

No. 12 INTERNAL AUDIT REPORT ON RESULTS OF ASSESSMENT OF RELIABILITY AND EFFECTIVENESS OF RISK MANAGEMENT, CONTROL, AND CORPORATE GOVERNANCE PROCESSES OF MAGNIT PJSC IN 2023

This Report was prepared in compliance with the requirements of the Federal Law No. 208-Ф3 On Joint Stock Companies dated December 26, 1995.

The Internal Audit Department of Magnit PJSC (hereinafter – the IAD) is a separate structural unit that is functionally subordinate to the Board of Directors and administratively – to the Chief Executive Officer of Magnit PJSC (hereinafter – the Company).

The main purpose of the IAD is to provide independent and objective assurance and advice that are aimed to add value and improve the Company's operations. The IAD helps the Company in achieving its objectives through the systematic and consistent approach to assessment and improvement of effectiveness of risk management, control, and corporate governance processes.

The Company has approved internal documents that determine the Company's policy with regard to arrangement of internal control and risk management. The IAD performs independent assessment of effectiveness of the systems of internal control and risk management. The IAD employs the risk-based approach to internal audits. Based on the findings of internal audits performed in accordance with the internal audit plan approved by the Board of Directors, recommendations are given to improve effectiveness of the Internal Control and Risk Management System (ICRMS), both at the level of business processes and the corporate one, which are timely complied with. Compliance with the corporate governance principles is assessed throughout the year.

The IAD operates in accordance with the current legislation of the Russian Federation; International Professional Practices Framework adopted by the Institute of Internal Auditors; as well as internal policies and procedures as in force at the Company, including the Internal Control and Risk Management Policy of Magnit PJSC.

In 2023, the staff of the Internal Audit Department performed 12 audits in accordance with the audit plan and 5 ad hoc reviews upon request of the Executive Body. Based on the findings of these audits, corrective actions were developed and approved. A part thereof was implemented in 2023, with the rest being implemented from the beginning of 2024.

In 2023, there were no significant limitations on the IAD's powers that could adversely affect implementation of the internal audit function except for the below limitations.

Due to escalation of geopolitical tensions in the reporting year, introduction and further expansion of sanctions by a number of countries against Russia and businesses operating in Russia, Magnit PJSC, just like many other companies, found itself in a situation of uncertainty, facing new risks. In this situation, many corporate procedures were not implemented. In particular, the Annual General Meeting of Shareholders scheduled for June 30, 2022 was declared void due to lack of the quorum. As a result, all the powers of the Board of Directors were terminated in accordance with the Article 66 of the Federal Law No. 208-Ф3 On Joint Stock Companies dated December 26, 1995, except for the powers to prepare for, convene, and hold Annual General Meetings of Shareholders.

In 2023, following the Tender Offer, Magnit Alyans LLC, an indirect wholly-owned subsidiary of the Company, acquired approximately 29.7% of all issued and outstanding shares of the Company from non-resident shareholders. The buyback of shares was aimed at changing the Company's capital structure to mitigate the risks of non-resident shareholders dominating in the authorised capital of PJSC Magnit. The purchase of shares was carried out in line with the received approvals (including the approval of the Government Commission on Monitoring Foreign Investments in Russia). The new members of the Board of Directors were elected at the annual General Meeting of Shareholders held on 28 December 2023, following the completion of the procedures for changing the Company's capital structure.

On 29 December 2023 the newly elected Board of Directors made up the committees of the Board of Directors, elected the sole and collective executive bodies of the Company; other issues were not considered by the Board of Directors.

The Internal Audit Department of Magnit PJSC assessed reliability and effectiveness of risk management and internal control, as well as corporate governance at Magnit PJSC, in 2023.

Based on the findings of the audits performed in 2023 and obtained audit evidence, the Internal Audit Department of Magnit PJSC has reasonable grounds to believe that the mechanisms of internal control, risk management, and corporate governance, as in force at the Company, comply in all material aspects with the approaches and principles established by the Board of Directors and the management of the Company, and are implemented in accordance with the applicable requirements of the legislation of the Russian Federation, regulatory bodies, internal documents, as well as generally accepted concepts and practices, and are effective, except for the above limitations.

At the same time, the IAD notes that the assessment revealed certain shortcomings and areas for further improvement, which have been communicated to the stakeholders, and recommendations to address the revealed shortcomings have been developed and are being implemented.

**Director of Internal Audit Department of Magnit PJSC
V.V. Ryakhovsky**