

# Sustainable Development



**Jan Dunning,**  
Chairman of the Sustainability  
Steering Committee

## Dear stakeholders,

As Russia's No. 1 retailer by the number of stores and geographic outreach, we feel not only obliged to retain and strengthen our market leadership, but also responsible for the Company's sustainable development and its contribution to sectoral and social sustainability. That is why our annual report focuses on the key results achieved by the Company as part of its ESG Strategy goals for 2025.

Striving to become a leading Russian retailer in sustainability, Magnit has set ambitious goals that include leadership in the environmental impact reduction in the retail sector, having positive impact on the quality of life of the Russian consumers, becoming a number one employer in the industry, as well as creating a 100% responsible supply chain and the "best in class" Corporate Governance.

As part of the ESG Strategy, we set out a variety of quantitative and qualitative targets in environmental stewardship, sustainable sourcing, employees, communities, and health and wellbeing.

Our commitment to sustainability goes far beyond the topics that are of material significance for Magnit and its immediate stakeholders. As part of our ESG Strategy, we strive to contribute to all UN Sustainable Development Goals (SDGs), while also placing a particular emphasis on the following: Zero Hunger (SDG 2), Decent Work and Economic Growth (SDG 8), Responsible Consumption and Production (SDG 12), and Climate Action (SDG 13).

There is no doubt that it will take us some time to deliver on our strategic goals in the selected areas, but we take pride in the progress made against the Strategy and are happy to present the interim results achieved by Magnit's sustainability team in 2021.

In the reporting year, we focused on programmes designed to promote healthy lifestyles, collection and processing of waste, and creation of a sustainable sourcing system. We also continued our efforts to reduce direct and indirect GHG emissions by buckling down to the renewal and gradual transformation of Magnit's car fleet and boosting energy efficiency across the Company.

Our sustainability pursuits in 2021 helped Magnit improve its positions in a variety of ESG ratings. The Company's ambition to become the best employer in the Russian retail sector was endorsed by the platinum award given by Forbes and KPMG to recognise Russia's top employers in terms of their ESG record.

The Russian National Rating Agency called Magnit the leader of ESG integration among Russian non-financial public companies in retail, thus acknowledging our progress in corporate governance, assurance of product quality and safety, carbon footprint reduction, and development of staff relations.

With the acquisition of Dixy in 2021, Magnit experienced a major change in its corporate structure. We seek to fully integrate Magnit's sustainability principles into the business processes of Dixy, while also fine-tuning the company's current business practices.

Our ESG achievements would have been impossible without the concerted efforts of Magnit's team, suppliers and partners. I would like to take this opportunity to thank each stakeholder for their significant contribution to Magnit's sustainability efforts.

Despite all the accomplishments so far, we still have a lot of ambitious goals ahead. They are mostly about integrating ESG principles into all our business processes and operations.

## Overview

In 2020, focused on issues that matter most to its stakeholders, Magnit set its sustainability strategy goals for 2025. Now in its second year, the Company has made considerable progress across its five priorities, fine-tuning its work to drive even greater improvements across environmental and social goals.

Magnit changed gears in 2021, growing significantly through a major acquisition, launching numerous stores and new formats, and building the e-commerce business. This was achieved against a continued backdrop of uncertainty around the COVID-19 pandemic and supporting customers and employees to a 'return to normal'.

At the heart of this is a strong commitment to grow the business sustainably and continue to reduce the Company's impacts.

## Key highlights for 2021

**72%**  
employee satisfaction

**16%**  
increase in purchases from local suppliers

**>99%**  
of the total volume of plastic generated in the distribution centres is sent for recycling

**19%**  
reduction of specific GHG emissions (t CO<sub>2</sub> eq/mIn RUR) since 2019

**8 thous.**  
volunteers/events<sup>1</sup>

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

**8%**  
decrease in specific electricity consumption (kWh/mIn RUR) since 2019


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

<sup>1</sup> THE INDICATOR IS CALCULATED BASED ON THE NUMBER OF VOLUNTEERS DIVIDED BY THE NUMBER OF EVENTS, SINCE IT IS CURRENTLY NOT POSSIBLE TO CALCULATE THE ABSOLUTE NUMBER OF VOLUNTEERS

## Interaction with stakeholders

While improving Magnit's sustainability management and reporting, we consider the views of all stakeholder groups. We determine the most important issues to enhance communication and develop engagement with our stakeholders on these issues.

Magnit engages in an open dialogue with all stakeholder groups, both internal, such as employees and shareholders, and external, such as suppliers and customers. The Company's interaction with stakeholders is built on the principles of respect for stakeholders, transparency, regularity, and compliance with obligations.

 Read more about our stakeholder engagement on p. 112.



