



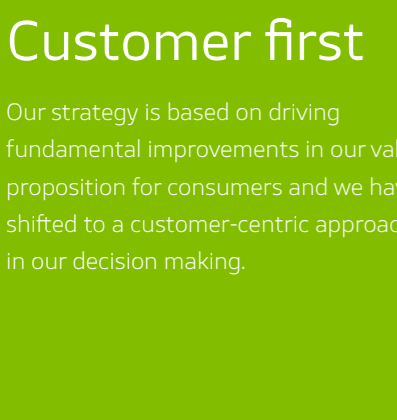
AS
ONE –
FOR THE
CUSTOMER

RETAIL WITH PURPOSE
COMMUNITY RESPONSIBILITY
CARE
ECOLOGY
HEALTH RESPONSIBILITY
HEALTH CARE
RETAIL WITH PURPOSE
ECOLOGY
RESPONSIBILITY
RETAIL WITH PURPOSE
HEALTH CARE
ECOLOGY
HEALTH CARE
RETAIL WITH PURPOSE

2020 Sustainability Report

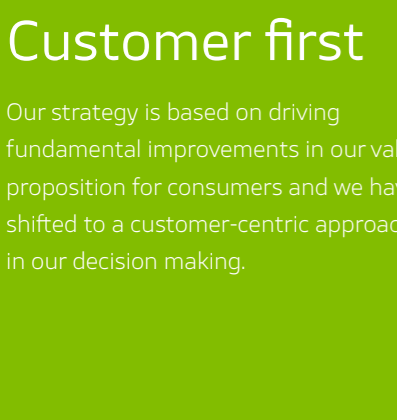
Vision

A trusted value-for-money retailer, providing high-quality products at affordable prices and catering to all key everyday needs of Russian families.



Customer first

Our strategy is based on driving fundamental improvements in our value proposition for consumers and we have shifted to a customer-centric approach in our decision making.



Customer first

Our strategy is based on driving fundamental improvements in our value proposition for consumers and we have shifted to a customer-centric approach in our decision making.

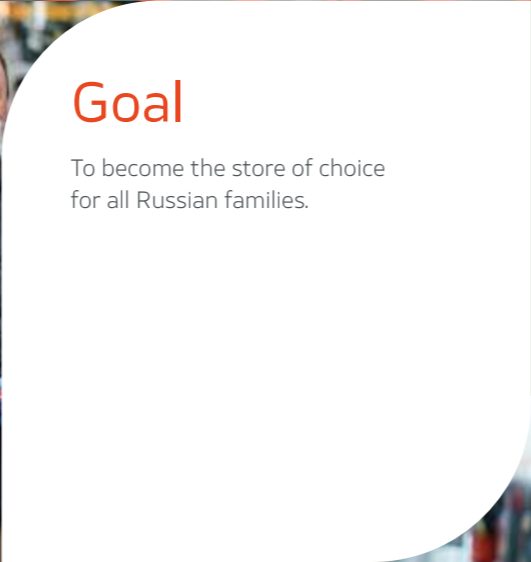


Goal

To become the store of choice for all Russian families.

Goal

To become the store of choice for all Russian families.



The basics

We are investing in the optimization of our end-to-end business processes to improve our operating efficiency.



Convenience

We address the most important needs of Russian consumers with convenient and accessible solutions through our «family» of Magnit propositions.



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Growth

Customer engagement via digital channels is accelerating every year on the back of new technologies penetration providing new opportunities in terms of identifying and communicating with the customers, as well as improving overall processes.

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A word cloud on a light green background. The words are arranged in various sizes and orientations. The colors used are green, red, white, and dark blue. The words include: RESPONSIBILITY, HEALTH, CARE, ECOLOGY, COMMUNITY, RETAIL WITH PURPOSE, and their combinations.

Contents

President and CEO's Statement	6	Chapter 3. Environment	34	Responsible production and agriculture.	58	Chapter 8. About this Report	92
Chapter 1. About the Company	8	Environment	36	Green marketing	64	About this Report	94
About the Company.	10	GHG emissions	38	Chapter 5. Our employees	66	Annex 1. GRI content index	98
Key business segments and size.	12	Waste	40	Our employees	68	Annex 2. List of companies of the Magnit Group, the information in respect of which is the perimeter of the disclosure of information in this Report	106
Our approach to sustainable development.	16	Energy and water use.	42	Inclusiveness	70	Annex 3. Sustainability and corporate governance documents.	107
Our sustainable development goals and priorities	18	Green Office	44	Incentive schemes and social support	72	Contact information.	108
Risk management	20	Chapter 4. Sustainable sourcing	46	Safe working environment.	74		
Sustainability management.	22	Sustainable sourcing	48	Talent management.	77		
Stakeholder engagement	24	Responsible sourcing	50	Chapter 6. Communities	80		
Business ethics and human rights	26	Effective communication with suppliers.	51	Communities	82		
Data privacy	27	Logistics.	52	Volunteering and charity.	84		
Corporate governance	28	Deliveries from stores to customers	53	Chapter 7. Health and wellness	88		
Chapter 2. Our response to COVID-19.	30	Developing cooperation with local suppliers	54	Health and wellness.	90		
Our response to COVID-19.	32	Food and non-food product safety	55				

*all financial indicators are presented in accordance with the audited consolidated financial statements of PJSC Magnit and its subsidiaries for 2020.
* all figures are as of 31.12.2020.
* EBITDA, EBITDA pre LTI and LFL metrics are calculated by the Company and are not audited

President and CEO's Statement

Dear Reader,

A year has gone since we launched our Sustainability Strategy "Retail with Purpose" and published our first Sustainability Report. And what a year it has been with the Covid-19 pandemic bringing many extra challenges to the way we conduct our business and service our millions of customers.

We have used the time since launching to really build the foundations of a systematic business process driven approach of Sustainability throughout the organization. Last year was very much about measuring and building base cases, for example we had our first company wide Health & Safety Audit, Corporate Governance Audit and Employee Satisfaction Survey, by the way showing results that I am very pleased with as we had an overall satisfaction rate of 72.6% in the middle of a pandemic and at the back end of a multi year transformation program.

It was also a year of launching pilots, like testing LNG and electric trucks for deliveries, Green Office and Green Store projects as well as launching many projects to achieve our stated targets in all five of our focus areas: Environment, Sustainable Supply Chain, Employees, Communities and Health & Wellness.

But 2020 was also about achieving some very good results from our initial efforts. We were able to show significant reductions in food waste as well as waste overall and we are on the right track when looking at Scope 1&2 CO2 emissions, water consumption and employee turnover.

But I think I am most proud of the whole Magnit team on how we responded to the pandemic and how the team stretched itself to make sure our shelves never went empty and our employees and customers were kept safe. The logistical efforts in redesigning stores to include all necessary safety measures and personal protection equipment in a matter of days and weeks was admirable. Additionally we reached out to help the communities we operate in, delivering over 350 000 free food parcels, giving out over 150 000 discount loyalty cards to front line health workers, delivering coffee and other products to hospitals and using volunteer employees to deliver groceries to elderly and vulnerable people.

We understand that we can't do all of this effectively by ourselves — that's why we are reaching out to various partners, stakeholders and industry associations to team up to achieve results better and faster. One of the main partners are our suppliers, with whom we have already several joint programs ongoing and we just launched a wide Coalition for Healthy Living with 7 major suppliers to help our consumers and employees to embrace healthy habits in both food and non-food areas by raising awareness, providing healthier products as well as engaging with relevant governmental stakeholders to enforce the message. And you will see more announcements of this nature later on in the year.

“

I feel very strongly about Sustainability. To me, this is running Magnit in a way that benefits our stakeholders, be it customers, suppliers, employees or shareholders as well as the environment, thus ultimately making good business sense and positively effecting the bottom line.

”

I have been pleased to see that the various rating agencies in the ESG sphere have noticed our efforts and we have seen some good progress and upgrades of our ratings.

I would like to also thank our Board of Directors for their active engagement in the topic and all of my over 300000 colleagues on the way they have embraced sustainability issues and the enthusiasm in the way our initiatives are being driven forward.

But of course our work is far from done, we have an extensive plan for the next 4 years of our Strategy while the issues of ESG are continuously evolving and new requirements being added. Going forward we will continue to work hard on all of our focus areas but in 2021 we will put even extra effort on Healthy Living, waste recycling and building the basis for sustainable supply chains, all areas where stakeholder feedback shows high current interest.

I look forward to us continuing to lead the way forward on sustainability for our industry in 2021 and years ahead.

Jan Dunning

President and CEO of Magnit

CARE

RESPONSIBILITY

About
the Company

1

RETAIL WITH PURPOSE
COMMUNITY RESPONSIBILITY
CARE ECOLOGY
ECOLOGY HEALTH RESPONSIBILITY
CARE COMMUNITY
RESPONSIBILITY
RETAIL WITH PURPOSE
HEALTH
ECOLOGY
CARE

About the Company

The Magnit Group¹ (hereinafter, “Magnit” or the “Company”) is Russia’s top food retailer by store count and geographical coverage. Our mission is to become the store of choice for every Russian family.

Magnit at a glance

- **The top food retailer** in Russia by store count and geographical coverage
- **A multi-format retail chain** with a unique cross-format loyalty program
- **A reliable and stable partner** for both local producers and foreign companies
- **The largest private employer** in Russia (Forbes rating)²
- **The largest food importer** in Russia
- **The only vertically-integrated retailer**, operating 17 agricultural and food production units across Russia
- **A major logistics operator** in Russia with a nationwide supply chain
- **The store of choice** for millions of customers

Key figures

	2018	2019	2020
Store count	18,399	20,725	21,564
Number of localities served	2,976	3,742	3,752
Tickets, mln	4,370	4,690	4,641
Headcount	295,882	308,432	316,001
Revenue, RUB bln	1,237	1,369	1,554
Revenue growth, %	8.2	10.6	13.5
Gross margin, %	23.9	22.8	23.5
EBITDA margin (IAS 17), %	7.2	6.1	7.0
Net income margin (IAS 17), %	2.7	1.2	2.4
CAPEX (IAS 17), RUB bln	54	59	32
Net debt/EBITDA (IAS 17)	1.5	2.1	1.1
Total dividends announced, RUB bln ³	31.0	31.0	25.0⁴

¹ For the purpose of this Report, the Magnit Group includes companies listed in the Scope of this Report section below. The information herein is based on the reporting perimeter established therein.

² <https://www.forbes.ru/biznes-photogallery/409109-krupneyshie-chastnye-rabotodateli-rossii-2020>

³ The amounts of dividends declared by PJSC "Magnit" are indicated

⁴ Dividends announced for 9 months of 2020



Magnit.Care program with 350,000

charity food parcels for vulnerable families, **150,000** loyalty cards with extra bonuses for medical staff, the 1st food charity cart in Russian



Increase of recycled plastic in bags from zero

to **30%**,

using own recycled plastic saving **4,000** tons of virgin plastic annually



First company wide Employee Satisfaction Survey completed with engagement rate

84.2%,

figures are higher than average for retail industry



Pilots with natural gas trucks (250) and first electric truck

Testing of the first Russian large-capacity electric truck MOSKVA



'Second Life of Plastic' joint program

resulting in installation of largest fandomat network in Russia and **3 playgrounds** made of recycled plastic



Green Office project

completed at HQ, successful certification

	2018	2019	2020	Change
Amount of recyclable materials sent for recycling, thousand tons	442	432	451	4.4%
GHG emissions (scope 1 and 2), kg of CO ₂ equivalent per square meter of total area	274.88	263.30	245.23	−6.9%
Direct GHG emissions (scope 1), kg of CO ₂ equivalent per square meter of total area	84.79	83.40	69.12	−17.1%
Indirect GHG emissions (scope 2), kg of CO ₂ equivalent per square meter of total area	190.10	179.90	176.1	−2.1%
Total volume of food waste generated, kg per 1 m ² of retail space	38.25	58.59	38.18	−34.8%
Total volume of waste generated, million tons	1.1	1.7	1.2	−29.4%
Specific electricity consumption (excluding own power generated) by retail, logistics, own production facilities in 2018–2020, kWh per square meter	312.49	300.22	291.63	−2.9%
Specific heat consumption by retail, logistics, own production facilities in 2018–2020, 000 Kcal per square meter	152.89	150.86	138.46	−8.2%
Specific water consumption by retail, logistics, own production facilities in 2018–2020, m ³ per square meter	0.84	0.79	0.72	−9%
Staff turnover, %	54	64.6	49	−15.6 p.p.
Injury frequency rate	0.68	0.76	0.86	13.2%
Number of volunteer employees, number of people	—	—	3,500	—
Employee satisfaction rate, %	—	—	72.6	—
% of the regions of the company’s presence where Magnit implements social / charitable programs	—	—	100	—

Key business segments and size

Magnit does business in three key areas. Apart from being a retailer, it is a major logistics operator in Russia and runs food processing and agricultural units.

Magnit operates a multi-format retail chain comprising convenience stores, supermarkets, pharmacies and drogeries.

Business model

**Supreme Quality**
~6 thous. suppliers
Best local product range
52% local SKUs
Vertical integration
17 own production facilities
>310 thous. tonnes of products per year
>2.5 thous. private label SKUs
10% share of PL
7% direct import supplies
Quality control "from field to plate"
12 laboratories 3.5 thous. daily tests

**Multi-format & omni-channel under single brand**
14,911 convenience stores
470 supermarkets
6,183 drogeries
1,165 pharmacies
3,752 Cities & townships
Online across all segments and missions:
— regular delivery (stock-up)
— express
— E-pharma
Covers >1 thous. stores in 47 regions of Russia

**Largest supply chain network in Russia**
38 distribution centres in 7 federal districts
>4.3 thous. trucks
91% centralisation ratio
Logistics transformation

**Best customer experience**
Unique cross-format brand
— Enhanced CVP & clustering
— New retail technologies
— Eco-Initiatives
— 13 mln customers daily
— 14,354 new concept stores
Cross-format loyalty program
>43 mln active users of loyalty cards
70% penetration in sales

Environment

Employees

Health and wellbeing

Big Data & Advanced Analytics

Responsible supply chain

Community involvement

Scalable & Reliable IT solutions

Effective E2E processes & Cross-functional cooperation



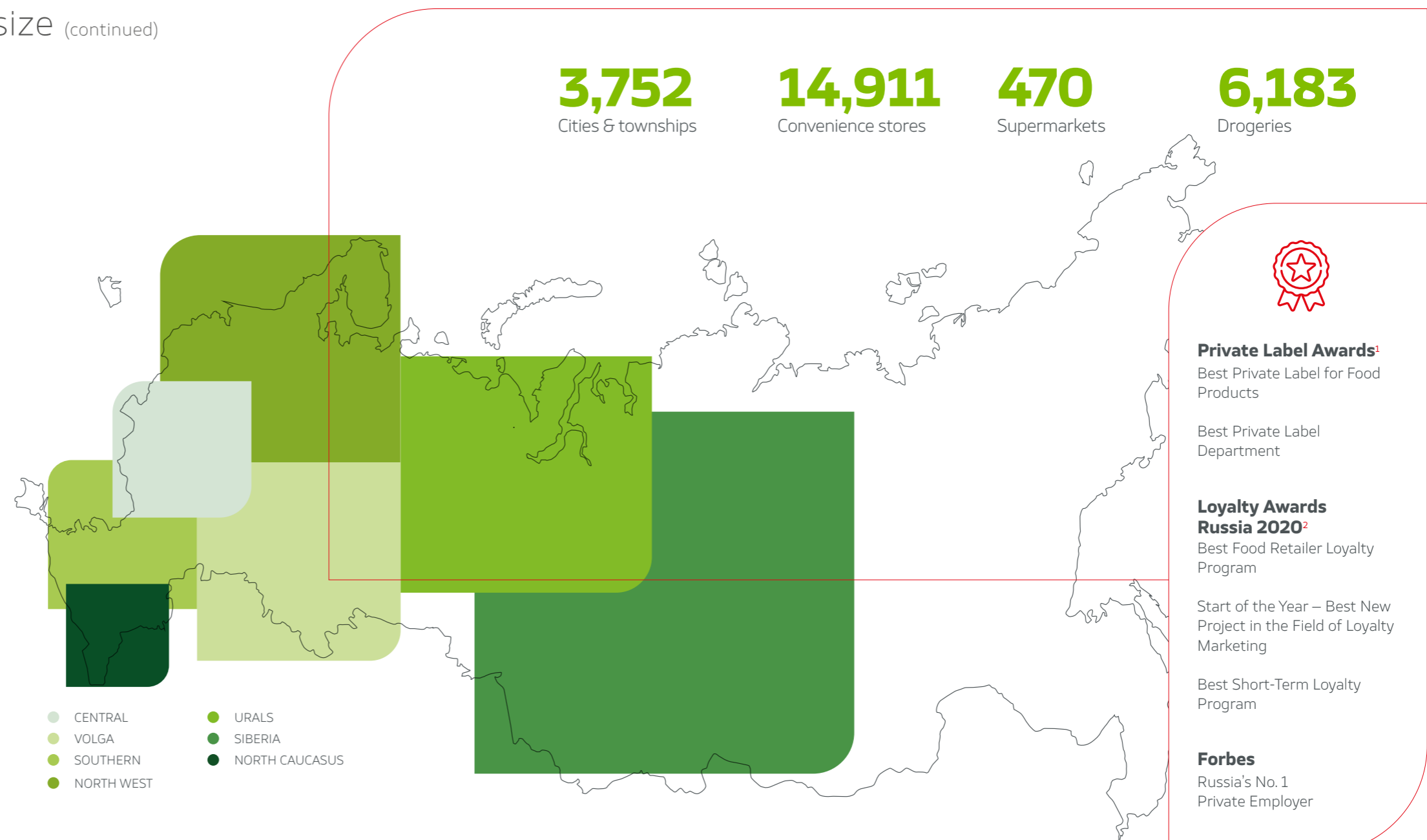
Value creation for..		
Customers		
#1 Russian retailer in terms of proximity to customers and geographical coverage	21,564 stores in 3,752 cities and townships	Delivering fresh and high-quality products
Employees		
>316 thous. employees – one of the largest private employers in Russia	200 thous. employees joined Magnit's Corporate Academy	84% employee engagement rate 73% employee satisfaction rate
Suppliers		
	52% of SKUs supplied by 4.1 thous. local producers	7% direct import supplies (~700 contracts)
Communities		
	RUB 210 mln allocated for charity	RUB 2.9 bln responsible approach towards environment
Government		
	RUB 94 bln timely tax allocation	44 procurement sessions in 38 regions
Investors		
RUB 578 bln capitalization (+ 66% in 2020)	RUB 31 bln dividends paid in 2020 ¹	x2 ROIC growth in 2020

¹ Dividends paid based on 2019 results

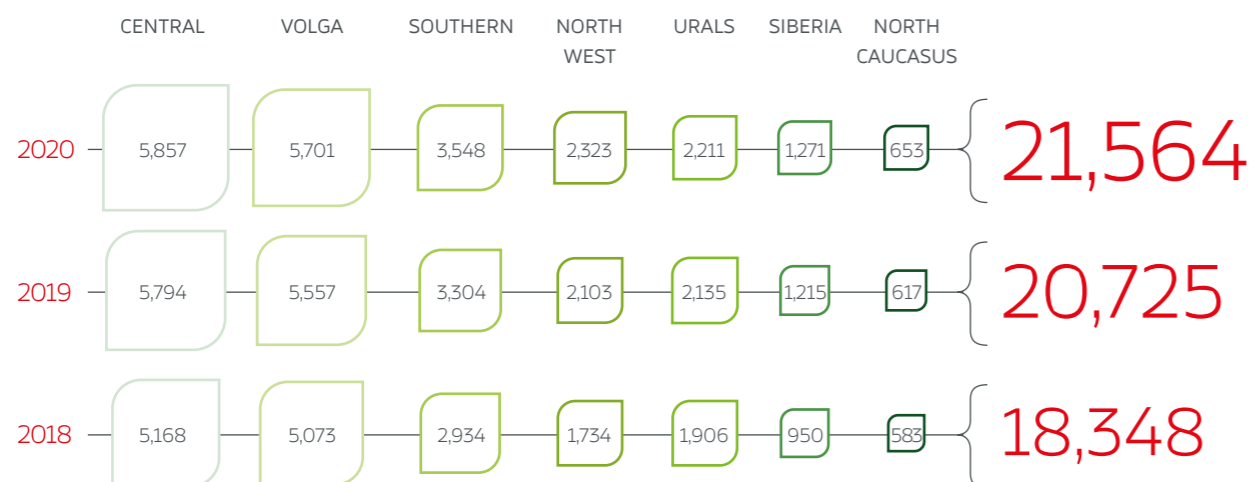
Key business segments and size (continued)

Magnit offers its own range of private label (PL) products along with other brands. The Company's production assets consist of 13 food processing enterprises (groceries, confectionery, tinned products, snacks, tea, beverages, etc.), and 4 agricultural complexes growing vegetables and herbs. The Company also operates one of Russia's largest mushroom growing facilities. Magnit enterprises produce frozen ready meals, fish, snacks, pasta, dry bakery products, baked products, tea, confectionaries and groceries.

