in the regions, as well as emergency support.</li> <li>– Magnit opened its first stores in Dagestan.</li> <li>– Magnit and the Russian Agricultural Bank rolled out the farmer support project to regions.</li> <li>– Magnit plans to open an office in Uzbekistan.</li> </ul>
	By 2030, provide universal access to safe, inclusive and accessible, green and public spaces, in particular for women and children, older persons and persons with disabilities	<ul style="list-style-type: none"> <li>– «Magnit and Procter&amp;Gamble built children's playgrounds out of recycled plastic.</li> </ul>
 <p>SDG 14: Life Below Water</p>	By 2025, prevent and significantly reduce marine pollution of all kinds, in particular from land-based activities, including marine debris and nutrient pollution	<ul style="list-style-type: none"> <li>– Despite Magnit's business bearing no immediate effect on marine ecosystems, with none of the Company's facilities exploiting or polluting sea waters, we realise that the amount of production plastic and plastic waste directly impacts the marine environment. Our goal is to recycle as much plastic as possible, as well as restrain plastic waste generation across the entire chain of our operations, including customers, by developing green packaging.</li> </ul>

SDG	SDG target	Magnit's contribution
 <p>SDG 15: Life on Land</p>	By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally	<ul style="list-style-type: none"> <li>– We are actively working towards reducing paper use and switching to the electronic document exchange system under the Green Office initiative.</li> <li>– Magnit's volunteers regularly initiate tree planting together with local communities and non-governmental organisations.</li> </ul>
 <p>SDG 16: Peace, Justice and Strong Institutions</p>	Substantially reduce corruption and bribery in all their forms	<ul style="list-style-type: none"> <li>– As part of the employee training and development strategy, training stores were opened, with a mobile e-programme developed and an online anti-corruption course arranged.</li> <li>– The Company has an anti-corruption hotline available for all the parties involved.</li> <li>– We comply with all relevant laws and acts, working in cooperation with the stakeholders on a responsible basis and in strict line with the Russian legislation.</li> </ul>

# Appendix 3.

## List of Magnit Group companies

List of Magnit Group companies that fall within the Report's disclosure perimeter

Company name	Principal activity
Tander JSC	Food retail and wholesale
Selta LLC	Transportation services for the Group
Retail Import LLC	Import operations
Alkotrading LLC	Other operations
Tandem LLC	Rent operations
BestTorg LLC	Food retail in Moscow and the Moscow region
Zvezda LLC	Assets holder, vehicles maintenance services for the Group
ITM LLC	IT services
Logistika Alternativa LLC	Import operations
MagnitEnerg LLC	Buyer of electric power for the Group
Magnit Pharma LLC	Pharmaceutical licence holder
Magnit IT Lab LLC	Innovative software product development
MFK LLC	Other activities
TD-Holding LLC	Production and processing of food for the Group
TK Zelenaya Liniya LLC	Greenhouse complex
MC Industrial Park Krasnodar LLC	Management of production assets
Kuban Confectioner LLC	Production of food for the Group
Kuban Factory of Bakery Products LLC	Production of food for the Group
Moskva na Donu LLC	Production of agricultural products for the Group
Zelen Yuga LLC	Production of agricultural products for the Group
Volshebnyaya svezhest LLC	Production of household chemicals for the Group
MF-SIA LLC	Management activities

# Contact

## information

Your feedback helps us do a better job in maintaining sustainability and reporting on it.

We will be happy to hear your thoughts and answer your questions. You can contact us using the information below.

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