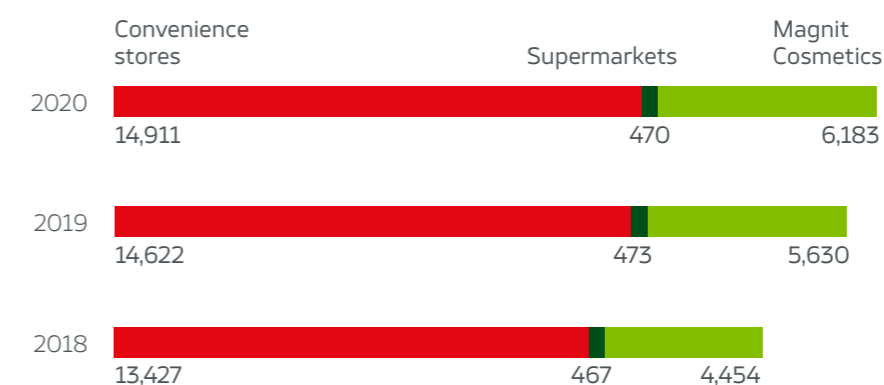
Magnit is not only a food producer and retailer running a multi-format chain of stores and pharmacies, but also a major national logistics operator with 38 distribution centers, 35 transportation companies and a fleet of 4,355 trucks.



Number of stores by region



Stores by format



¹ A Reed Exhibitions national award for private labels based on opinions of customers and a council of experts. It is presented at IPLS exhibitions.

² An annual national award for best loyalty marketing professionals in Russia and the CIS. This sectoral award for top managers in the industry was established by RuMarTech, a community of marketing, information technology and innovation professionals, in strategic partnership with Forrester Research Russia.

Our approach

to sustainable development

The customer is always at the center of our focus, and our processes are designed around this approach as we work to enhance our competitive edge and explore new growth areas.

Being a socially responsible business that delivers value to all stakeholders is at the heart of our sustainability agenda. We create business opportunities for our partners and suppliers, provide a safe and rewarding workplace to our employees, and develop local communities. We provide our customers with access to quality and affordable food as well as to other goods and services.

Sustainable business practice goes hand in hand with the creation and distribution of economic value. We use retained economic value as a source for growing and cementing our position in the market. Magnit is committed to making a bigger social impact by increasing the economic value it generates and distributes in a more sustainable way.

Direct economic value generated and distributed, RUB thous.

Stakeholder		2020
Direct economic value generated		1,574,504,265
Revenue	A wide variety of stakeholders	1,553,777,351
Lease & sublease income		3,153,243
Investment income		504,476
Other income		17,069,195
Economic value distributed		297,101,893
Operating costs	Suppliers and contractors	64,100,690
Employee wages and benefits	Employees	109,078,575
Dividends paid	Shareholders and investors	29,871,472
Timely tax allocation	Government authorities	93,841,524
Community investments	Communities	209,632
Economic value retained: 'direct economic value generated' less 'economic value distributed'		1,277,402,373



Revenue

RUB **1,554** bln

Employee wages and benefits

RUB **109** bln

Community investments

RUB **209** mln

Timely tax allocation

RUB **94** bln

Our sustainable

development goals and priorities

The Company has developed a Sustainability Strategy 2025 designed to streamline its sustainability activities.

The strategy is based on the 10 principles of the UN Global Compact and their 17 Sustainable Development Goals as well as stakeholder expectations.

- Magnit has set the following five ambitious goals aligned with its Sustainability Strategy:
- Become the leader in environmental impact reduction in the industry
 - Have a positive impact on the quality of life of all people in Russia
 - Become Employer No. 1 in the industry
 - Create a 100% responsible supply chain
 - Build the best in class corporate governance in the industry.

- Our key sustainability focus areas:
- Environment
 - Sustainable sourcing
 - Employees
 - Communities
 - Health & wellness.

Key areas

Environment

50%

Private labels and own production packaging be recyclable, reusable or compostable¹

100%

Recyclable plastics in own operations are recovered and recycled

50%¹

Food waste reduction

30%

Greenhouse gas emissions reduction¹

25%

Water and energy consumption reduction

Sustainable Sourcing

100%

Responsible sourcing for socially important categories

100%

Responsible own production and agriculture

Increase

of green packaging

Responsibility

Sourcing for commercial and non-commercial purchases

Partnership

Programs for local suppliers & farmers

Employees

70%

Rate of employee satisfactions

50%

Lost time incidents rate reduction and zero fatalities

40%

Max turnover rate

Communities

10%

Employee volunteers

Community

Programs for all the regions of the Company's presence

Health & Wellness

Healthy lifestyle

Information about and nutrition is available to all of consumers

Healthy food

Related products are available to all of consumers

Priority SDGs selected by Magnit



Throughout this Report, we use the following graphics to illustrate progress made towards our sustainability targets



¹ All quantitative targets are indicated per square meter of total area

Risk management

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. Non-financial risks are assessed by the Board of Directors.

Risk management consists of the following key elements:

- Risk identification
- Risk assessment
- Defining and implementing risk response mechanisms
- Ongoing risk monitoring

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

These risks are managed by adopting a Code of Business Ethics and an Anti-Corruption Policy, maintaining a whistleblower hotline and analyzing its performance, participating in the UN Global Compact, and providing 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 risk

In 2020, Magnit conducted its first climate-related risk assessment using the "business as usual" (RCP 8.5) scenario whereby temperatures will rise by around 4 degrees Celsius by 2100. We analyzed the impact to Magnit until the year 2050.

The following four types of possible climate risks were identified:

1) Physical risks arising from phenomena such as rising temperatures, drought, storm intensity and rising sea levels.

Rising temperatures

Net increase in days requiring heating or cooling of facilities. Mitigating actions include energy efficiency efforts and looking at renewable energy sources.

Drought

Reductions in crop yields. Mitigating actions include more sustainable agricultural practices and technology and seed innovation.

Storm intensity

Damage to the Company's facilities. Mitigating actions include improved construction specifications, especially for distribution centers.

Rising sea level

Mitigating actions include facilities siting and construction specifications that take into account the likelihood of a rising sea level.

2) Regulatory risks such as introduction of carbon pricing and increased costs related to waste disposal. Mitigating actions include progress towards carbon neutrality and reducing GHG emissions and waste.

3) Reputation risks that could arise from consumer or community actions. Mitigating actions include our community and consumer outreach programs to work together in addressing any arising issues.

4) Litigation risks resulting in any offenses committed by the Company. Mitigating actions include having relevant policies and processes in place to avoid any offenses occurring and constant employee training on these matters..



Detailed information on managing other key risks is provided in the Annual Report.

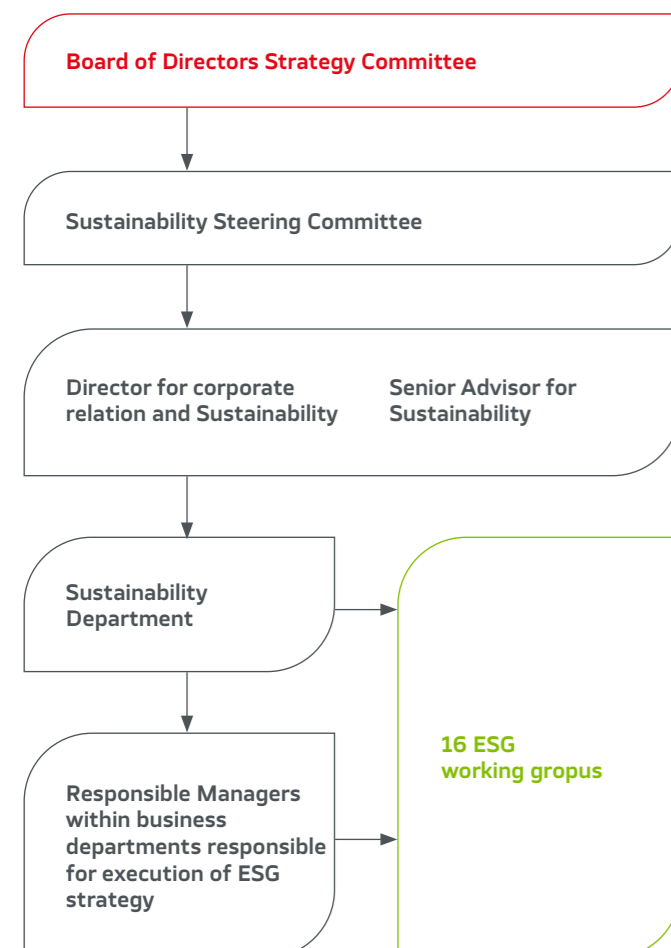
Sustainability management

Sustainability management is a top-down process that starts at the level of the Board of Directors. In 2019, at the initiative of the Management Board, the Company set up a Sustainability Steering Committee (the "Committee"), a dedicated body tasked with coordinating sustainability activities, including communications with stakeholders. The Committee also makes recommendations on strategic initiatives aimed at achieving greater long-term resilience to social, environmental, resource and energy challenges. The Committee reports to the Board of Directors and manages the activities of 16 working groups that work together to build resilience across the Company's entire ecosystem, from retail to production, supply chain, logistics and talent management.

The Committee met twice in 2020 to discuss the establishment of new working groups (food waste, and health & wellness), the progress of the Green Office program, an approach to building infrastructure for collecting consumer packaging waste in collaboration with suppliers, and other matters. The Committee also supported a proposal to encourage corporate functions to expand their sustainability initiatives and embed them into their current practices and strategies, and to launch an organization-wide program to support effective sustainability communication among employees.

Internal communications include emailed weekly and monthly digests, social media posts, workshops and events for employees.

Sustainability management structure



19

Digests

1

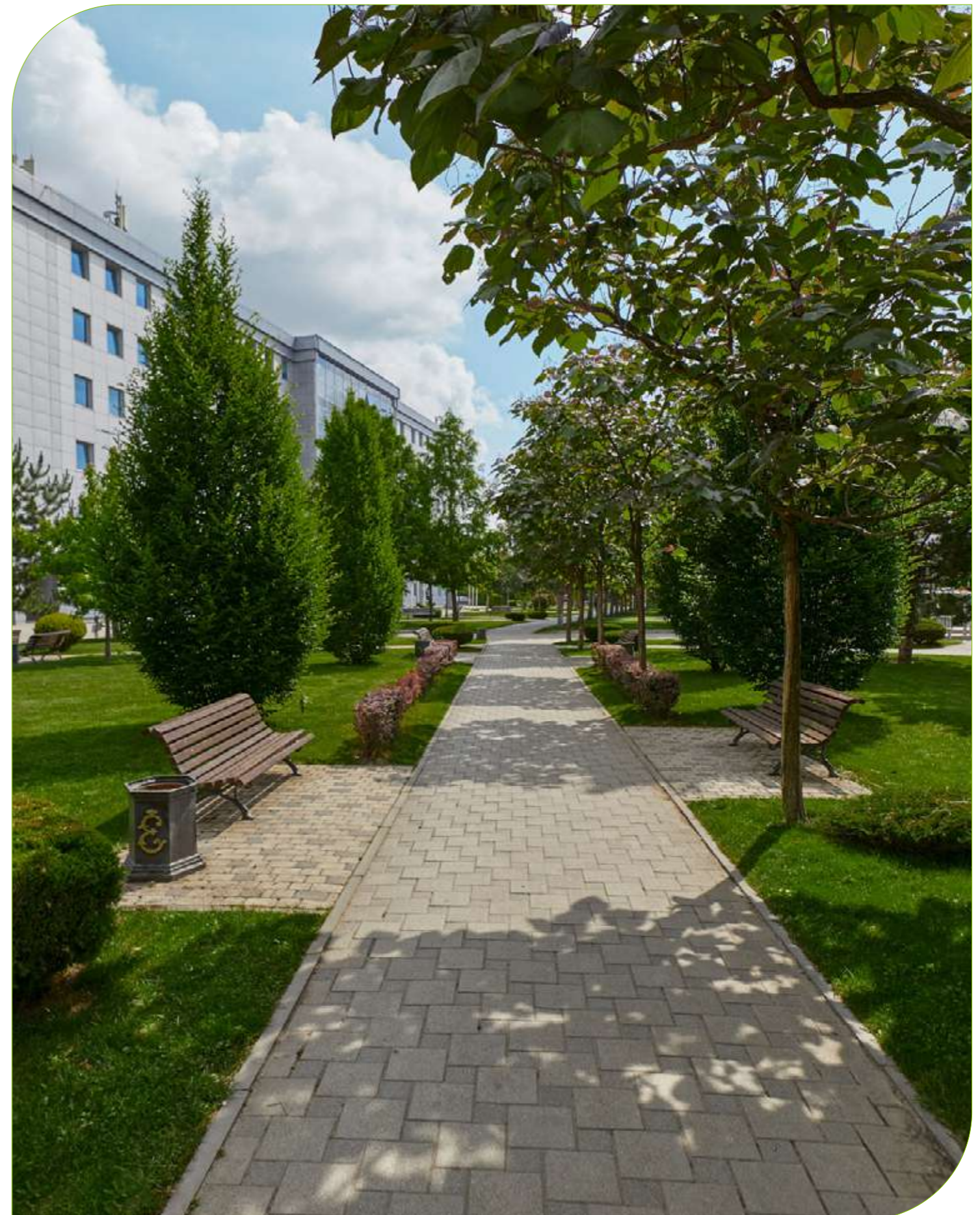
Workshop

22,136

Social media subscribers

Magnit has also adopted corporate policies to regulate its sustainability efforts (a full list is provided in Annex 3).

In 2020, Magnit joined the UN Global Compact that comprises more than 13,000 participants from 160 countries determined to align their operations with sustainability principles. By joining this initiative Magnit affirmed its commitment to implement and promote the UN GC framework, and the ten principles concerning human and labor rights, the environment and the fight against corruption..



Stakeholder

engagement

Magnit maintains a regular and open dialogue with all stakeholders, guided by the principles of mutual respect, transparency, ongoing communication and accountability. Magnit remains in permanent contact with its key stakeholders on all issues that arise.


Below are the key stakeholder groups whose interests are closely tied to the Company's activities:

- Government bodies
- Customers
- Suppliers
- Employees
- Local communities and the general public
- Investors
- Shareholders
- Non-governmental organizations (NGOs)
- Media

Magnit leverages various communication channels to engage with each of the above stakeholder groups with due regard to their relevant needs, interests and characteristics.

Magnit's engagement activities in 2020 by stakeholder group

Stakeholder	Communication channels and engagement outcomes	
 Government bodies	Key communication channels <ul style="list-style-type: none"> — Meetings, roundtables, seminars, public events with public authorities (forums, conferences) — Public hearings, participation in the assessment of the regulatory impact and the assessment of the actual impact of regulatory legal acts — Reports, monitoring, surveys — working groups, including within the framework of the regulatory guillotine 	Engagement outcomes in 2020 <ul style="list-style-type: none"> — No legislative initiatives to change the Law on Trade that hinder business — Profit tax rate for sales of mushrooms – 0% — Participation in state projects ("Million Prizes" with the Government of Moscow, "Digital Grandmother" with the Ministry of Industry and Trade of the Russian Federation, federal celebrations: May 9, Russia Day, etc.) — Channels of interaction with federal and regional government bodies have been expanded.
 Customers	Key communication channels <ul style="list-style-type: none"> — Hotline — Social media — Opinion polls — Satisfaction surveys — Loyalty programs — Meetings and workshops 	Engagement outcomes in 2020 <ul style="list-style-type: none"> — Store count rose by 839 — A change in the range of goods — 52 "Healthy lifestyle" cubes; — Sales of eco-friendly household chemicals increased by 37%.
 Suppliers	Key communication channels <ul style="list-style-type: none"> — Hotline — Procurement sessions involving local government authorities — Conferences — Magnit Service information portal — Supplier relationship management portal 	Engagement outcomes in 2020 <ul style="list-style-type: none"> — 44 procurement sessions held — "On the Same Wavelength" conference with suppliers — Agreement with PJSC "Rosselkhozbank" aimed at supporting and promoting farm products — 2,422 local suppliers
 Employees	Key communication channels <ul style="list-style-type: none"> — Hotline — Social media — Corporate magazines — Satisfaction surveys — Loyalty programs — Corporate events 	Engagement outcomes in 2020 <ul style="list-style-type: none"> — Ranked by Forbes as Russia's largest private employer — Ranked by HeadHunter among the top 50 employers — 224,000 unique users of training programs — Total spending on employee and other benefits 994.5 mln RUB

Stakeholder	Communication channels and engagement outcomes	
 Local communities and the general public	Key communication channels <ul style="list-style-type: none"> — Press releases — Reports — Popular opinion surveys 	Engagement outcomes in 2020 <ul style="list-style-type: none"> — Company's presence in 3,572 cities in Russia — 6,054 new jobs — 888 employees with disabilities work for the Company — Sustainable approach to environmental management — Magnit Care program — Sports sponsorship
 Investors	Key communication channels <ul style="list-style-type: none"> — Presentations for professional communities and investors — Membership of expert groups and public associations — Conferences, forums and roundtables — Investor meetings 	Engagement outcomes in 2020 <ul style="list-style-type: none"> — 9 road shows — 120 events — Meetings with 218 institutional investors
 Shareholders	Key communication channels <ul style="list-style-type: none"> — Reports — Shareholders' meetings 	Engagement outcomes in 2020 <ul style="list-style-type: none"> — 2 general meetings of shareholders — 20 reports
 NGOs	Key communication channels <ul style="list-style-type: none"> — Meetings, roundtables, workshops, etc. 	Engagement outcomes in 2020 <ul style="list-style-type: none"> — Joint projects (plastic packaging collection and reuse, collection of used batteries) — Magnit Care program — Accession to the UN Global Compact — Joined Healthier Living Coalition and Food Waste Coalition of Consumer Goods Forum — Seminars with the WWF
 Media	Key communication channels <ul style="list-style-type: none"> — Press releases — Meetings and workshops — Conferences 	Magnit's key events in 2020 received media coverage.

Business ethics

and human rights

Magnit conducts business in an ethical manner. It is committed to high legal, ethical and moral standards and observes international standards of business ethics.

The Company's Code of Business Ethics contains a set of rules and key principles of corporate behavior.

Respect for human rights and zero tolerance for corruption and fraud are at the heart of Magnit's corporate ethics.

A corporate Human Rights Policy, adopted in 2020, sets out the core values relating to the observance of, and respect for, human rights. The Company does not tolerate child labor or forced labor in any form, condemns any form of discrimination and prejudice, and is committed to creating a diverse and inclusive workspace.

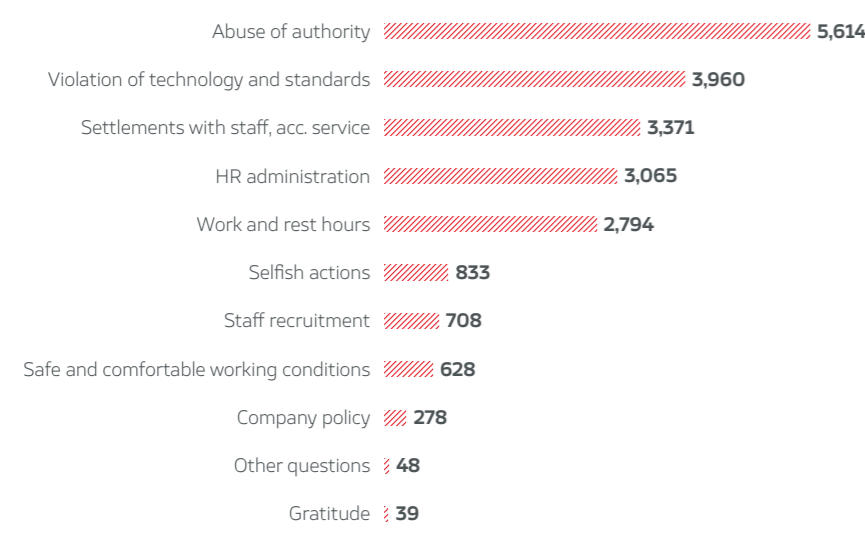
The Company also follows an Anti-Corruption Policy that proclaims a zero tolerance approach to corruption in any form or manner.

Measures to prevent corruption risks include mandatory anti-corruption training, with 1,227 employees taking this training in 2020.

The Company has all the required mechanisms in place for collecting and handling complaints and reports on alleged violations of human rights and instances of corporate fraud and corruption. Any Company employee or person who has knowledge of actual or suspected violations of business ethics, instances of corruption or fraud, conflicts of interest, theft, abuse of power or violations of human rights may report these via an ethics hotline. Magnit keeps such information safe and confidential.

All reported cases are investigated by the Economic Security Department and, if confirmed, appropriate corrective action is taken, with findings communicated to the Company's management. A total of 21,297 reports were made via the hotline in 2020, and wrongdoings were found in 3,121 of the reported cases.

Subjects of reports made via the hotline



Confidential hotline for employees, customers, suppliers and partners:

Tel: 8 (800) 6000477

Email: ethics@magnit.ru;

Contact form on the corporate website: <https://www.magnit.com/ru/anti-corruption/>

Data privacy

The COVID-19 pandemic has accelerated the transition of all services and work processes to online, thus increasing the risk of confidentiality breaches.

Magnit takes good care to ensure that the personal data of its clients, employees and partners is kept confidential. The Company has developed a Personal Data Processing Policy that is designed to protect the human and civil rights and freedoms of data subjects when their personal data is processed.

All personal data available to Magnit is received from data subjects directly or from their legal representatives. Magnit relies on consent as the lawful basis for processing personal data, as provided by current Russian law, except for instances specified by Federal Law No. 152-FZ, and takes all necessary measures to maintain confidentiality.

Data subjects or their legal representatives may access their personal data or withdraw their consent to data processing having made a request to that effect.

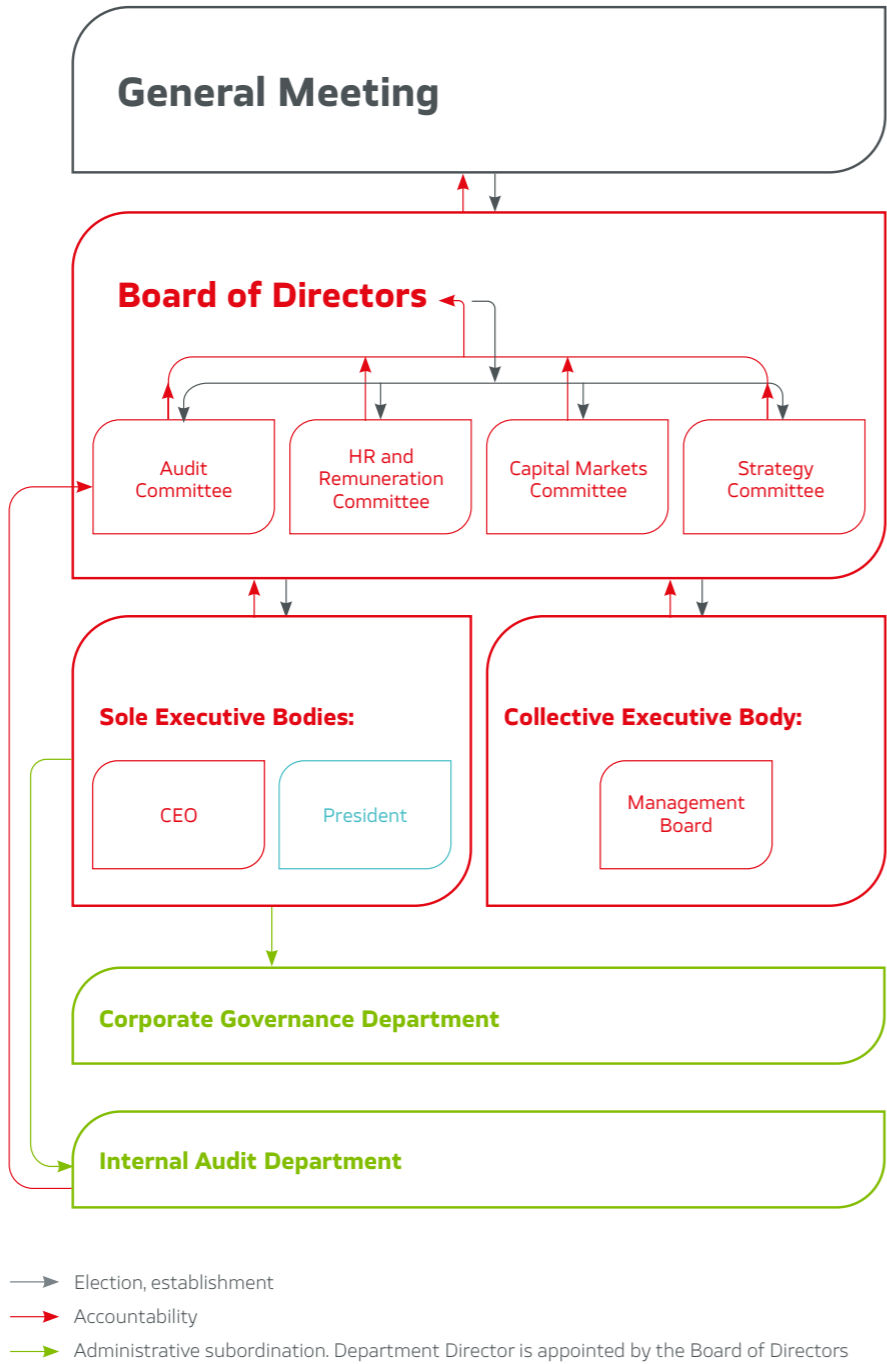
No data privacy complaints were received in 2020.

Corporate governance

Magnit has an efficient corporate governance framework that complies with Russian laws, the Rules of the Moscow Exchange and the London Stock Exchange rules. The Company continuously enhances its corporate governance focusing on Russian and international best practices and ensures the protection of shareholders and other stakeholder rights.

Governance, management and control at the Company are divided between the shareholders (via General Meeting of Shareholders), the Board of Directors, the Collective Executive Body (the Management Board) and the Sole Executive Bodies (the President and the Chief Executive Officer) pursuant to applicable Russian and Great Britain corporate laws, Magnit's Articles of Association and internal policies.

Magnit continues to steadily develop its corporate governance system focusing on implacable best practices. By improving its corporate governance system Magnit aims to reassure its shareholders and investors that the Company scrupulously implements its strategy and management decisions.



In 2020, the Company further improved its corporate governance system. The main changes and innovations are listed below.

- An independent consultant was hired to assess the work of the Board of Directors.
- The Sustainable Development Strategy was adopted.
- Sustainable development committee headed by CEO has been established. It prepares recommendations on strategic improvements the long-term sustainability of the business. The committee's recommendations serve as the basis for updating the Sustainable Development Strategy.
- The Annual General Meeting of Shareholders in June 2020 made adjustments to the Articles of Association to update it in relation to the amended legislation on joint stock companies and securities markets. An extraordinary general meeting of shareholders made a decision to elect approve the Articles of Association in a new edition, taking into account all previously approved adopted amendments.
- Development of information policy and interaction with investors and shareholders continued.
- A new website <https://www.magnit.com/en/> with a user-friendly interface and navigation was launched.
- The composition of the Management Board and the Board of Directors has been strengthened.
- The first Magnit Sustainability Report was released.
- Procedures have been standardised in relation to identifying transactions carried out by companies of the Magnit Group, which require consent to their execution in accordance with the requirements of the law and / or the constituent documents of such companies.
- The practice of liability insurance of members of the Board of Directors was continued.
- A number of policies developed earlier have been approved.

Composition of the Board of Directors

	Diversity	
	Nationality	Tenure, years
Charles Ryan	USA	3
James Simmons	USA	3
Alexander Vinokurov	Russia	2
Tim Demchenko	UK	3
Jan Dunning	Netherlands	2
Walter Koch	Germany	2
Evgeny Kuznetsov	Russia	2
Alexey Makhnev	Russia	3 ¹
Gregor Mowat	UK	1 ²

¹ Prior to that, he was a member of the Board of Directors from 25 June 2009 to 5 June 2015.
² Prior to that, he was a member of the Board of Directors from 19 April 2018 to 30 May 2019.



CARE

RESPONSIBILITY

2

Our response to COVID-19

RETAIL WITH PURPOSE
COMMUNITY RESPONSIBILITY
CARE ECOLOGY
ECOLOGY HEALTH RESPONSIBILITY
CARE COMMUNITY ECOLOGY
RESPONSIBILITY CARE

Our response

to COVID-19

On 11 March 2020, the World Health Organization (WHO) declared the outbreak of the novel coronavirus (COVID-19) a global pandemic. The staggering spread of COVID-19 in 2020 both in Russia and worldwide has taken its toll on the economy and business.

A COVID-19 Task Force was set up to rapidly address any issues arising as a result of the pandemic. Almost immediately after learning about the threat of mass infection, Magnit took measures to protect the well-being of its people and customers.

Support for employees

More than 17 thousand protective screens were installed at checkouts across of the "at home" format, supermarkets and drogeries. To keep its staff and customers safe, Magnit revised the cleaning schedule to ensure more frequent disinfection of retail areas, shopping trolleys, and tills and other equipment. The Company introduced special floor markings and signage across its store estate, urging shoppers to maintain social distance. All sampling testers for beauty and skincare products were removed from drogeries to avoid skin contact. Other measures included more frequent disinfection of distribution centers, availability of disinfectants and sanitizers at all logistics centers, limited staff movement between facilities and a new shift schedule to limit the risks of coming into contact with infected people.

With the high impact that retail has on the life of Russian citizens, especially during lockdown, our staff are now at the frontline of feeding the nation. We keep our people up-to-date on safety precautions and steps they must take in the face of the threat brought by the coronavirus. We introduced daily temperature checks for our staff and provided each worker with personal protective equipment, such as face masks, gloves, hand sanitizers, etc.

We approved the following measures to support our employees:

- We continue to pay salary to furloughed pregnant employees and workers aged 65 and above
- We pay a hard-work bonus
- We shuttle our employees to and from work in regions with restricted access to public transport or in the event of changes in the work schedule

In all, 85% of office staff were switched to remote working.

Not only are we looking out for our own teams, but we are also giving a helping hand to the teams of other employers who had to suspend operations due to the coronavirus: we urgently hired 2,500 laid-off employees of around 20 companies, such as Burger King, KFC, Shokoladnitsa, Sportmaster, airport operators and other entities.

With new talent coming on board, Magnit has maintained stable operations and service continuity in these challenging times and provided a source of income for workers made redundant at other companies.

Support for communities

Due to COVID-19 restrictions, not all customers were able to have their expired bank cards re-issued in a timely manner, so we temporarily accepted expired bank cards from shoppers, thus enabling them to continue to make cashless payments and minimize contact with cash.



We spent a total of
RUB 1.5 billion

to support our employees, customers, health care workers and local communities

Amid growing demand for essential goods, Magnit increased shipments from distribution centers by 20% to ensure that its store shelves remain full. Magnit also increased inventory levels across all product categories and doubled its stock of socially significant food products at distribution centers. We remain in close contact with the Russian Ministry of Industry and Trade and follow its recommendations to keep the stock at an appropriate level. Some delivery and distribution infrastructure that serves around 2,500 multi-format stores in Moscow and Moscow Region operated at night to ensure 24/7 supply and to meet customer needs.

To support socially vulnerable customers during the pandemic, Magnit, X5 Retail Group and Metro Cash&Carry decided to sell certain essential goods with no markup. Each retail chain determined a list of essential food products in the "first price" segment (consisting of at least 10 items in groceries, fruit & veg and perishable categories), which were then offered to customers without a trade margin, i.e. at the same price the chain pays to the manufacturers. This initiative has helped to maintain food security during challenging economic times.

During the lockdown, Magnit also offered a 10% discount on every purchase to social volunteers, community care workers and retirees.

According to a new report by the Boston Consulting Group (BCG) and the Romir research holding, Russian Consumers and the New Economic Reality, Magnit was rated the fourth-favorite consumer brand during the COVID-19 pandemic.



For details about our initiatives to help local communities and health care workers, see [Chapter 6. Communities](#).



CARE
RESPONSIBILITY

3

Environment

RETAIL WITH PURPOSE
COMMUNITY RESPONSIBILITY
CARE ECOLOGY
ECOLOGY HEALTH RESPONSIBILITY
CARE COMMUNITY
RESPONSIBILITY
RETAIL WITH PURPOSE
HEALTH
ECOLOGY
CARE

Environment

Magnit places a great emphasis on environmental protection. The Company is aware of its responsibility and is implementing a number of initiatives that contribute to achieving its sustainability goals.

In its Sustainability Strategy 2025 developed and adopted in 2020 with a particular focus on environmental protection, Magnit defines several priority areas and sets strategic goals up to 2025. The environmental initiatives will help Magnit not only achieve its sustainability goals but also implement the principles of the UN Global Compact that Magnit joined in 2020.



We are determined to achieve the following environmental protection goals by 2025*:

50%

recyclable, reusable or compostable packaging for private label products

— ■ — □ — □
BEGINNING THE JOURNEY

100%

recyclable plastics in own operations

— ■ — ■ — □
SUBSTANTIAL PROGRESS

30%

reduction in GHG emissions

— ■ — ■ — □
SUBSTANTIAL PROGRESS

25%

reduction in water and power consumption

— ■ — □ — □
BEGINNING THE JOURNEY

50%

reduction in food waste

— ■ — ■ — □
SUBSTANTIAL PROGRESS

* All quantitative targets are indicated per square meter of total area

GHG emissions

Magnit keeps track of its direct GHG emissions (Scope 1) and indirect emissions associated with electricity and heat consumption (Scope 2).

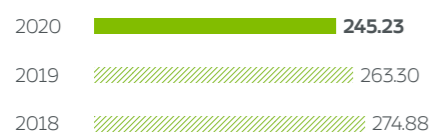
Magnit is taking measures to reduce the GHG emissions of its logistics unit operating 4 355 motor vehicles. Since 2019, Magnit has been making an orderly transition to the use of medium-duty trucks for delivering products to its retail stores. The transition to medium-duty trucks will optimize fuel costs and logistics operations, resulting in reduced GHG emissions. Medium-duty trucks accounted for 4% of the Company's fleet in 2020. The proportion is forecast to reach 25–30% of the fleet by 2023.

Magnit mainly uses gasoline, diesel and compressed natural gas. Diesel fuel is used to power vehicles and generators in the event of disruptions in energy supply. Natural gas is used for power generation. In 2020, the Company operated 20 heat and power generation units. Part of the generated electricity is sold on the open market. An additional 11 heat and power generation units are to begin operation by 2025. Magnit has been using more motor vehicles propelled by cleaner fuel such as LNG and electricity.

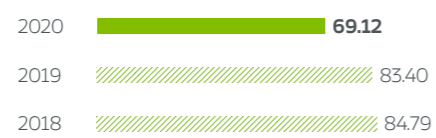
In 2020, Magnit launched a pilot project to test the efficiency of trucks that run on biogas. The pilot project is part of a large-scale program to convert part of the fleet to eco-friendly fuels. Vehicles will be tested on long distances for a few months to assess their efficiency and emissions. At the end of 2020, Magnit had 254 biogas-powered trucks in its fleet. The Company estimates that biogas-powered trucks will enable it to reduce GHG emissions by 4.4 tons a year and cut spending on fuel by 14%. Magnit's vehicles are also equipped with special fairings that save up to 50% of fuel in long distance transportation through aerodynamic improvements, according to preliminary estimates.

Magnit is optimizing its fuel consumption to reduce fuel costs as well as GHG emissions and air pollution.

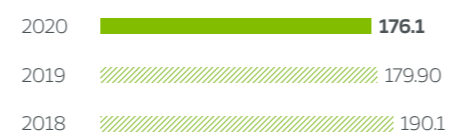
GHG emissions (scope 1 and 2),
kg of CO₂ equivalent per square meter of total area¹



Direct GHG emissions (scope 1),
kg of CO₂ equivalent per square meter of total area



Indirect GHG emissions (scope 2),
kg of CO₂ equivalent per square meter of total area



In 2020, Magnit started to test the first Russian heavy-duty electric truck MOSKVA. The truck was designed and made by Drive Electro according to Magnit's specifications. The curb weight of the MOSKVA truck, around 10 tons, is similar to that of a diesel truck of the same class. Magnit's environmental experts estimate that one electric truck may reduce carbon dioxide emissions by almost 87 tons per year. The test electric truck to be piloted for 6-12 months will be used to deliver goods from the distribution center in Dmitrov to Magnit stores in Moscow. If the testing is successful, Magnit will consider using more electric trucks in the future.



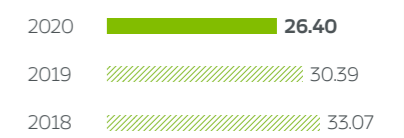
Magnit also monitors fuel consumption at its production facilities. It consumed 13.4 liters of hydrocarbon fuel per ton of agricultural produce in 2020.

Not only does Magnit implement various GHG emission reduction initiatives, but it also plants trees in a joint campaign with Henkel to lower its carbon footprint. See detailed information in the Green marketing section.

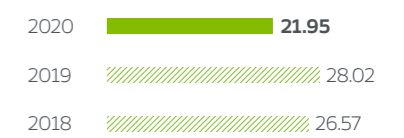
Magnit is steadily increasing the number of vehicles using the Euro-5 standard. Such trucks are additionally refueled with AdBlue liquid reagent, which significantly (up to 90%) reduces the content of harmful substances in the exhaust gases.

Fuel consumed by Magnit in 2018–20²

Gasoline and diesel fuel consumption,
liters per square meter of sales floor space

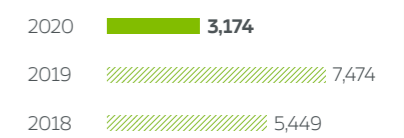


Gas consumption,
cubic meters per square meter of sales floor space

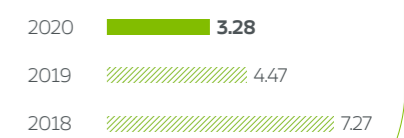


Air pollutant emissions, 2018–20, tons³

Nitrogen oxides⁴, sulfur oxides and other significant air emissions⁵



Emissions of ozone-depleting substances (ODS)



¹ GHG emissions (Scope 1) were calculated based on recommendations of the Intergovernmental Panel on Climate Change and using national factors (excluding emissions from land use for farming). GHG emissions (Scope 2) were calculated using the location-based method. The accounting boundaries and reporting requirements are set out in the GHG Protocol Corporate Standard. The Company has reviewed its GHG calculation methods and adjusted data for 2018 and 2019 disclosed in its 2019 Sustainability Report.

² Data for 2018 and 2019 differ from the data in the 2019 Sustainability Report due to improved data collection

³ Emissions by Tander JSC, Selta OJSC, own production enterprises and Krasnodar Industrial Park MC LLC.

⁴ In 2020, an inventory of emission sources was conducted using a new methodology.

⁵ Other significant air emissions include CO, volatile organic compounds (VOCs), solid particles, other gaseous and liquid pollutants, and hydrocarbons without VOCs.

Waste

Sustainable waste management and waste reduction are a key item on Magnit's environmental protection agenda.

In 2019, Russia established regional solid consumer waste disposal operators. The operators signed waste collection contracts using waste limits approved by regional authorities that far exceeded actual waste generated by Magnit stores. That caused a considerable rise in waste reported in 2019 compared with 2018. In 2020, Magnit signed new contracts with waste management operators stating actual volumes of waste generated. As a result, it recorded a decrease in waste generation in 2020.

Magnit also collects recyclable materials at its sites. The Company is committed to reducing food waste landfilling in line with its sustainability strategy.

To measure progress toward the above-mentioned goals, the Company needs to determine the proportions of recyclable materials and food waste at its retail outlets. In 2021, Magnit plans to launch a pilot project in several regions where it has a presence to analyze the morphological composition of waste and calculate the share of recyclable materials and food waste in its total waste.

It will be able to see whether recyclable waste collection increased compared with basic indicators for 2021 and whether it managed to reduce food waste generation.

Packaging waste

The sustainable use and recycling of packaging are a top priority for Magnit and its stakeholders. The packaging management approach may vary depending on the packaging material. Corrugated board, polyethylene film and fruit & veg plastic crates compacted in Magnit's distribution centers are sent for recycling. Cardboard accounts for 90% of total packaging waste. Magnit's distribution centers also send wooden crates for recycling.

Magnit's distribution center in Kolpino has launched a pilot project to reduce waste sent to landfill sites. In December 2020, it installed equipment to shred wooden containers into chips. Wooden waste includes mainly fruit crates, non-standard pallets and pallet debris. Such waste from Magnit convenience stores and hypermarkets is estimated to amount to 1,000 tons per year. The resulting chips are sent to pulp and paper mills under respective contracts.

One of the goals of the Sustainability Strategy 2025 is to provide 50% recyclable, reusable or compostable packaging for private label products. In 2020, Magnit analyzed the packaging materials used for private label products and found that some counterparties were already supplying eco-friendly packaging. Eco-friendly packaging is made from almost 100% recycled materials. It is harmless to the environment and can be easily recycled after use.

In 2020, Magnit sent more than **27,648** units of used consumer plastic packaging (bottles) for recycling. Customers can also buy reusable cloth bags

In 2020, Magnit announced that it had fully switched to bags made from **30%** recycled plastics

Thus, eco-friendly packaging may include the following:

- Corrugated board containers. FSC-certified paper and cardboard packaging accounted for 30%.
- Recyclable individual cardboard boxes exceeded 50%.
- Shrink packaging. In 2020, the Company started using recycled materials to shrink-wrap products in multi-packs.
- Individual packaging. PET thermoplastic is used for packaging individual items. Magnit runs tests on biodegradable eco-friendly polyethylene that can be used in the confectionery industry.

Magnit cut overall packaging consumption by 9.5% in 2020 compared with 2019 through improvements in individual packaging and the use of mono laminates for packaging private label products.

Plastic waste

The Company is implementing a number of sustainable plastic waste management initiatives both independently and in partnership with other companies. For example, it has teamed up with Procter & Gamble to launch a social and environmental campaign called "Give Plastics a Second Life." Detailed information about this initiative is provided in the Green marketing section.

In 2020, Magnit announced that it had fully switched to bags made from 30% plastics. Each bag has a special label telling customers that it contains recycled plastics. In 2021, Magnit is planning transition to bags with a 40% recycled plastic content.

In 2020, Magnit sent more than 27,648 units of used consumer plastic packaging (bottles) for recycling. Customers can also buy reusable cloth bags.

Magnit tested T-shirt bags made of corn starch in Moscow but decided not to include them in its offering for now due to unsatisfactory test results.

Food waste

Magnit is working to reduce food waste and transfer food waste to specialized organizations, such as farms and biogas producers, for further use.

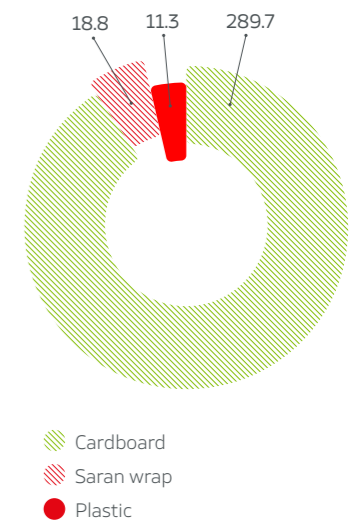
In 2020, Magnit launched a pilot project to test food waste processing equipment at the distribution centers in Kolomna and Kolpino.

Higher procurement efficiency and the maintenance of optimal stocks has helped Magnit reduce food waste.

Waste sent for recycling in 2018–20, '000 tons³



Materials recycled in 2020, '000 tons³



Total waste generated by Magnit in 2018–20, million tons¹



Total food waste generated by Magnit in 2018-20, kilograms per square meter of sales floor space²



¹ Waste generated by Tander JSC, Selta OJSC, own production enterprises and Krasnodar Industrial Park MC LLC

² Data from Tander JSC, Selta OJSC, own production enterprises and Krasnodar Industrial Park MC LLC.

³ Waste sent for recycling by Tander JSC, Selta OJSC, own production enterprises and Krasnodar Industrial Park MC LLC.

Energy

and water use

The Company has state-of-the-art automated equipment to measure hourly consumption of electricity at its sites.

In 2020, Magnit tested its lighting control system equipped with motion sensors in the Krasnodar logistics center. The main objective of the project was to assess the effectiveness of motion sensors in the busiest places of picking and storage areas that account for around 60% of the distribution center’s floor space. As a result of the pilot project, electricity consumption in the picking and storage aisles fell by 41% in Krasnodar DC. The use of the technology at all logistics facilities is expected to save around 3.1 million kWh per year, which is enough to power a distribution center of a similar size during a year.

In addition, Magnit launched a project to conduct a thermal inspection of power plants at 14 production sites. If the identified deficiencies are eliminated, Magnit is estimated to save around 500 MWh.

Other energy saving initiatives include the installation of doors onto refrigerated display cabinets and full replacement of fluorescent lights with LED lights finalized in 2020.

A slight increase in electricity consumption in 2020 was caused by the commissioning of a large facility of its own production — a greenhouse complex in Tikhoretsk.

Heat is used for heating purposes and for supporting the operations of the Company’s production facilities. Magnit seeks to reduce heat consumption by using energy saving technologies. For example, waste heat is turned into productive energy to heat premises and accommodate the Company’s operating needs, while condensate is returned to boiler plants for reuse. This has been implemented at six production facilities.

Water is a critical resource for Magnit. It is used at all the Company’s facilities, from its own production sites to retail stores.

Most Magnit stores are located in water-rich regions. However, Moskva na Donu LLC is based in Lipetsk Region, which is facing high water stress according to the World Resources Institute’s water stress map. Moskva na Donu LLC modified its technological processes to reduce water consumption by 42% to 1.07 million cubic meters in 2020 from the previous year’s level.

Depending of the quality of water, the Company uses mechanical water treatment systems, deferrization filters, ion-exchange resins, reverse osmosis or ultraviolet lamps.

Magnit seeks to optimize its water consumption, leveraging modern metering equipment and advanced technological solutions. For example, transportation companies launched two water reuse stations at the distribution centers in Pervouralsk and Yaroslavl in 2020. According to preliminary estimates, water consumption may potentially fall by 30–40 cubic meters per day. The Company also upgraded the desalination facilities at the distribution center in Pervouralsk in order to reduce water consumption for desalination needs (filter flushing) to 5 cubic meters per day.

Along with the effort to reduce water consumption, Magnit is focused on water reuse. All of its transportation companies have water reuse systems that save up to 70% of clean water required by car washes.

Magnit also uses rainwater for making compost at its button mushroom growing facility in the industrial park. Rainwater used to soak compost reduces reliance on water wells. This method saved 4,500 cubic meters of water in 2020.

Magnit’s industrial park has a modern wastewater treatment system. It is located at a single site and consists of stormwater and sewage treatment facilities. Stormwater treatment facilities are designed to accumulate and treat stormwater containing various impurities, such as litter, suspended substances and oil products. Their current capacity is 740 cubic meters per day (maximum capacity: 1,200 cubic meters per day). Sewage treatment facilities are designed to treat industrial and domestic effluents in the industrial park. Their capacity is 600 cubic meters per day. Stormwater and sewage go through seven and eight main stages of treatment, respectively, from mechanical removal of various impurities to ultraviolet disinfection.

Magnit continuously monitors the quality of treated water in a modern laboratory. The industrial park’s laboratory is equipped with state-of-the-art, high-tech equipment for express testing. Express tests with ready-to-use solutions quickly provide all the necessary information about the quality of wastewater at all stages of the production process. The short laboratory testing cycle helps fine-tune the operation of wastewater treatment equipment, if and when necessary, to ensure consistently high-quality, fully-compliant treatment of wastewater despite its constantly changing composition. Treated stormwater and sewage are collected in the reservoir of the summation-capable pumping station and then flow via the underground tunnel to the Kochety River.

Data on the electricity, water and heat energy consumption by own production facilities are presented in the section “Responsible production and agriculture”.

Specific electricity consumption (excluding own power generated) by retail and logistics facilities in 2018–2020, kWh per square meter



Specific heat consumption by retail and logistics facilities in 2018–2020, 000 Kcal per square meter



Specific water consumption by retail and logistics facilities in 2018–2020, m³ per square meter



Electricity consumption in the picking and storage aisles fell by

41%

in Krasnodar DC as a result of a pilot project installing motion sensors

Green Office

In 2020, Magnit remained committed to its comprehensive Green Office program at the Company's head office in Krasnodar.

Heated by its own heat and power plant, the head office is equipped with a modern weather-adaptable heating and air conditioning system and a centralized water filtration system. An automatic lighting system and the use of LED bulbs in more than half of lighting fixtures enabled the head office to cut power consumption by 30% in 2020. The Company also installed tap aerators to reduce water consumption in the office.

A special focus was placed on waste management. A total of 120 containers for plastic, glass, metal and paper, four reverse vending machines for plastic bottles and metal cans, and 13 three-section containers were added in the office and surrounding areas. The Company also increased the number of special boxes for collecting used batteries and launched Dobrye Kryshechki, a public environmental campaign (for details, see the Green marketing section).

As part of the Green Office program, Magnit launched an awareness campaign in its main office to inform employees of its key initiatives, such as separate waste collection. In 2020, the Company held a webinar for head office employees, installed information boards displaying waste sorting rules, and marked floors with signage showing how to get to the nearest separate waste collection points.

In November 2020, Magnit launched an eco-quest at its office. Players complete tasks that help raise their awareness of recyclable materials and simple day-to-day actions to preserve the planet's health. On completing the quest, the players learn about the Company's eco-initiatives and discover that it is much easier than it seemed to be on the green wavelength.

Thanks to all of the above initiatives, Magnit's head office passed an independent audit as part of the EcoGreenOffice voluntary certification system in 2020.

by **30%**

decreased power
consumption
in the head office

Electronically exchanged
documents doubled to

32.5 million
in 2020 compared with 2019

Since 2015, Magnit has been making a gradual transition to electronic document exchange. Electronically exchanged documents doubled to 32.5 million in 2020 compared with 2019. The Company continued to expand the use of electronic consignment notes whose number rose by 2.6 times year on year to 6.6 million in 2020. The number of electronic powers of attorney issued to drivers rose 3.2 times year on year. In addition, the Company's transition to digital contracts with suppliers saved more than 12,000 sheets of paper in 2020. The electronic document flow enabled Magnit to significantly reduce the number of documents transported using its own vehicles and via couriers.

Magnit managed to optimize paper consumption not only through electronic document exchange, but also by undertaking a number of additional initiatives, such as the installation of printers at retail facilities, the replacement of paper price tags with electronic ones (a pilot project at 14 facilities) and the use of audio and video equipment: customer displays, price checkers, sales area screens, light boxes and radio announcements.





4

Sustainable sourcing

CARE RESPONSIBILITY

RETAIL WITH PURPOSE
COMMUNITY RESPONSIBILITY
CARE ECOLOGY
ECOLOGY HEALTH RESPONSIBILITY
CARE COMMUNITY ECOLOGY
RESPONSIBILITY CARE

Sustainable sourcing

Building a responsible supply chain is high on Magnit's agenda. We seek to partner with those companies that conduct business in a fair and transparent manner and observe all labor, environmental, ethical and social standards.

In its Sustainability Strategy 2025, Magnit defined a number of focus areas and set the corresponding goals it is committed to achieve in each of these areas by 2025.

Magnit's supply chain includes over 5,800 suppliers within and outside Russia. We expect our suppliers to share our sustainability principles and values.



On the sustainable sourcing front, we have the following commitments:

100%

responsible sourcing for socially important product categories

BEGINNING THE JOURNEY

Development and partnership programs for local suppliers and farmers

BEGINNING THE JOURNEY

Responsible sourcing for commercial and non-commercial purchases

BEGINNING THE JOURNEY

100%

responsible approach to own production and agriculture

SUBSTANTIAL PROGRESS

Increased use of green packaging

BEGINNING THE JOURNEY



Responsible sourcing

Magnit is building a robust framework for responsible sourcing that will help effectively manage environmental, social and commercial risks across the entire supply chain.

The Responsible Supply Chain Policy regulates the Company's activities in this area. The Magnit PJSC Supplier Sustainability Declaration (SSD) will outline Magnit's expectations regarding the sustainability efforts of prospective suppliers. It contains a list of voluntary commitments covering a range of aspects (human rights, responsible labor practices, occupational health and safety, etc.). Each prospective supplier is expected to sign an SSD to reaffirm its commitment to our sustainability principles and values.

A list of voluntary certification systems is designed to provide an understanding whether a given supplier is committed to responsible manufacturing (tracing the origin of raw materials, etc.).

Following a comprehensive assessment of a prospective supplier, Magnit forms an opinion on its sustainability performance. A favorable opinion may serve as an additional competitive advantage during the bidding process, especially when equal offers are considered.

The sustainability checklist is an assessment tool used to rate suppliers against a set of ethical, social and environmental criteria. It contains a list of questions that give an understanding of the prospective supplier's performance along key sustainability metrics.



In 2020, the Company put together a Responsible Supply Chain Policy and is now introducing the following tools that are set to support responsible sourcing:

Magnit PJSC Supplier Sustainability Declaration

A sustainability checklist

A list of voluntary certification systems

Effective communication with suppliers

Partnership is a critical link of a responsible supply chain, and it is therefore vital to maintain an ongoing dialogue with all counterparties.

Magnit builds relations with suppliers using the following mechanisms:

- Joint projects involving the manufacture and use of eco-friendly products and packaging (including for PL brands)
- Responsible sourcing and procurement, developing local suppliers and farmers
- Sustainability training for suppliers with the involvement of market experts
- Joint social and charity campaigns
- Regular procurement sessions

Magnit became the first among Russian retailers to start transition to electronic contracts in an effort to optimize contracting practices: now it takes only 2 minutes to check the required documents (instead of 40), contracts are registered automatically, and all documents are exchanged online. Preliminary estimates suggest that this initiative will help to save more than one million sheets of paper over ten years.

With a view to streamlining its procurement process, Magnit has established an online smart platform, aka the Supply Relationship System (SRM), to accumulate all commercial offers in one location. This helps to build effective communication, reach out to more suppliers and optimize the procurement process. Magnit's agriculture and food processing units purchase from 10,000 to 15,000 tons of raw materials every month (more than 500 items in total). For this reason, Magnit has developed and introduced a special version of the SRM platform for raw material purchases.

Indicator	2018	2019	2020
Total number of suppliers	6,151	6,091	5,818
The total amount of purchases of goods, works and services, RUB mln (net of VAT)	1,108,080	1,274,784	1,356,755
Total purchases from local suppliers, RUB mln (net of VAT)	172,089	183,339	193,272
Share of local suppliers in purchases,%	15.53	14.38	14.25
Number of local suppliers	2,110	2,371	2,422

Currently available to nine Magnit entities, this custom-built platform is set to assess the quality of raw materials and logistics and has over 100 metrics embedded in it that no other standard SRM platform can offer. It can screen suppliers' logistics capabilities and pick up the best offers in terms of price and lead times.

Magnit has launched RetailService. Magnit, a dedicated analytical portal where suppliers can learn about products currently available across its nationwide store estate, monitor demand, analyze promotion campaigns and track items in receipts and inventory balances at distribution centers. The portal's nine modules are already accessible to 50 major suppliers. Magnit has also developed and introduced a mobile version of the portal.

Suppliers working with Magnit on deferred payment terms have gained access to fast financing from major banks and factoring companies.

This became possible thanks to the connection of Magnit to the Factorin platform, which allows you to automate the process of interaction between buyers, suppliers and factoring companies, which leads to a reduction in time and operating costs for factoring operations for all its participants. Using the platform, Magnit suppliers can receive financing from more than 20 banks and factoring companies. All of them are available on the platform in a "single window" mode. The developers of this platform paid special attention to the protection of commercial data. The data is exchanged in encrypted form.

Logistics

Building an effective supply chain is of immense importance for Magnit. It continues to expand its logistics network and optimize all related processes.

Magnit's logistics infrastructure in 2020 comprised 38 distribution centers (DC), including a newly built center in Novosibirsk and the Voronezh DC that had suspended operations a year earlier after a fire. The new¹ DC is set to serve around 450 stores in Novosibirsk Region and Altai Territory. It is estimated that it will handle c. 6,700 tons of merchandise coming from both major national suppliers and around 100 local producers.

Located in the village of Druzhelyubnyi, Krasnodar Territory, another DC qualified for a LEED[®] v4 gold certificate for warehouses and distribution centers. It was issued in 2020 by the U.S. Green Building Council.

Magnit relies on its own fleet of 4,355 vehicles, which is part of its logistics system, to deliver goods to its multi-format stores. In 2020, Magnit won the Trucks and Roads award as the best Commercial Road Freight Carrier on Domestic Routes (Heavy Commercial Vehicles).



All distribution centers were fitted with a remote temperature monitoring system in 2020, and the product temperature en-route to stores is now tracked using special sensors. Around 40% of products in the Magnit chain require maintaining special temperature conditions. The level of compliance with the temperature requirements is currently at 96% for logistics centers and 95% for the vehicle fleet, and Magnit strives to bring it to 100%. Magnit has equipped storage rooms and truck loading areas of its distribution centers with temperature sensors. The Company has also installed this new equipment inside its refrigerated trucks. After products are loaded into a truck, additional sensors are placed directly inside the packaging, which allows monitoring not only of the overall temperature in the truck, but also of the state of each individual carton.

In 2020, Magnit completed the roll-out of pick-by-voice technology at its distribution centers. Pick-by-voice allows staff in distribution centers (pickers) to follow step-by-step voice instructions received through a headset with a microphone. More than 1,000 people are now using this solution every day. It helps to reduce order picking time and freight handling costs, increase efficiency and safety, and minimize mistakes. This technology, which also allows integrating new users in any language, is set to deliver an 8% gain in both the speed and accuracy of picking tasks.

New DC will handle c.
6,700 tons
of merchandise daily

¹ Leadership in Energy and Environmental Design (LEED) is a green building certification program that includes a set of rating systems for the design, construction, operation, and maintenance of green buildings, homes, and neighborhoods.

Deliveries

from stores to customers

In 2020, Magnit launched its own online shopping and delivery service based on the Magnit Dostavka app.

Customers can choose from more than 5,000 stock-keeping units (SKUs) available for sale online that can be delivered in just an hour's time. Alternatively, they may select the preferred time slot for delivery within the next two days.

Magnit has engaged a number of specialized shipping companies on a contract basis. In early 2020, it partnered with Pony Express, a major universal logistics operator, to launch a pilot home delivery project in 18 supermarkets in Rostov-on-Don and Volgograd. Magnit has also teamed up with Yandex Eats to start pilot food deliveries to customers from 10 convenience stores in Rostov-on-Don. All deliveries are contactless and made within a 5 km radius of the stores, which guarantees a speedy service. In late 2020, the Yandex Eats service area expanded to ten cities: Moscow, St. Petersburg, Kazan, Krasnodar, Ekaterinburg, Nizhny Novgorod, Samara, Voronezh, Novosibirsk and Ufa.

In 2020, Magnit also signed an agreement with Delivery Club, with the number of served cities and stores reaching 133 and 604, respectively, by the end of the year. Over this time, Magnit and Delivery Club have built a permanent customer base of online shoppers who make seven to eight orders each month. At the end of 2020, Magnit and Delivery Club launched a service for express delivery from Magnit Cosmetics stores in Krasnodar, Ekaterinburg, Voronezh and Chelyabinsk. In 2021, the service will also become available in Moscow, St. Petersburg and all major cities where Magnit has a presence.



Chosen units will be
delivered to customer within
60 minutes

In 2020 we served
customers online in
133
cities and delivered from
604
stores

Developing

cooperation with local suppliers

Magnit is keen on working with local producers to expand their product range and footprint.



The small farmer enterprise "Agronom" for the supply of apples did not provide packaging of products, which was one of Magnit's requirements. As a result of the work of Magnit on the development of the supplier, the farm purchased and installed a filling line. Today "Agronom" successfully supply Magnit's shelves with its products.

The share of local products across its store estate was 14% at the end of 2020, with local producers accounting for 30% of dairy products on sale, 63% of bread and bakery, 39% of pastry and 28% of meat. To encourage shoppers to buy local produce, it is tagged with a message, such as Made in Don (Kuban, etc.).

In 2020, Magnit launched a pilot project called Buy Local: part of proceeds from the sale of local produce is spent on local municipal works and services (public park cleaning, renovating buildings, maintaining play areas, etc.).

Magnit stays in close contact with local suppliers by organizing procurement sessions and participating in local fairs, exhibitions and roundtables to discuss cooperation opportunities. After hosting a first online session for partners in Perm Territory in 2020, Magnit is now planning to roll out this format to other regions where it operates. In 2020, Magnit held 33 procurement sessions in this online format.

In 2020, Magnit launched a Farmer's Court across its retail chain; it is a special shop-in-shop area offering local produce, tagged Farmer's Court, which is placed either on the side of an aisle or on the top shelf of a display stand.

In the same year, Magnit signed an agreement with Russian Agricultural Bank to support local farmers and promote their products in Magnit stores. The joint pilot projects in Tula Region and Krasnodar Territory allow the bank's customers, small local farms, to sell their produce through Magnit stores.

Since 2016, Magnit has been fostering partnership ties with local producers by expanding its supplier base. Magnit is open to cooperation with all domestic agricultural enterprises and farmers that have successfully passed its audit. The Company seeks to secure direct supplies and to control product quality along the entire food value chain, from sowing to shipping, and from the farm gate to the store shelf.

Food and non-food

product safety

Among risks facing Magnit is the quality of merchandise it produces and sells, as poor quality could erode the brand value, resulting in a loss of market share and dwindling revenues.

The Company has a dedicated function — the Quality Management System Department — responsible for maintaining the requisite quality and safety level of food and non-food products across Magnit's retail chain.

Quality is assessed against a risk matrix that defines the type and frequency of control procedures for each product group and category, depending on the number of prior quality issues and their severity. The more quality issues were revealed in the past, the higher is the risk.

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.

Quality assurance consists of the two main components:

- Initial control when a product is added to the product range
- Follow-up control during the receipt, storage and sale of the product

Initial control includes four phases.

Phase 1 — Defining quality requirements. This phase is mandatory for high-risk product groups and categories.

Phase 2 — Assessing product samples. Includes tasting and laboratory analyses.

Phase 3 — Site visits to gain a true insight into a suppliers' hygiene conditions and detect risks affecting product quality. If any issues are identified, the Company works with the supplier to address its concerns or take additional quality management measures.

Phase 4 — Checking the product's accompanying documents and labeling prior to adding it to the product range. This phase involves a review of the product's compliance certificates and its distinctive properties. All high-risk and imported goods are subject to checks.

The second component of quality assurance is follow-up control during the receipt, storage and sale of products. Magnit has adopted a set of internal rules and regulations to effectively control the quality of products on their way into the retail chain. All such products are subject to the following controls:

- Temperature monitoring of temperature-sensitive goods
- Visual examination of goods and packaging
- Inspection of labels
- Review of quality and safety certificates

There are two types of procedures to assess product quality:

- Regular inspections conducted in accordance with an operating schedule at intervals defined in the risk matrix for each product group
- Ad-hoc inspections conducted in the event of any reported quality issues or complaints

The operating schedule regulates scheduled quality and safety tests conducted by independent accredited laboratories (with a particular focus on problem product groups and categories). Samples are tested at both distribution centers (entry points) and stores. Non-compliant merchandise is removed from sale. In 2020, Magnit investigated around 850 quality issues that were resolved in negotiations with suppliers.

In 2020, as part of quality control, 92 audits of suppliers were carried out. 68 of them were audits of private label suppliers. In 2019, 147 audits of suppliers were carried out, of which 108 were audits of private label suppliers.

Magnit is keen to hear from all stakeholders and analyze their feedback on product quality. Around 6,000 quality issues were reported to the hotline in 2020, and every single one of them was carefully investigated by analyzing its nature and severity. Depending on the findings, the Company takes appropriate action that may include corrective measures at production sites aimed at improving product quality, designing and adopting additional quality controls, working closely with suppliers to resolve the issue, etc.



Magnit provides product quality and safety training to its employees, with dedicated training programs compiled for Magnit Family, Magnit Convenience and Magnit Cosmetics in 2020 on the basis of the Corporate Academy. It offers three sets of training materials depending on a trainee's rank, from a shop assistant/chef to a district manager.

Magnit ensures that its staff are actively engaged in quality and safety control procedures. In 2020, a special position called Quality Controller was introduced at each store to run daily routine checks, making sure that the store is kept clean and tidy throughout its opening hours, and that all products, including fresh and ultrafresh, meet quality standards,

are properly displayed and are tagged with the right price tags on the shelves, etc. Quality Controllers report to the store manager and wear a special badge, so that customers can easily spot them in the store.

Magnit conducts an annual survey of the level of customer satisfaction with the work of stores. The level of NPS (Net Promoter Score-Consumer Loyalty Index) showed positive trends throughout 2020 in all formats of our stores.

In 2020, Magnit and the Advanced Technologies Development Center (CRPT) agreed a strategic partnership in product marking and tracking. The CRPT is an operator of Chestny ZNAK, the national track & trace digital system. The partners performed a round of testing activities in 2020 to prepare for tracking and tracing dairy products in the wholesale and retail segments. Mandatory marking of milk and dairy products will be introduced in 2021. Magnit also helps in populating the Unified Catalogue of Marked Goods, which forms an important part of Chestny ZNAK, by sharing its knowledge and expertise in collecting and processing big data.

Magnit has launched its own tracking platform that will contain marking codes for products delivered to distribution centers and sold via its retail chain. The Company and its suppliers have already tested the marking of tobacco and footwear. As of the date of this Report, over 156 million marked packets of cigarettes have been sold at Magnit stores.

Magnit employs rigorous controls to ensure the quality of its private label (PL) products. Special laboratories are available at production sites to test PL products.

A food safety management system based on the HACCP principles has been introduced at the Company's production sites.

Magnit's production entities have been certified for compliance with both national and international food safety standards — GOST R ISO 22000-2007 and FSSC Version 5. TD Holding LLC, a food-processing facility in Tver, also passed FSSC 22000:2018 certification in 2020.

In 2020, Magnit's private label received both international and Russian awards.

Magnit won the Best Private Label for Food Products and the Best Private Label Department categories at the Private Label Awards ceremony in 2020.

Magnit's products scooped up 11 gold and 11 silver awards and four private label certificates at the international Quality Guarantee 2020 ceremony.

As many as 59 items were awarded the Made in Kuban high quality and food safety mark for two years by the Krasnodar Territory government in a two-phase competition in 2020. The mark also indicates that the products are made of ingredients grown in Krasnodar Territory.

In 2020, Magnit's Kuban Factory of Bakery Products LLC, Kuban Confectioner LLC and TD Holding LLC took part in the Russia's 100 Best Goods contest. As a result of regional and national selection, nine items made it to the best goods list and 14 items were awarded certificates.

Responsible

production and agriculture

The Company's own production infrastructure consists of 13 production entities and 4 agricultural enterprises across Russia.

Since the previous reporting period, Magnit has expanded its production capabilities with two packaging lines — one for cheese in Penza, and one for citrus fruit in Novorossiysk.

The total output of Magnit's 163 production facilities was around 168,700 tons in 2020, up 27% year on year (groceries, confectionery, tinned products, fish, snacks, tea and beverages).

Magnit's agricultural output in 2020 totaled around 91,000 tons, up 30% year on year, including tomatoes, mushrooms, potatoes, etc.

Magnit employed 5,600 production staff and produced 503 SKUs of private (PL) label products in 2020 — 41 more of the latter than a year earlier.

A 100% responsible approach to own production and agriculture is one of the goals of Magnit's Sustainability Strategy 2025. To achieve this goal, the Company has developed and introduced sustainable farming principles, which are underpinned by the key principles for sustainability in food and agriculture adopted by the Food and Agriculture Organization (FAO).

Magnit implements a wide range of initiatives in line with these principles. Detailed information about these initiatives is provided in the relevant chapters and sections of this Report.

Magnit's agricultural enterprises used a total area of 3,566 ha of arable land for production in 2020. Open fields are used to grow vegetables, such as beetroot, potatoes, carrots and onions (692 ha), as well as grain crops (759 ha). Magnit's agribusiness also includes two greenhouse complexes in Tikhoretsk (27 ha) and Plastunovskaya (86 ha), as well as a mushroom growing facility (2.3 ha). In 2020, it started to grow various sorts of eggplants and cocktail tomatoes, as well as Kumato tomatoes (average-sized), red oakleaf lettuce and sweet mini peppers.



Magnit has decided to be guided by the following **four principles**:

1

Protect and enhance natural resources (see Energy and water use, and Green Office)

2

Improve the quality of life through inclusive economic growth (see Inclusiveness, Developing cooperation with local suppliers and Our approach to sustainable development).

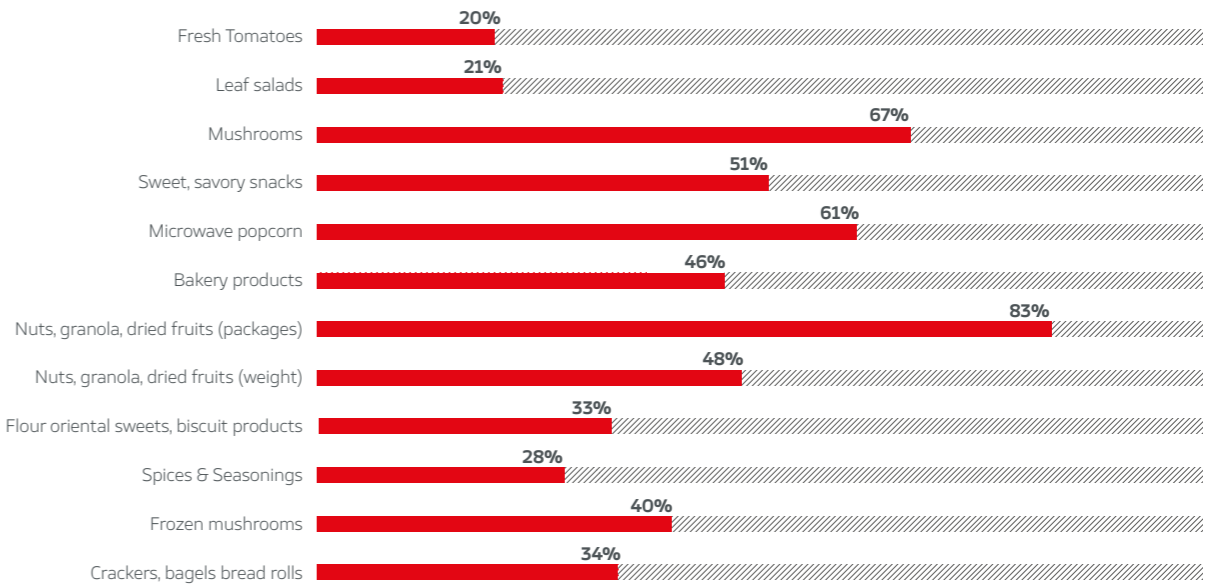
3

Enhance the resilience of people, communities and ecosystems (see Our response to COVID-19, Environment and communities, and Health and wellness)

4

Build partnerships for sustainable development (see Our approach to sustainable development)

Meeting group-wide needs for certain SKUs: PL products vs. third-party products, %



Responsible production and agriculture (continued)



Fertilizing plants with carbon dioxide captured from the boiler house gas stream

Magnit applies CO₂ fertilization technology in greenhouse agriculture cultivation. It requires keeping a close track of how crop photosynthetic rates respond to increasing levels of CO₂. Alongside a reduction in carbon footprint, CO₂ fertilization results in a 15% gain in vegetable crop yields.

This is how it works. Boiler flue gas, after being cooled in an economizer, is fed into the intake air system, where it is enriched with oxygen. The resulting air mix is then delivered to each greenhouse via underground heating pipes. The climate control system automatically adjusts the amount and concentration of CO₂, determining the right dosage required for optimal photosynthetic rates and growth conditions, and distributing it evenly inside the greenhouse.

Rather than relying on pesticides in its greenhouses, Magnit makes wide use of entomophages, such as ground beetles, pollen beetles, parasitic wasps and mites.

In 2020, Magnit launched a pilot project to rear entomophagous insects¹ at the Green Line greenhouse farm in the town of Tikhoretsk. Lab tests were performed to work out an Amblyseius swirskii breeding technique that helped grow the Amblyseius swirskii population by an order of magnitude. The mites are used at the greenhouse farm.

Magnit is the only Russian retailer with its own industrial park that spans over 236.6 ha in Krasnodar Territory. The park can host over 20 enterprises on preferential terms. Magnit has been building it using its own funds and soft loans under a program run by the Russian Ministry of Agriculture, as well as subsidies and tax breaks from the Krasnodar Territory administration and the Russian Ministry of Industry and Trade.

The park’s resident entities include Kuban Factory of Bakery Products LLC and Kuban Confectioner LLC, both big and successful companies. Magnit continues to develop the industrial park and is in talks to take new resident companies on board.

It has modern fully automated waste management and stormwater infrastructure that meets EU standards.

Each module can handle around 600 cubic meters of wastewater per day, which is enough to treat wastewater generated by a residential complex consisting of 2,000 flats (for details, see Energy and Water Use).

To reaffirm its strategic commitment to freshness in 2020, Magnit launched a first citrus fruit packaging line at its distribution center in Novorossiysk that handles most imported citrus fruit (oranges, tangerines and grapefruit). With its own facility, Magnit will no longer depend on third parties for packaging fruit and will be able to

extend the shelf life of citrus fruit, shorten their delivery times, and reduce packaging costs by about 20% per year.

The packaging line’s capacity is expected to rise to 80 tons a day. It will be used for packaging onions and other vegetables when citrus fruit is not in season.

Specific electricity consumption (excluding own power generated) by own production facilities in 2018–2020,
kWh per square meter



Specific heat consumption by own production facilities in 2018–2020,
000 Kcal per square meter



Specific water consumption by own production facilities in 2018–2020,
m³ per square meter



¹ Predatory mites and other organisms used in pest control.

Responsible production and agriculture (continued)

Magnit is the only Russian retailer that has its own mushroom growing business. Since the opening of its first mushroom complex in 2017, the sales of fresh mushrooms have been on a steady rise, with 6 746 tons grown in 2020, up 38% year on year. In 2020, Magnit launched a pilot project in collaboration with City Farmer, a resident of the Skolkovo Innovation Center, to grow shiitake mushrooms at a special farm using artificial intelligence. The farm, situated on the premises of the Krasnodar mushroom complex, is a modular prefabricated facility with an area of 120 sq. m.

More modules can be added at any stage to increase its capacity. With this construction technology, it takes no more than two weeks from the project's launch to the first harvest. Artificial intelligence, in particular that of the cloud-based SCADA system, is applied to manage key processes in real time. The system maintains optimal conditions for growing mushrooms. To preserve quality, shiitake mushrooms are hand-picked, placed in trays and immediately sent to the rapid cooling and packaging area. The farm's current monthly output is approaching 1.5 tons.

During the reporting period, Magnit had 503 private label (PL) items on sale. That was a rise of 9% compared with 2019. After revising its PL portfolio in 2020, the Company boosted its sales substantially — by over 19.4% compared with the previous year.

In 2020, Magnit opened the first specialized testing studio in Krasnodar, so that customers could evaluate its branded products. The evaluation will start with brands in the economy and medium price segments, where quality is a key determinant of consumer choice, such as Magnit (cereals, porridge, dairy products, household goods), Premier of Taste (cheese and beverages), Lucky Days (confectionery), etc. Magnit will leverage a number of evaluation methods and testing formats, depending on the product category (e.g., in-home testing of detergents, disinfectants and pet care products, in-depth interviews, focus groups, etc.).

All feedback will then be carefully analyzed with a view to strengthening existing brands and launching new SKUs that are better aligned with customer preferences. These efforts should increase customer satisfaction measured with Net Promoter Score (NPS). In the near future, testing studios are planned to open in two more cities with a population of one million or more.

In 2020, Magnit was recognized for its dedication to responsible production practices and private label excellence. The Company won the Best Private Label for Food Products and the Best Private Label Department categories in the Private Label Awards organized as part of the International Private Label Exhibition — IPLS 2020.



During the reporting period, Magnit had 503 private label (PL) items on sale. That was a rise of 9% compared with 2019. After revising its PL portfolio in 2020, the Company boosted its sales substantially — by over 19.4% compared with the previous year.



6,746
tons of fresh
mushrooms grown
in 2020, that is up
by 38% year on year.

Green marketing

Magnit promotes sustainability among its partners and customers. It is constantly expanding its list of corporate partners and the number of joint initiatives.

In 2020, the Company held Magnit's Team, a major online contest for marketing agencies and studios to select prospective partners who will be promoting its business in the coming year. The contest, consisting of several stages, was held in partnership with Russia's leading advertising and marketing outlet Sostav, and supported by the Russian Association of Communication Agencies (RACA) and the Association of Brand Consultancies (ABC).

Magnit teamed up with Procter & Gamble in 2020 to promote the sustainability agenda nationwide. A major initiative on this front is a public environmental campaign called Give a Second Life to Plastics. The campaign ambassador, singer Dima Bilan, recorded the track Second Life that has become Russia's first environmental manifesto. Just before its release, a crowdsourcing contest was launched in social media to support the manifesto.

26

bottle cap containers
placed in 10 cities

Another initiative as part of this campaign is a network of reverse vending machines (RVM) for plastic packaging collection, with 80 machines to be installed in Moscow and Krasnodar in 2020 and 2021. RVMs can accept recyclable plastic packaging from any brand with a maximum capacity of 2 liters. Special bins are placed next to these machines for larger plastic containers as well as bottles without a barcode. According to preliminary estimates, one machine can collect 235 kg of plastic waste per year, so the new network of 80 RVMs can collect about 16 tons of plastic per year for further recycling. Forty RVMs have already been installed to date.

Magnit also teams up with Henkel in a tree planting pilot project, with 180 trees planted in 2020 to start a public garden. The Company is determined to plant more trees.

In 2020, Magnit continued Dobrye Kryshechki, a public environmental campaign for recycling plastic bottle caps that was launched the year earlier in collaboration with Henkel and the Volunteers to Help Orphans charity. Proceeds received from this campaign will be used to support adopted children with special needs. As part of this initiative, the Company placed 26 containers for recyclables in 10 cities. Since the start of the campaign, Magnit has collected more than two tons of bottle caps and sent them for recycling.

Magnit has collected and sent for recycling more than

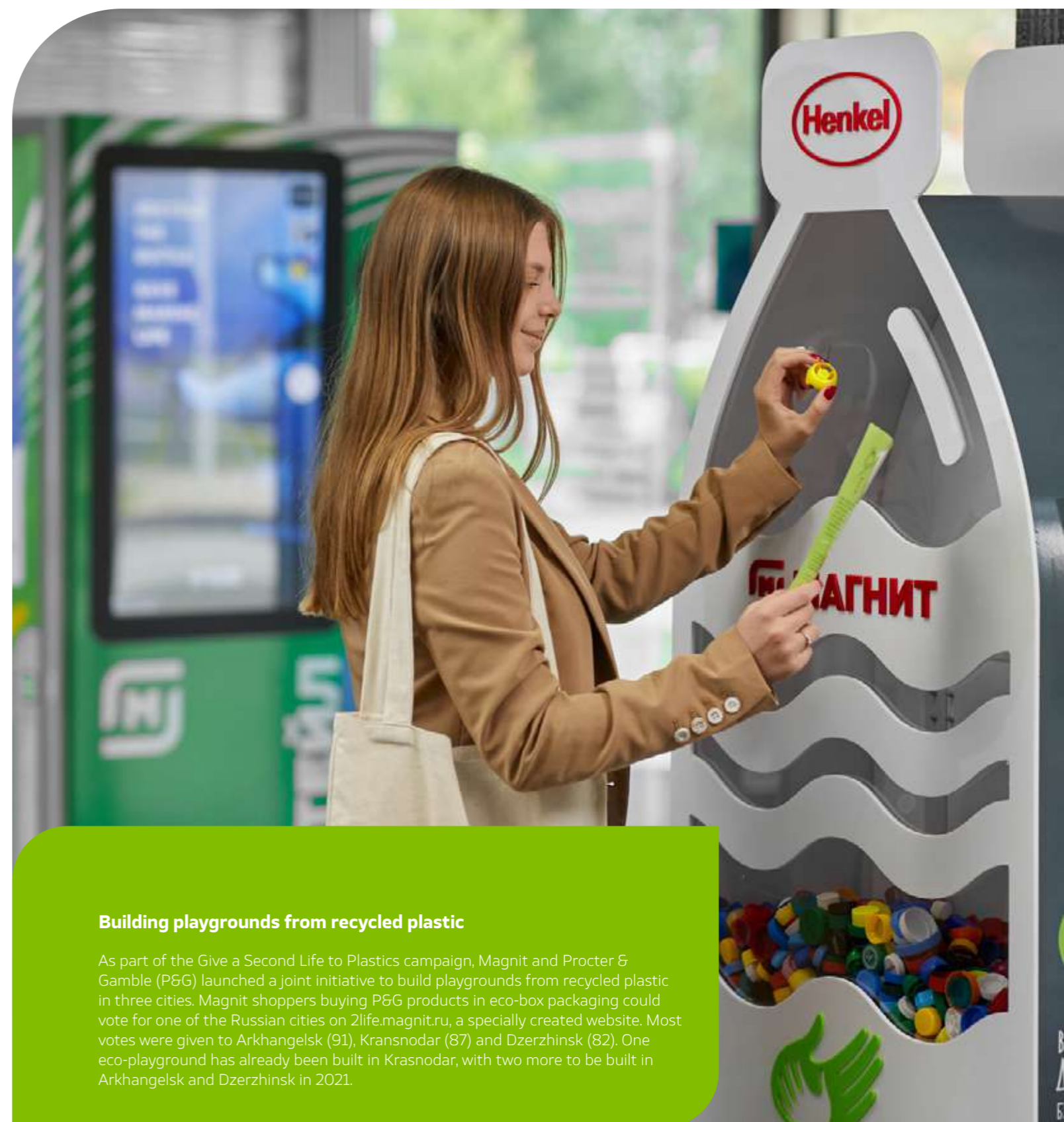
2 tons
of bottle caps

In its 2019 Skrepyschi campaign, Magnit gifted toys to shoppers depending on amounts of cash they spent at its stores. Based on an analysis of the 2019 campaign, the Company launched the Skrepyschi-2 program in 2020. The toys are made of recyclable rubber, while packaging is made of FSC-Mix certified recycled materials. The show boxes, in which up to 200 toys are displayed at the cash register, are made of recycled cardboard.

In the 2020 Monopoly in Magnit campaign launched a few weeks before New Year's Day, shoppers were offered discounts on Hasbro board games made of eco-friendly materials with minimum plastic content.

Building playgrounds from recycled plastic

As part of the Give a Second Life to Plastics campaign, Magnit and Procter & Gamble (P&G) launched a joint initiative to build playgrounds from recycled plastic in three cities. Magnit shoppers buying P&G products in eco-box packaging could vote for one of the Russian cities on 2life.magnit.ru, a specially created website. Most votes were given to Arkhangelsk (91), Krasnodar (87) and Dzerzhinsk (82). One eco-playground has already been built in Krasnodar, with two more to be built in Arkhangelsk and Dzerzhinsk in 2021.



Our employees

5

CARE RESPONSIBILITY

[illegible]

Our employees

Employees are at the heart of all we do at Magnit. Their engagement and commitment have helped us achieve high performance indicators. Every person is important to us with their needs and goals, and we seek to create fair, safe and comfortable working conditions for every employee and focus on staff development.

Our headcount rose by 2% from the 2019 level to 316,001 in 2020. Of them, 77% are women and 23% are men, 62% are aged from 30 to 50, 30% are under 30 and 8% are over 50. As many as 309,348 employees had permanent contracts (98% of the total headcount) and 6,653 (2% of the total headcount) had fixed-term contracts with the Company.

In line with its staff development roadmap, during the reporting year the Company carried out an assessment of employee positions, and developed and automated an employee performance management system as part of its efforts to improve the compensation system. It has launched a mobile HR application and improved the time-tracking system. Magnit has automated the hiring process, charted career paths and started to foster a career development culture.

As part of its personnel training and development plan, it has launched training stores, developed a mobile version of its e-training program and conducted an online anti-corruption course. Our safety culture is an important element of a safe working environment.

The Company employed **296,188** full-time workers and **19,813** part-time workers during the reporting year.



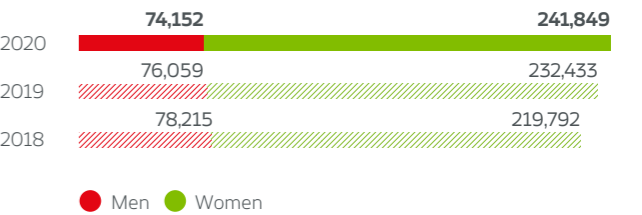
Employees by region

Region	2020
Volga District	46,866
North-Caucasian District	20,156
Moscow District	52,355
North-Eastern District	27,577
Siberian District	17,377
Ural District	52,650
Central District	37,731
Southern District	61,289
Total	316,001

Employees by category

Category	2018	2019	2020
Workers	200,827	202,724	209,448
Executives	9,767	9,838	9,765
Specialists	87,152	95,870	96,788

Employees



We pursue the following staff development goals to 2025:

Employee satisfaction of **70%**



50% reduction in lost time injuries and zero occupational fatalities



A turnover of no more than **40%**



Inclusiveness

Magnit values its employees and seeks to create an inclusive and favorable working environment. Every employee can be confident that the Company follows the principles of equal opportunities, justice and professional development of all employees, as well as respecting human rights.

The Company's [Code of Business Ethics](#) and [Human Rights Policy](#), adopted in 2020, set out the rules of corporate conduct and key ethical values.

Magnit never and under no circumstances uses any forms of child or forced labor in its operations. The Company does not tolerate any form of discrimination on the basis of nationality, gender, age, religion, disability, sexual orientation, political beliefs or other differences. At the end of 2020, Magnit employed 888 people with disabilities.

If an employee is aware of abuse or feels mistreated, he or she can use one of the following contact options:

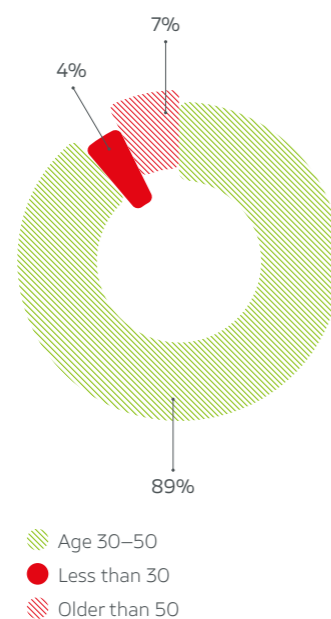
- Telephone hotline: 8 (800) 200 9002 (for any complaints)
- Email: ethics@magnit.ru (for any complaints)
- Contact form: <https://www.magnit.com/en/anti-corruption/> (for messages on any abuse by company executives: corruption, theft, doctoring accounting data, sales of disposed-of goods for personal gain, raising cash from employees for personal gain, etc.)
- Email: HRhelp@magnit.ru (to address employees on the ethics of labor relations)

Every complaint will be recorded and considered. In 2020, Magnit received 5,087 complaints about abuse of office, some of which were found to be biased. Of those complaints, 465 were found to be valid and 373 are still being processed. Based on the complaints, the commission handling them has made recommendations on how to fix irregularities discovered and prevent similar incidents in the future.

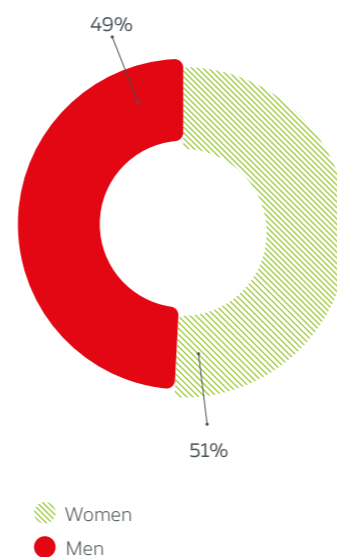
Magnit seeks to ensure equal career opportunities for all employees regardless of sex and age. Making up 51% of senior executives, women play a key role in company management.



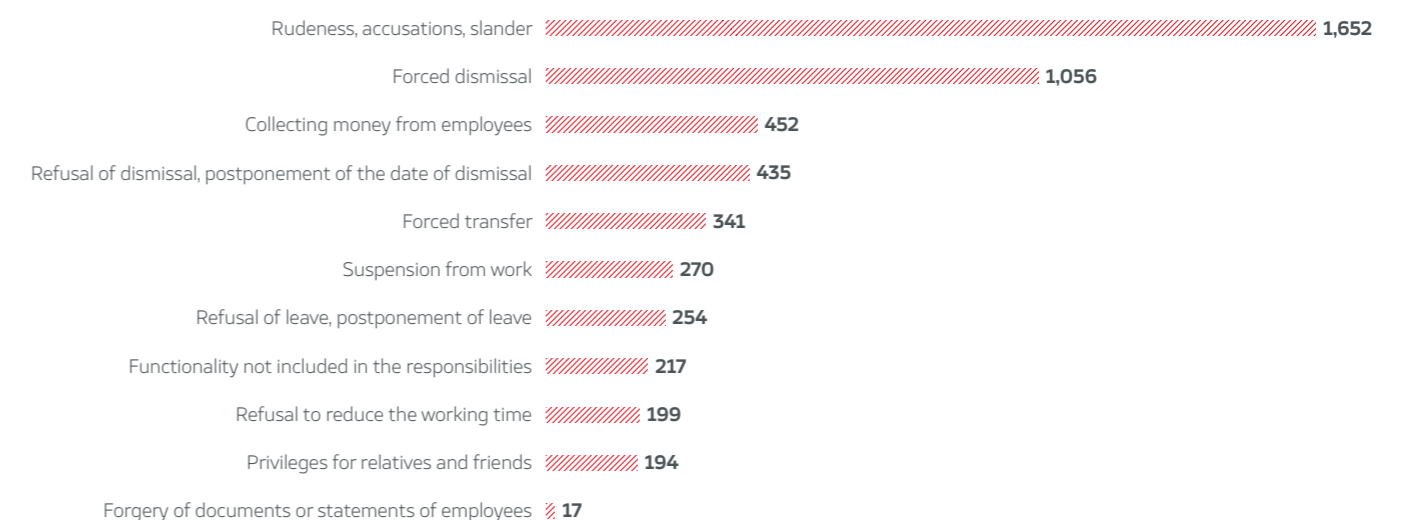
Top executives by age¹



Women in top management¹



Subjects of complaints received by the ethics hotline



¹ CEO, CEO-1, CEO-2 levels

Incentive schemes

and social support

To motivate and engage employees, Magnit launches new initiatives and loyalty programs.

For instance, new initiatives in the logistics business segment in 2020 included the following:

- Healthy Lifestyles program
- Automation to make work easier
- End-to-end loyalty program

The Company adheres to the equal pay principle to motivate employees and create loyalty. Magnit makes its decisions on awards and promotions based on professional skills and merits. Employees holding the same positions receive equal pay.

Apart from remuneration, Magnit offers its employees non-financial benefits and incentives. The Company has launched additional health services for employees, such as telemedicine, medical partners' advice and a second opinion; expanded voluntary health insurance's geographic coverage; and considerably improved the content of insurance programs. Magnit spent a total of RUB 994 million on employee benefits and other allowances in 2020.

Non-financial benefits for Magnit employees include:

- Compensation for holiday travel to natives of northern parts of Russia when they are on paid leave in their home regions
- Compensation for resort treatment
- Compensation for mobile phone expenses
- Corporate tax service
- Corporate cars and fuel allowances
- Flights to home regions and accommodation allowances for relocated employees
- Voluntary health insurance
- Financial assistance to employees in challenging circumstances
- Partial compensation for meals
- New Year gifts for employees' children
- School kits for first-grade pupils
- Fully paid vacation packages for drivers at Black Sea resorts
- Gold badges for employees after 10 years' continuous service
- Certificates and prizes from the Ministry of Industry and Trade
- Contest prizes
- A comfortable working environment and recreational facilities at the head office, including a gym, a sports ground, a cafeteria and discounts for Tander-Discount Card participants.

70.5%
employee retention ratio
from parental leave

Some of the non-financial benefits are available only to head office staff, but Magnit is working to expand coverage.

Magnit supports employees on childcare leave, with both mothers and fathers eligible to take it. Childcare leave is provided for parents of under-three-year-olds, with no interruption in their employment history or length of employment in the job, and is paid in accordance with Russia's Labor Code. In 2020, 27,316 women and 213 men took childcare leave, while 4,424 employees (including 4,373 women) returned from parental leave. In all, 29.7% of employees returned to work, and the Company had a 70.5% employee retention ratio.

Magnit helps laid-off employees to find a new job internally or with other employers. Assistance is provided at request.

Since after the pandemic companies may never revert to their old working ways, Magnit has been devising a flexible schedule for office staff. The Company has designed a three-category approach where 30% may be required to work from the office, 50% may be allowed to work from the office or from home, and 20% may work entirely from their home.



Ratio of a male store assistant's salary to a female's, %

Southern District	94
Central District	107
Ural District	103
Siberian District	105
North-Western District	110
Moscow District	97
North-Caucasian District	99
Volga District	91

Safe

working environment

Health and safety, as well as fewer injuries, was one of Magnit's priorities in 2020.

To create healthy and safe working conditions, the Company drafted an [Occupational Health and Safety Policy](#), a [Fire Safety Policy](#) and a [Driver and Vehicle Safety Policy](#) aimed at protecting the health of employees. Magnit complies with Russian labor 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.

In line with its sustainability strategy, Magnit performed on-site diagnostic audits in 2020 to identify flaws in the occupational safety system. The procedures helped it define strategic and operational development goals for the occupational health and safety management system.

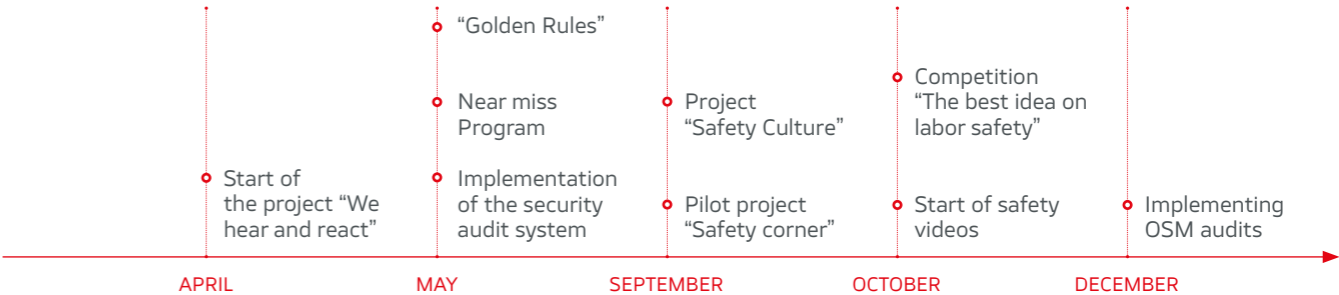
Based on the audit, during the reporting period the Company updated and adjusted its occupational safety management system, placing an emphasis on a risk-oriented approach. As part of this approach, a risk assessment card is prepared for each workplace and updated on a regular basis. Each employee is briefed on risks identified and mitigation measures before the shift. An employee does not start work until action is taken to reduce risks to an acceptable level.

To minimize health and safety risks, the Company monitors compliance with relevant requirements on an at least monthly basis in all business units. Magnit annually conducts health and safety procedures, including the following:

- Conducting health and safety instruction
- Checking health and safety knowledge
- Performing an assessment of working conditions and communicating the results to employees
- Checking that officers responsible for safe access to electrical equipment have been appointed
- Issuing and communicating instructions to employees
- Supplying employees with personal protective gear
- Checking personal records of protective gear supplied
- Analyzing the quality and quantity of cleaning agents
- Preliminary and periodic medical checkups, etc.

For logistics operations, as a result of the audit the Company drew up a detailed roadmap describing specific steps and measures to make every workplace as safe as possible.

The 2020 roadmap for making every workplace safer



As part of its road map, Magnit adopted six simple rules to raise safety awareness among employees:

- 1

I am always responsible for my safety and the safety of my colleagues.
- 2

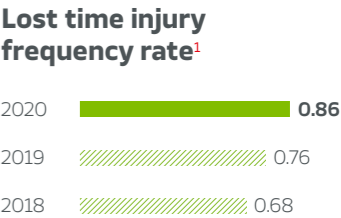
I always hold colleagues back in dangerous situations.
- 3

I always keep my workplace clean and tidy.
- 4

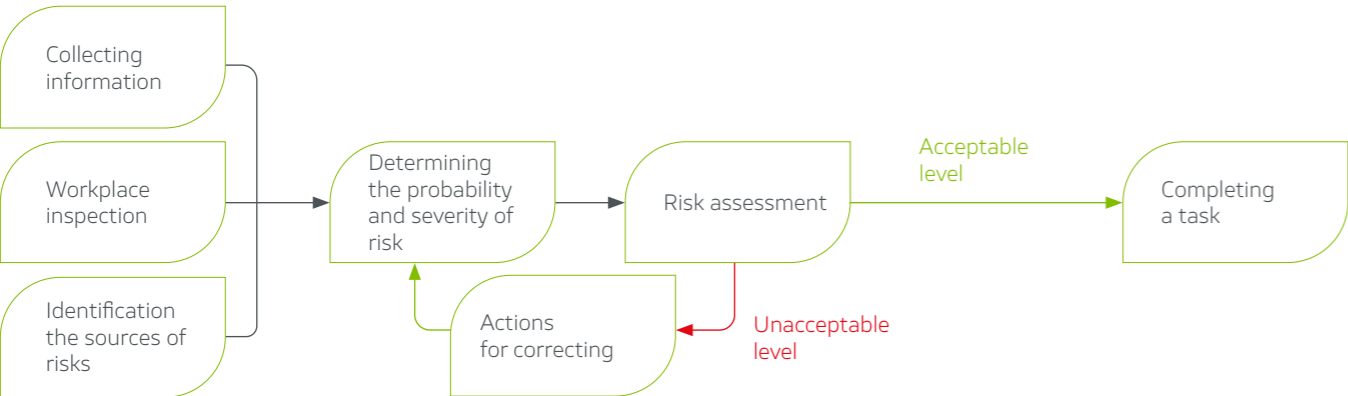
I always use individual protection gear.
- 5

I always follow traffic rules while driving.
- 6

I always report accidents and risks that may lead to accidents.



Magnit Group risk assessment system



In 2020, Magnit launched the Near Miss program of quick reporting. Near Miss can be used to file complaints about the following:

- Workplace ergonomics
- Risks and technical issues at distribution centers and transportation companies
- Unsafe situations at work

Every incident is investigated by a special commission, the risk is eliminated, and the complainant receives feedback on the issue's resolution.

To foster a safety culture, the Company has issued leaflets and awareness brochures. Employees are informed of root causes and consequences of occupational accidents and precautions that must be taken to avoid occupational injuries.

In 2020, Magnit made an all-out effort to instill a safety culture and encourage employees to report incidents and injuries. The effort paid off — employees reported more accidents. However, that policy caused registered accidents and the injury rate to rise.

¹ Accidents per 1,000 employees. In the reporting period, the calculation method was modified to cover all companies of the Group.

Safe working environment (continued)

Magnit registered a total of four fatal injuries and 241 lost time accidents in 2020.

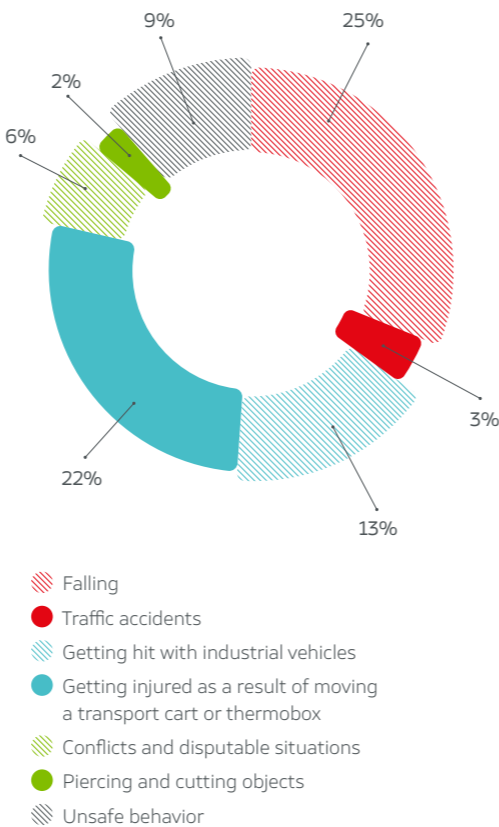
To get the real picture of workplace safety and health management, Magnit expanded the list of points subject to safety monitoring. The number of points monitored rose by 123% in logistics, 300% at small stores and 60% at big stores.

All employees in worker positions are given annual occupational health and safety training, while executives and specialists have training every three years. On completing training, participants take a test and those who pass it are given certificates in occupational safety. Those who fail are required to take additional training within a set time limit.

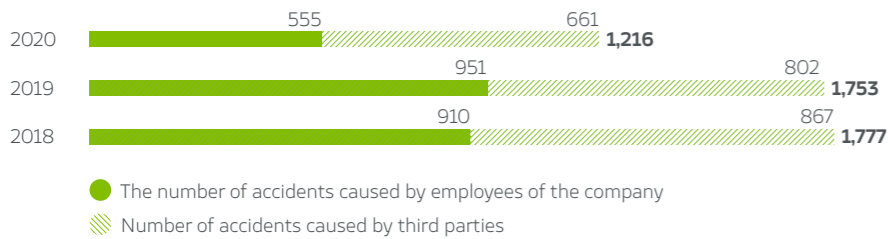
Occupational safety investments totaled
RUB **1,266** million

Magnit closely monitors the health of its employees, which is especially important in the context of the COVID-19 outbreak. All employees have been provided with personal protective equipment, work premises have been disinfected and employees have had their body temperature taken daily. Measures to protect employees during the pandemic are described in Chapter 2.

Causes of occupational injuries



Traffic accidents



Talent management

Magnit puts a strong emphasis on employee training and development. Employees are given ample opportunities to learn and hone their skills throughout their careers. The Company holds regular training courses and sessions, both in office and online.

During the reporting period, Magnit employees had training courses and seminars in various areas, including management, customer service, occupational safety and health, project training, vocational training and adaptation training.

In 2020, there were an average of 30.7 hours of training per employee.

To attract young specialists and form a personnel reserve, Magnit cooperates with leading educational institutions of the Russian Federation: 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,

Financial University under the Government of the Russian Federation, etc. In 2020, Magnit established cooperation with the following universities:

- St. Petersburg State University of Economics
- Plekhanov Russian University of Economics.

In 2020, Magnit set up Corporate Academy, a training and development system for employees of all ranks and key functions. The purpose of the project is to train line personnel, build up a staff talent pool for each function and prepare employees for new challenges in a rapidly changing business environment. The Academy amassed and modified the Company's training courses to become a uniform platform for employees' continuous professional development.

LLamasoft supply chain design program

Magnit teamed up with KORUS Consulting to launch Russia's first free supply chain design program mastered by LLamasoft for Russian university students. Focused on real tasks, the program is set to provide trainees with essential practical knowledge. The best students will be rewarded with jobs in retail, IT and partner companies. Only ten students will be enrolled from among the 200 applicants from 42 establishments — maths and IT students from leading universities, including Moscow State University, Bauman Moscow State Technical University, ITMO University, the Moscow State University of Economics, Statistics and Informatics, and Saint Petersburg Polytechnic University.

The graduates will receive certificates of additional professional education in logistics from Magnit Corporate Academy, certificates on the completion of a LLamasoft supply chain design course and certificates from KORUS Consulting.

Talent management (continued)

Store School and coaching system

Store School is a well-performing store with a strong and cohesive team. The module includes a video, electronic courses and simulators for training employees to work in systems. The coach oversees training, while students immediately put their new skills to use in the store and receive feedback on their work. The favorable learning environment helps them quickly master all processes in practice and prepare for a new job. In 2020, 1,961 store schools were opened in 738 towns and 6,561 mentors were trained. On December 3d, a competition was held for the best mentor in which 18 employees took a prize.

The Company does not stand still and keeps pace with time, introducing digital tools. It has created 3D models of a Family Magnit store and a hypermarket, so that trainees can be fully immersed in the working environment, learning and developing professional communication skills. You just put on the glasses to walk into a retail store to sell goods anywhere and anytime without any risk for the business.



Digital personnel development tools

- LMS Magnum has been enhanced with a learning management section. The job matrix is linked to the learning matrix to deliver adaptive learning experiences, including for employees taking on new jobs.
- The automated coaching system automatically designates coaches to new hires.
- The mobile version of LMS with AR+ is a platform for training rank-and-file employees. As many as 21,000 employees used the mobile application to complete courses in 2020.
- Whenspeak is a platform for conferences and training. It is used for training new hires, volunteers, and rank-and-file employees (it was the primary learning tool before the launch of the mobile application). As many as 52,565 employees used the platform to complete courses in 2020.
- Training Space is an online platform for learning new skills. It is used for teaching management skills, and includes assessment and development tools.
- 12,960 employees used Training Space to receive synchronized online instruction from trainers.
- TalentTech is a platform for improving digital skills. More than 720 employees used it in 2020.
- Vikium is a platform for contests. More than 1,600 employees took part in the 2020 Brain-building Championship, which involved the use of cognitive simulators.
- Magnit Digital Library is a tool established together with the Alpina Publishing House. 5,001 employees used it in 2020.

Logistics School and Logistics Academy

Logistics School is a place for logistics center leaders, deputy directors, shift, distribution, logistics and transport department leaders to learn technologies, goods handling, safety, communication, management, coaching and business skills. The program enables employees to take distribution and transport functions, as well as business processes, to a new level, create a safety culture at their units and redouble their efforts to form effective teams.

Magnit also opened a Retail School and a Retail Academy to provide new and further learning opportunities to subsidiary directors, supervisors, district managers and directors

Smart Pyramid 2020 Awards

3rd prize
Store School — Best Corporate Learning Program 2020

2nd prize
Magnit Digital Training School — Best Online Learning Program 2020

of groups of stores. Its curriculum includes the following courses: Business Knowledge, Financial Analysis, Investment Analysis, Coaching, Constructive Communications and Management Skills.

The COVID-19 pandemic gave an impetus to digital personnel training and development tools. In 2020, Magnit introduced digital platforms for distance learning and work process automation.

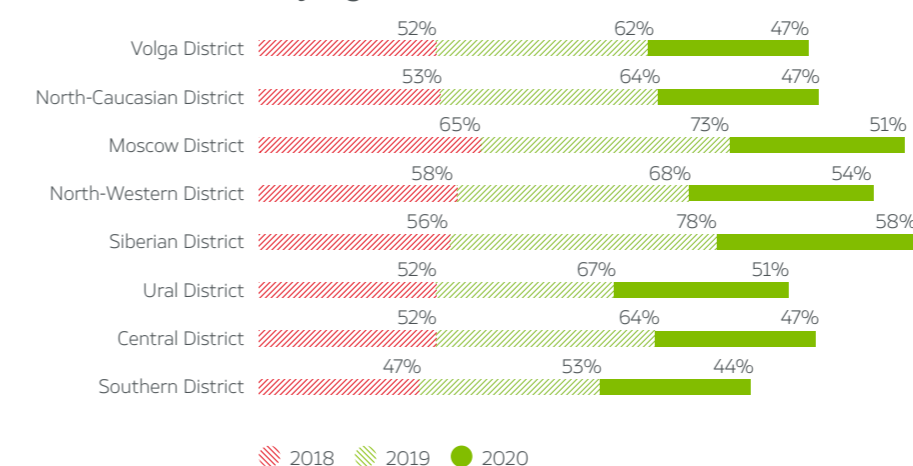
Magnit employees receive annual performance and career development reviews. In 2020, 16% of employees received development reviews. Magnit's personnel development and training achievements were recognized by the professional community for the first time in 25 years.

The effort helped reduce the staff turnover rate and achieve higher employee engagement.

The staff turnover rate fell by 21% from the 2019 level to 49% in 2020. The turnover rate was 45.3% among women and 58.9% among men.

In 2020 Magnit conducted the first employee satisfaction survey. Employee satisfaction rate was 72.6%, and engagement rate 84.2%. The survey was completed by 61% of employees. The share of loyal employees was 69%. We plan to conduct a satisfaction survey every year.

Staff turnover rate by region



200 thousand
employees covered by
Magnit's Corporate Academy



Communities

6

RETAIL WITH PURPOSE
COMMUNITY RESPONSIBILITY
CARE ECOLOGY
ECOLOGY HEALTH RESPONSIBILITY
CARE COMMUNITY ECOLOGY
HEALTH RESPONSIBILITY
CARE

CARE
RESPONSIBILITY

Communities

We depend on thriving local communities to continue to prosper. Caring for people has been at the heart of all we do since the start of our business. By providing access to affordable, quality products we make a positive impact on the life of our customers and take care of their health and wellness.

We create jobs and provide regular revenue streams to local budgets in the form of taxes, thereby contributing to the development of local infrastructure and the improved well-being of local communities. Magnit is also committed to promoting volunteering and charity programs and helping people in emergency situations.



As a socially responsible business, we have identified special focus areas in our sustainability strategy that are aimed at improving the quality of life of Russian citizens, and have set the following goals:

10% of our people to be involved in volunteering

— ■ — □ — □ —
BEGINNING THE JOURNEY

Community programs to be available in all regions where we have a presence

— ■ — ■ — ■ —
GOAL ACHIEVED

Volunteering

and charity

Volunteering at Magnit illustrates clearly how we care about people. Volunteering is not only an opportunity for the Company to create an atmosphere of support and mutual assistance among the staff and encourage leadership, but also a way to support the most vulnerable groups when they most need it.

The tight restrictions on movements and considerable changes in our habitual way of life during the coronavirus pandemic in 2020 highlighted the need for relevant and timely volunteering efforts. That is why, during the reporting period, the Company decided to rearrange its volunteer initiatives to meet the interests of stakeholders and based on the feedback received from them.

For this purpose, it conducted a large-scale survey among stakeholders in 2020 to find out their opinions on ways to improve volunteering at the Company. The Company interviewed about 11,500 employees and top managers, and examined internal documents and other companies' volunteering initiatives. The survey showed that 66% of employees were in favor of the Company's involvement in charity and volunteering and recognized the need for creating favorable conditions for an expansion of volunteering efforts.

Based on the survey findings, the Company is set to draft Corporate Volunteering Regulations in 2021 to outline key volunteering focus areas, arrangements and targets.

In 2020, Magnit adopted a Charity, Sponsorship and Volunteer Policy to define the standards and key focus areas of its charity, sponsorship and volunteering activities. It describes the goals, key areas and procedures for charity, sponsorship and volunteering activities, as well as sources of funding.

In 2020, Magnit embarked on a volunteering journey to help senior citizens weather the COVID-19 pandemic. Our staff in Samara noticed that an elderly man, a regular customer, had not turned up in his local store for several days. They found out the man's address from social services and delivered groceries to his doorstep. That marked the beginning of a volunteering initiative called Doing Good for Locals involving 3,000 employees in 138 cities. Volunteers relied on <https://its-help.ru/> — an online platform developed in collaboration with Itsumma to exchange information and coordinate their activities. Going forward, Magnit intends to use this platform for coordinating other volunteering campaigns. We encourage our people to take the initiative and come up with volunteering ideas that we are happy to support and help bring to life.

Inspired by the success of the campaign, Magnit launched a pilot project for a large-scale corporate volunteering program named "Good Deeds in the Neighborhood." The Company encouraged its employees to take the initiative, guaranteeing its support and assistance for volunteers' activities.

Volunteers across the country selected priority aid recipients and decided on the types of assistance needed. In cooperation with local non-commercial organizations that included over ten charities, orphanages and associations, volunteers collected aid for recipients.

The Company supported socially vulnerable people in need and dozens of animal shelters in 13 cities. Campaigns took place in all federal districts in which the Company has its presence. Volunteers were free to decide on aid recipients and the types of aid needed. They distributed more than 80 cartons of aid, held a contest for seniors and collected more than 200 gifts and letters for elderly people. In all, more than 500 employees were involved in the campaign.

To promote corporate volunteering and make employees and the public aware of campaigns and benefits, Magnit hosted a "Good Deeds in the Neighborhood" online talk show on 5 December 2020, International Volunteer Day for Social and Economic Development.



Initiative Doing Good
for Locals involved
3,000
employees in 138 cities

Magnit.Care (#МагнитЗабота)

In April 2020, Magnit announced the launch of the With Care from Magnit (#МагнитЗабота) campaign to help out socially vulnerable groups during the pandemic. We have provided support to single elderly people, disabled persons using in-home care services, families with disabled children, socially disadvantaged families, large low-income families, single parents with low income and other groups.

We partnered with local authorities to deliver 350,000 emergency food parcels in 24 Russian regions.

Each parcel contained an average of 10 durable items, such as cereals, tinned meat, sunflower oil, tea, confectionery, etc.

Magnit's initiative enjoyed nationwide support, with local branches of Mondelēz International, Coca-Cola, Mars and Mistral contributing products. In some regions, the Foodbank Rus charity helped to make up food parcels.

Magnit was given Retail Week's Social Responsibility award in recognition of its effort.

As part of the Magnit.Care (#МагнитЗабота) campaign, Magnit partnered with the Health Ministry to issue loyalty cards for health care workers who experienced the daily challenge of preventing and treating coronavirus. The holders of loyalty cards earned reward points equivalent to 20% of each purchase made at any Magnit store, and could then use them to pay

for up to 100% of the purchase price when shopping at Magnit stores of any format. Loyalty cards were granted to 150,000 health care professionals working in a "red" area. Magnit also delivered coffee variety packs to hospitals in 30 Russian regions.

Volunteering and charity (continued)

The show garnered 125,000 views on Vkontakte, Odnoklassniki, Facebook and Instagram.

The Company's slogan for 2020 was "Magnit is on Duty for the Country." While COVID-19 brought most business activity to a halt, we remained on duty, ensuring non-stop access to products and caring for those who found themselves in a difficult situation due to the pandemic.

Trolley of Goodness is another initiative, organized in collaboration with the All-Russia People's Front (ONF) to support seniors and people with impaired mobility in self-isolation. Special trolleys were placed in Magnit stores in 26 Russian regions so that

shoppers could fill them with food they wanted to donate after checkout. When a trolley was full, volunteers would wheel it away to make up food parcels and deliver them to eligible recipients on lists downloaded from the ONF.Assistance system.

In November 2020, Magnit joined Food Card, an initiative to support vulnerable families with children. This is a joint project delivered by the Foodbank Rus charity, Magnit and Humanventure and supported by ONF and local social care agencies. The holders of food cards issued by Foodbank Rus could purchase up to RUB 1,000 worth of food every month. Each family had an individual account, with 1,000 reward points credited to it every month so that they could make food purchases at Magnit stores.

We haven't forgotten about animals, as they are also struggling in this time of crisis. We teamed up with Mars and a charity called Rescue Animals from Yoke (RAY), to launch a charity campaign whereby customers buying Mars cat food at Magnit stores could donate money towards food for animals staying at shelters by registering their receipt on catday.ru. At the end of the campaign, all collected donations were given to RAY.

In 2020, Magnit continued its participation in the Right to Happiness (#ПравоНаСчастье) campaign that is run in collaboration with the baby food brand Agusha and the Naked Heart Foundation. One ruble was donated to the Naked Heart Foundation for each sold item tagged #ПравоНаСчастье.



Big educational broadcast about volunteering with a coverage of

125,000
people

Large-scale campaign **"Kind neighbor"** to help the elderly in the delivery of food during the period of self-isolation.

Large-scale Volunteer survey of more than

10,000
respondents

The Kind Bunny

Magnit was the first retailer to support the Kind Bunny volunteer project in Novgorod aimed at teaching sales assistants basic skills in communicating with people with disabilities and rendering first aid in emergencies. Those employees who have received training wear special badges, while Kind Bunny stickers on the entrance doors indicate special attention to disabled customers.

3,500
Number of volunteer
employees

10 regional
volunteer pilots
in three main areas:

Assistance to low-income families, single elderly people and children with serious illnesses

Helping homeless animals in shelters

Participation in environmental events



CARE
RESPONSIBILITY

7

Health
and wellness

RETAIL WITH PURPOSE
COMMUNITY RESPONSIBILITY
CARE ECOLOGY
ECOLOGY HEALTH RESPONSIBILITY
CARE COMMUNITY ECOLOGY
CARE RESPONSIBILITY

Health and wellness

We are committed to protecting the health and wellness of consumers. Not only do we provide customers with access to healthy and balanced foods, but we also support initiatives for the promotion of active and healthy lifestyles.

To that end, in 2020 we adopted a corporate Health and Wellness Policy that outlines our principles and responsibility regarding the health and wellness of consumers and sets out our standards and approaches to maintaining their health.

The year 2020 was a starting point for health and wellness initiatives, the first being Health Cubes – special areas in 52 stores where customers can find food items labeled as organic, sugar free or gluten free, as well as superfoods.

In 2020, the Company began publishing a magazine for customers, "My Magnit", dedicated to health and well-being. The magazine is a part of the communication system that unites the interests of customers, suppliers and retailer that strive to act responsibly and sustainably. "My Magnit" magazine is a guide for the whole family, which helps customers navigate the assortment, informs about new products and unique properties of products, helps in the formation of healthy habits, supports the desire for a proper lifestyle, encourages concern for the environment and inspires change for the better.

"My Magnit" is published monthly with a circulation of over 3.5 million copies, printed on PEFC-certified paper and we are working on getting My Magnit into digital.

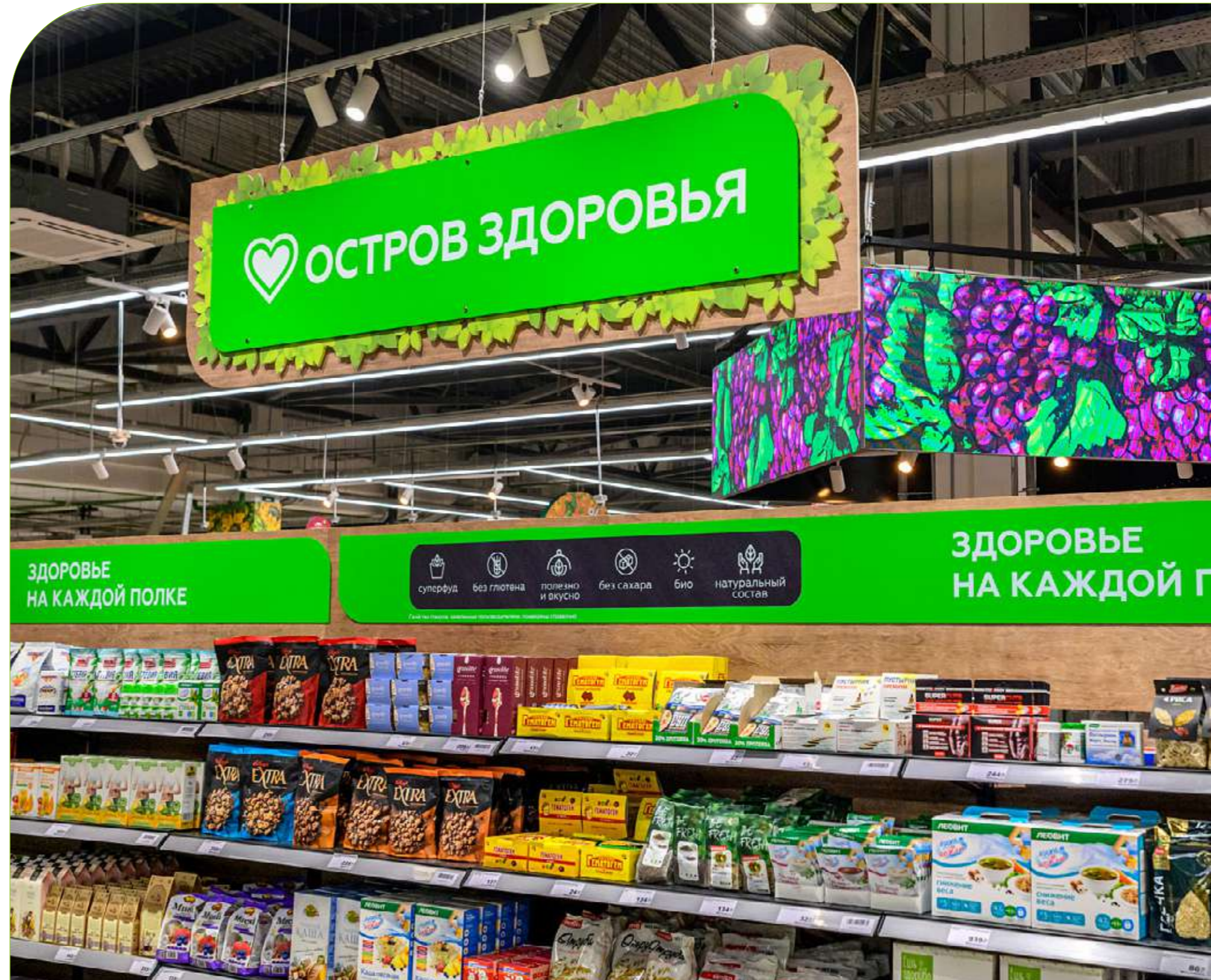
Each issue of the magazine "My Magnit" contains author's and editorial materials about modern scientific based approaches to nutrition, interviews with experts, opinion leaders and scientists on the topics of healthy lifestyle, nutrition, responsible consumption, and environmental protection. In September 2020, Magnit became a member of Coalition for Healthier Lives, a Consumer Goods Forum collaboration designed to empower people to live healthier lives. Its mission is to inspire healthier behavior in stores, online and throughout communities around the world. The Coalition is led by manufacturers and retailers in partnership with public health authorities, local communities, academia and other stakeholders.

In 2021, we are planning to re-launch a Healthy Habits Club and to place greater focus on a healthy lifestyle.

Information about healthy lifestyles and diets to be available to all customers



Health-related products and services to be available to all customers





About
this Report

8

CARE
RESPONSIBILITY

RETAIL WITH PURPOSE
COMMUNITY RESPONSIBILITY
CARE ECOLOGY
ECOLOGY HEALTH RESPONSIBILITY
CARE COMMUNITY ECOLOGY
CARE RESPONSIBILITY

About this Report

Scope of this Report

This Report presents Magnit Group's operating results for 2020.

Data is disclosed for list of companies is provided in Annex 2.

This Report also presents Magnit's strategic goals and plans for the near future. It provides complete and reliable information about Magnit's business priorities for a wide range of stakeholders.

The Company's plans disclosed in this Report are tentative in nature and may not be regarded as a guarantee of future performance. They are subject to known or unknown risks and uncertainties, including external factors, that may cause actual results to differ from those anticipated. All forward-looking statements are based on information available to Magnit as of the date of this Report. This disclaimer applies to all forward-looking statements, whether written or oral, made on behalf of Magnit. Magnit assumes no obligations for updating or modifying its plans and/or forward-looking statements, including those contained herein, for any subsequent events or changes in circumstances.

Content of this Report

This Report is prepared in accordance with the Core Option of the GRI Standards. A list of indicators described in the GRI Standards is provided in Annex 1 hereto.

This Report is aligned with key principles as set out in the GRI Standards, including balance, comparability, accuracy, timeliness, reliability and clarity.

To avoid duplicate disclosures, references to the Company's 2020 Annual Report and other publicly available documents are provided in this Report.

This Report describes the Company's contribution to the UN Sustainable Development Goals.

Determining material topics

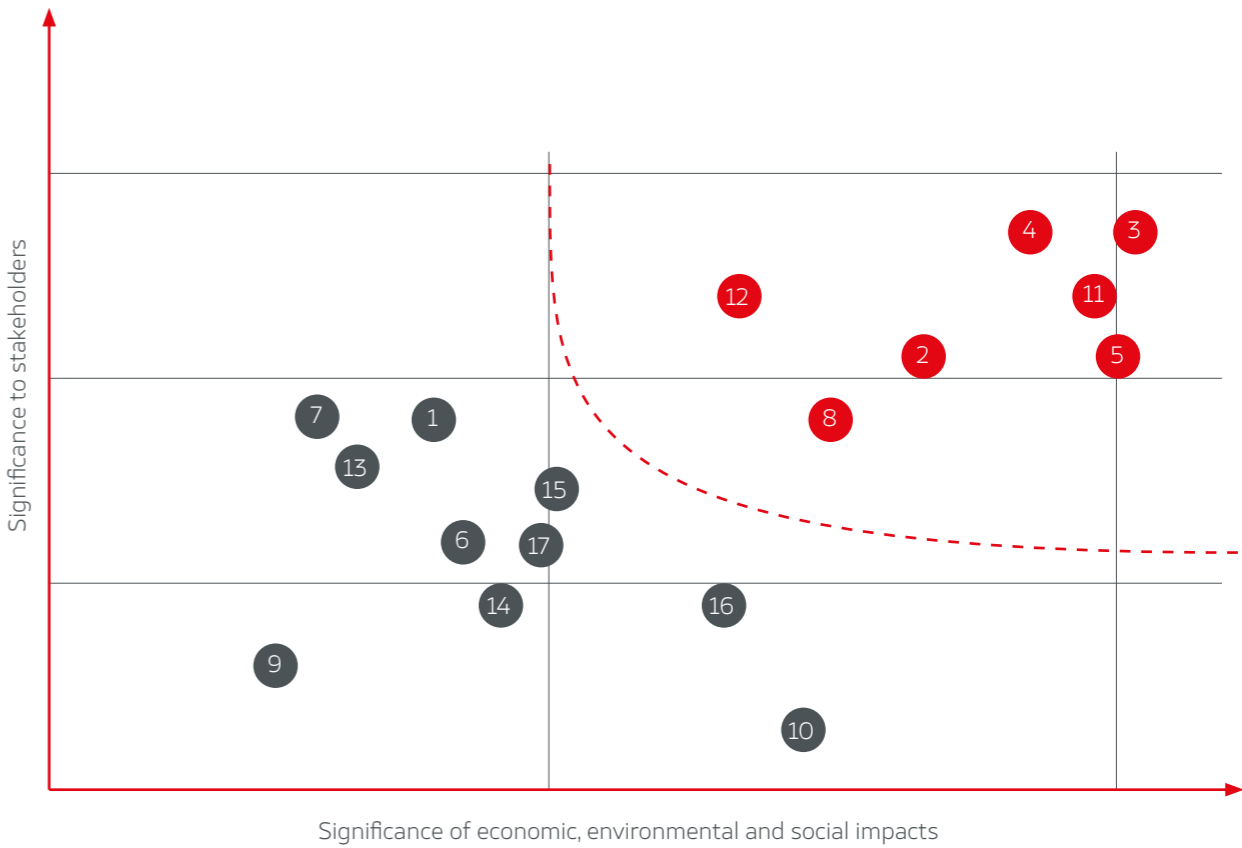
Magnit performed an analysis of material topics to be disclosed in this Report. Material topics are those that reflect the Company's significant economic, environmental and social impacts or those that substantively influence the assessments and decisions of stakeholders.

The Company took the following steps to determine topics that are considered material by management or external stakeholders:

- Analysis of queries from investors
- Review of non-financial reports issued by Russian and foreign peer companies
- Analysis of inquiries from customers
- A survey of suppliers
- Analysis of queries from government agencies
- Analysis of inputs from Company employees
- Expert assessments of identified topics for completeness and balance

Material topics addressed by the Report are presented in a matrix below. For each material topic, the Report describes management approaches and indicators recommended by the GRI Standards.

Materiality matrix



1. Talent management

2. GHG emissions

3. Food waste

4. Plastic waste

5. Product quality and safety

6. Human rights

7. Charity

8. Energy and water consumption

9. Green marketing
10. Responsible production and agriculture

11. Fair and safe workplace

12. Products and raw materials from responsible sources

13. Promoting a healthy lifestyle

14. Business ethics and anti-corruption

15. Diversity and inclusiveness

16. Fair remuneration

17. Data privacy

About this Report (continued)

Material topics reported in 2020

Topic	Relevance to the Company
Environment	
CO2 emissions	Climate change poses challenges to the long-term growth outlook due to rising prices for food and energy. Magnit believes it is essential to reduce GHG emissions, which 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. Going forward, Magnit plans to assess other indirect GHG emissions (Scope 3) generated across the entire value chain.
Plastic waste	Plastic waste generation is a major concern for stakeholders. Magnit sells products in plastic packaging and uses plastic packaging for private label products. The Company also uses plastic bags. Magnit continuously improves sustainable waste management and is working to reduce its waste footprint.
Energy and water consumption	The Company uses water and energy resources, and is mindful of its environmental footprint. Water is mainly used by Magnit's agricultural enterprises. Heat and electricity are used for offices, stores, production facilities and distribution centers. Reducing water and energy consumption is key to long-term sustainability.
Food waste	Every year, a third of all food, a half of all fruit and vegetables and a quarter of all meat products end up in a landfill. At the same time, over three billion people are underfed or cannot afford a healthy diet. Selling food is the principal activity of the Company. Magnit continuously improves sustainable food waste management and is working to reduce its waste footprint.

Topic	Relevance to the Company
Sustainable sourcing	
Products and raw materials from responsible sources	Magnit works with more than 6000 suppliers whose products are routinely delivered to store shelves. Magnit is building a responsible supply chain anchored in high safety and quality standards, respect for human rights and environmental stewardship. A responsible supply chain is essential for driving the Company's reputation and business growth.
Product quality and safety	Product quality and safety has a direct impact on reputation and business growth. Products produced and sold by Magnit meet all applicable standards and regulations. We constantly improve and develop our systems and policies in this area and continuously monitor the quality of the products we make and sell.
Employees	
Fair and safe workplace	With more than 316 001 jobs created, Magnit is the largest private sector employer in Russia. Employees are the Company's most valuable asset, and their health and safety are of primary importance. Creating a safe workspace is a top strategic priority for Magnit.

This Report also addresses topics that were assessed as immaterial in the reporting period but that reflect our progress in implementing the strategy and may be of interest to a wide range of stakeholders.

Annex 1.

GRI content index

The table below shows how this Report aligns with the GRI Standards, 'Core' option.

Indicator	Definition	Information/Report section	Page
GENERAL STANDARD DISCLOSURES			
102-1	Name of the organization	Chapter 1. About the Company	p. 10
102-2	Activities, brands, products, and services	Chapter 1. About the Company	p. 10-15
102-3	Location of headquarters	15/5 Solnechnaya St., Krasnodar 350072	
102-4	Number of countries where the organization operates	Chapter 1. About the Company	p. 14-15
102-5	Ownership and legal form	Chapter 1. About the Company	p. 10
102-6	Markets served	Chapter 1. About the Company	p. 10-15
102-7	Scale of the organization	Chapter 1. About the Company	p. 10-15
102-8	Information on employees and other workers	Chapter 5. Our employees	p. 68
102-9	Supply chain	Chapter 4. Sustainable sourcing	p. 48-51
102-10	Significant changes to the organization and its supply chain	There were no significant changes in the reporting period.	
102-11	Precautionary Principle or approach	In 2020, the Company did not apply the Precautionary Principle for identifying, controlling or managing risks.	
102-12	A list of externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	Annex 4. Participation in associations and initiatives	p. 107
102-13	A list of the main memberships of industry or other associations, and national or international advocacy organizations	Annex 4. Participation in associations and initiatives	p. 107
102-14	Statement from senior decision-maker	President and CEO's Statement	p. 7
102-15	Key impacts, risks, and opportunities	Chapter 1. About the Company	p. 20-21
102-16	Values, principles, standards, and norms of behavior	Chapter 1. About the Company	p. 26
102-17	Mechanisms for advice and concerns about ethics	Chapter 1. About the Company	p. 26
102-18	Governance structure	Chapter 1. About the Company	p. 28
102-40	List of stakeholder groups	Chapter 1. About the Company	p. 24-25

Indicator	Definition	Information/Report section	Page
102-41	Percentage of total employees covered by collective bargaining agreements	The Company has no collective bargaining agreement.	
102-42	The basis for identifying and selecting stakeholders with whom to engage	Chapter 1. About the Company	p. 24-25
102-43	The organization's approach to stakeholder engagement, including frequency of engagement by type and stakeholder group	Chapter 1. About the Company	p. 24-25
102-44	Key topics and concerns that have been raised through stakeholder engagement	Chapter 1. About the Company	p. 24-25
102-45	Entities included in the consolidated financial statements	Annex 2. List of Group companies	p. 105
102-46	Defining report content and topic boundaries	Chapter 7. About this Report	p. 94-95
102-47	A list of the material topics identified in the process of defining report content	Chapter 7. About this Report	p. 96-97
102-48	The effect of any restatements of information given in previous reports, and the reasons for such restatements	There were no restatements of information in the reporting period.	
102-49	Significant changes from previous reporting periods in the list of material topics and topic boundaries	Chapter 7. About this Report	p. 96-97
102-50	Reporting period	Calendar year 2020	
102-51	Date of most recent report	23 June 2020	
102-52	Reporting cycle	Annual	
102-53	Contact point for questions regarding the report or its contents	Contact information	
102-54	Claims of reporting in accordance with the GRI standards	Chapter 7. About this Report	p. 94
102-55	GRI content index	Annex 1. GRI content index	p. 98-104
102-56	External assurance	No external assurance for the Report was sought in the reporting period.	

Annex 1.

GRI content index (continued)

Indicator	Definition	Information/Report section	Page
Management approach			
103-1	Explanation of the material topic and its boundary	Chapter 1. About the Company Chapter 3. Environment Chapter 4. Sustainable sourcing Chapter 5. Our employees Chapter 6. Communities, health and wellness	p. 10-29 p. 36-90
103-2	The management approach and its components	Chapter 1. About the Company Chapter 3. Environment Chapter 4. Sustainable sourcing Chapter 5. Our employees Chapter 6. Communities, health and wellness	p. 10-29 p. 36-90
103-3	Evaluation of the management approach	Chapter 1. About the Company Chapter 3. Environment Chapter 4. Sustainable sourcing Chapter 5. Our employees Chapter 6. Communities, health and wellness	p. 10-29 p. 36-90
MATERIAL TOPICS			
Economic category			
Economic performance			
201-1	Direct economic value generated and distributed	Chapter 1. About the Company	p. 16
Procurement practices			
204-1	Proportion of spending on local suppliers	Chapter 4. Sustainable sourcing	p. 51
Anti-corruption			
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 1. About the Company	p. 26
205-2	Communication and training about anti-corruption policies and procedures	Chapter 1. About the Company	p. 26
205-3	Confirmed incidents of corruption and actions taken	Chapter 1. About the Company	p. 26

Indicator	Definition	Information/Report section	Page
Environmental category			
Materials			
301-2	Materials used by weight or volume	Chapter 3. Environment	p. 41
Energy			
302-1	Energy consumption within the organization	Chapter 3. Environment Chapter 4. Sustainable sourcing	p. 42 Data for 2018 and 2019 differ from the data in the 2019 Sustainability Report due to improved data collection
302-3	Energy intensity	Chapter 3. Environment	p. 42
302-4	Reduction of energy consumption	Chapter 3. Environment	p. 44-45
302-5	Reductions in energy requirements of products and services	Chapter 3. Environment	p. 44-45
Water			
303-1	Interactions with water as a shared resource	Chapter 3. Environment	p. 43
303-5	Water consumption	Chapter 3. Environment Chapter 4. Sustainable sourcing	p. 43 Data for 2018 and 2019 differ from the data in the 2019 Sustainability Report due to improved data collection
Emissions ¹			
305-1	Direct GHG emissions	Chapter 3. Environment	p. 38
305-2	Energy indirect GHG emissions	Chapter 3. Environment	p. 38
305-4	GHG emissions intensity	Chapter 3. Environment	p. 38-39
305-5	Reduction of GHG emissions	Chapter 3. Environment	p. 38-39
305-6	Emissions of ozone-depleting substances (ODS)	Chapter 3. Environment	p. 39
305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	Chapter 3. Environment	p. 39

¹ Data for 2018 and 2019 differ from the data in the 2019 Sustainability Report due to a change in the calculation method

Annex 1.

GRI content index (continued)

Indicator	Definition	Information/Report section	Page
Effluents and waste			
306-1	Waste generation and significant waste-related impacts	Chapter 3. Environment	p. 40-41
306-2	Management of significant waste-related impacts	Chapter 3. Environment	p. 40-41
306-3	Waste generated	Chapter 3. Environment	p. 40-41
Environmental compliance			
307-1	Non-compliance with environmental laws and regulations	172 fines or non-monetary sanctions for non-compliance with environmental laws and/or regulations were imposed in the reporting period in the amount of mln RUB 11,9.	
Supplier environmental assessment			
308-1	New suppliers that were screened using environmental criteria	In the reporting period, the Company did not conduct supplier screening using environmental criteria.	
Social category			
Employment			
401-1	Total number and rate of new employee hires and employee turnover by age group, gender and region	Chapter 5. Our employees	p. 79
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Chapter 5. Our employees	p. 79
401-3	Parental leave	Chapter 5. Our employees	p. 72
Labor/management relations			
402-1	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	The Company has no collective agreement. The notice period is not specified.	

Indicator	Definition	Information/Report section	Page
Occupational health and safety			
403-1	Occupational health and safety management system	Chapter 5. Our employees	p. 74-76
403-2	Hazard identification, risk assessment, and incident investigation	Chapter 5. Our employees	p. 74-76
403-3	Occupational health services	Chapter 5. Our employees	p. 74-76
403-4	Worker participation, consultation, and communication on occupational health and safety	Chapter 5. Our employees	p. 74-76
403-5	Worker training on occupational health and safety	Chapter 5. Our employees	p. 74-76
403-6	Promotion of worker health	Chapter 5. Our employees	p. 74-76
403-9	Work-related injuries	Chapter 5. Our employees	p. 74-76
Training and education			
404-1	Average hours of training per year per employee by gender and employee category	Chapter 5. Our employees	p. 77
404-2	Programs for upgrading employee skills and transition assistance programs provided to facilitate continued employability and the management of career endings	Chapter 5. Our employees	p. 77-79
404-3	Percentage of employees receiving regular performance and career development reviews	Chapter 5. Our employees	p. 79
Diversity and equal opportunity			
405-1	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group and other indicators of diversity	Chapter 5. Our employees	p. 70
405-2	Ratio of basic salary and remuneration of women to men for each employee category by significant location of operation	Chapter 5. Our employees	p. 73
Non-discrimination			
406-1	Incidents of discrimination and corrective actions taken	Chapter 5. Our employees	p. 71

Annex 1.

GRI content index (continued)

Indicator	Definition	Information/Report section	Page
Freedom of association and collective bargaining			
407-1	Operations and suppliers in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk	Neither the Company nor its current suppliers committed any violations of the right to exercise freedom of association and collective bargaining.	
Child labor			
408-1	Operations and suppliers at significant risk for incidents of child labor	Neither the Company nor its current suppliers had any incidents of child labor.	
Forced or compulsory labor			
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Neither the Company nor its current suppliers had any incidents of forced or compulsory labor.	
Human rights assessment			
412-1	Total number and percentage of operations that have been subject to human rights reviews or human rights impact assessments	Company operations were not subject to human rights reviews 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	No training in human rights policies or procedures was conducted in the reporting period.	
Communities			
413-1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	Chapter 6. Communities, health and wellness	p. 82-87
Supplier social assessment			
414-1	Percentage of new suppliers that were screened using social criteria	In the reporting period, the Company did not conduct supplier screening using social criteria.	
Customer health and safety			
416-1	Percentage of significant product or service categories for which health and safety impacts are assessed for improvement	Chapter 4. Sustainable sourcing	p. 55-57

Indicator	Definition	Information/Report section	Page
Marking and labeling			
417-1	Types of information required by the organization's procedures for product and service information and labeling and the percentage of significant product or service categories covered by and assessed for compliance with such procedures	Chapter 4. Sustainable sourcing	p. 55-57
Customer privacy			
418-1	Total number of substantiated complaints 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.	
Socioeconomic compliance			
419-1	Non-compliance with laws and regulations in the social and economic area	No significant fines or non-monetary sanctions for non-compliance with laws and regulations in the social and economic area were imposed in the reporting period.	
Sector disclosures			
FP4	Nature, scope and effectiveness of any programs and practices that promote access to healthy lifestyles; the prevention of chronic disease; access to healthy, nutritious and affordable food; and improved welfare for communities in need	Chapter 6. Communities, health and wellness	p. 90

Annex 2.

List of companies of the Magnit Group, the information in respect of which is the perimeter of the disclosure of information in this Report

Company name	Principal activity	Ownership interest as at 31 December 2020
PJSC "Magnit"	Lease and management of own or leased non-residential real estate	Holding company
Tander JSC	Food retail and wholesale	100%
Selta LLC	Transportation services for the Group	100%
Retail Import LLC	Import operations	100%
Alkotrading LLC	Other operations	100%
Tandem LLC	Rental operations	100%
BestTorg LLC	Food retail in Moscow and Moscow Region	100%
Zvezda LLC	Asset holder, vehicle maintenance services for the Group	100%
ITM LLC	IT services	100%
Logistika Alternativa LLC	Import operations	100%
MagnitEnergо LLC	Buyer of electric power for the Group	100%
Magnit Pharma LLC	Pharmaceutical license holder	100%
Magnit IT Lab LLC	Innovative software product development	100%
MFK LLC	Other operations	100%
TD–holding LLC	Production and processing food for the Group	100%
TK Zelenaya Liniya LLC	Greenhouse complex	100%
Management Company Industrial Park Krasnodar LLC	Management of production assets	100%
Kuban Confectioner LLC	Production of food for the Group	100%
Kuban Factory of Bakery Products LLC	Production of food for the Group	100%
Moskva na Donu LLC	Production of agricultural products for the Group	100%
Moroznye Pripasy LLC	Production of food for the Group	100%
Volshebная Svezhest LLC	Production of household chemicals for the Group	100%
MF-SIA LLC	Management	100%

Annex 3.

Sustainability and corporate governance documents

- Articles of Association of PJSC “Magnit”;
- Regulations on the General Meeting of Shareholders of PJSC “Magnit”
- Regulations on the Board of Directors of PJSC “Magnit” (subject to amendments and additions);
- Regulations on the Committees of the Board of Directors of PJSC “Magnit”;
- Regulations on the collegial executive body (Management Board) PJSC “Magnit”;
- Regulations on the sole executive bodies (President and General Director) PJSC “Magnit”;
- Regulations on the Corporate Governance Department of PJSC “Magnit”
- Regulations on the internal Audit of PJSC “Magnit”;
- Regulations on the dividend Policy of PJSC “Magnit”;
- Anti-Corruption Policy of PJSC “Magnit”
- Code of Business Ethics of PJSC “Magnit”;
- Regulations on Information Policy of PJSC “Magnit”;
- Policy in the field of internal control and risk management of Public Joint Stock Company “Magnit”;
- Anti — alcohol and anti — drug Policy;
- Policy in the field of safe use of vehicles of the” Magnit “ Group of companies;
- Policy in the field of health and quality of life.
- Policy on the use of own-made packaging;
- Responsible supply chain policy;
- Packaging waste management policy;
- Policy in the field of environmental protection and industrial environmental safety of the Magnit Group of Companies
- Policy in the field of labor protection and industrial safety of the Magnit Group of companies;
- Policy in the field of fire safety of the Magnit Group of companies;
- Policy in the field of human rights;
- Climate change policy;
- Policy on charity, volunteerism and sponsorship;
- Food quality and Safety Policy.

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.

Director of Corporate Relations and Sustainable Business Development

Anna Meleshina

Email: meleshina_ay@magnit.ru

Senior Advisor for Sustainable Development

Jyrki Talvitie

Email: Talvitie@magnit.ru

Head of the Department of Sustainable Development

Nadezhda Galaktionova

Email: galaktionova_na@magnit.ru

Sustainable Development Manager

Maria Lutkova

Email: vitkalova_mi@magnit.ru