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(continued)



**Sustainability Strategy**

Magnit's sustainability strategy is based on the 10 principles of the UN Global Compact and the 17 UN Sustainable Development Goals, as well as stakeholder expectations. Magnit has outlined 5 key areas and sets quantitative and qualitative targets for 2025:

- Our goals for 2020-2025
- 2021 Indicators

**Environmental Stewardship**

To be a **Leader** in environmental impact reduction in the industry

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

**6 CLEAN WATER AND SANITATION**

50% Private labels and own production packaging be recyclable, reusable or compostable

**7 AFFORDABLE AND CLEAN ENERGY**

100% Recyclable plastics in own operations are recovered and recycled

**12 RESPONSIBLE CONSUMPTION AND PRODUCTION**

50% Food waste reduction

**13 CLIMATE ACTION**

30% Greenhouse gas emissions reduction

25% Water and energy consumption reduction

Private label (24.5% of the total number of SKU was checked):

25% of packaging is recyclable,

36% – partially recyclable

Own production: 30% of packaging is recyclable,

44% – partially recyclable

>99% of plastic packaging generated during shipping activities was recycled in 2021

Reduction by 46% of specific food waste generation (167.66 kg/mln RUR) since 2019

Reduction by 8% in specific electricity consumption (1,825.6 kWh/mln RUR) since 2019

Reduction by 19% (2.37 t CO<sub>2</sub> eq/mln RUR) of specific greenhouse gas emissions (scope 1 and 2) since 2019

**Employees**

To be the **#1** employer in the industry

- Fair, safe and rewarding workplace
- Training and development

**8 DECENT WORK AND ECONOMIC GROWTH**

70% Rate of employee satisfaction

50% Injury rate reduction and zero fatalities

40% Turnover rate

72%

0.91 Injury rate (per 1,000 employees)

53%

**Communities**

To make a **Positive** impact on the quality of life of all Russians

- Corporate volunteering
- Emergency help
- Charity

**2 ZERO HUNGER**

**8 DECENT WORK AND ECONOMIC GROWTH**

**17 PARTNERSHIPS FOR THE GOALS**

10% Employee volunteers

2.5%

**Community** Programmes for all the regions of the Company's presence

In 2021, all 67 regions of the Company's presence regions were covered with social projects

**Sustainable Sourcing**

To strive towards a **100%** responsible supply chain

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

**12 RESPONSIBLE CONSUMPTION AND PRODUCTION**

100% Responsible sourcing for socially important categories

**17 PARTNERSHIPS FOR THE GOALS**

100% Responsible own production and agriculture

**Partnership** Programmes for local suppliers & farmers

Development of a pilot project for ESG certification of suppliers of socially important goods

The Company obtained certification for the compliance with the international food safety management system according to FSSC 22000-2018 standards

Launch of the initiative to switch private label goods to eco-friendly packaging

Opening of the first vertical ecological greenhouse

Magnit received more than 100 awards for the quality of its own production in various quality competitions in 2021

Increased by 16% the total volume of purchases from local suppliers

**Health & Wellbeing**

To **Improve** the quality of life for consumers and local communities

- Promoting healthy lifestyle: nutrition and sports
- Availability of health-related services and products

**2 ZERO HUNGER**

**Healthy lifestyle** Information about healthy lifestyle and nutrition is available to all of consumers

**3 GOOD HEALTH AND WELL-BEING**

**Healthy food** Related products are available to all of consumers

Implementation of new partnership projects aimed at promoting healthy lifestyles, as well as active development of own initiatives, led to the increase of consumers' coverage across the country

The number of Health Cubes in the supermarkets has reached 228, while the category's popularity has increased by 9%

Revenue of RUB 41,487 mln from Magnit's healthy lifestyle private label products, which accounts for 27% of private label sales

# Sustainable Development

(continued)

Fuel consumption by the Group's enterprises in 2018–2021<sup>1</sup>

Fuel types	2018		2019		2020		2021	
	All companies of the Group	Magnit PJSC	All companies of the Group	Magnit PJSC	All companies of the Group	Magnit PJSC	All companies of the Group	Magnit PJSC
Diesel fuel, l	199,843,095	-	215,820,780	-	191,462,410	-	150,276,040	-
Gasoline, l	12,645,506	-	13,168,980	-	13,123,330	-	15,519,030	-

Fuel consumption by the Group's enterprises in 2018–2021, RUB mln<sup>1</sup>

Fuel types	2018		2019		2020		2021	
	All companies of the Group	Magnit PJSC	All companies of the Group	Magnit PJSC	All companies of the Group	Magnit PJSC	All companies of the Group	Magnit PJSC
Diesel fuel	6,825.0	-	7,713.4	-	6,649.1	-	5,781.9	-
Gasoline	433.3	-	472.7	-	460.3	-	557.5	-

Energy consumption by the Group's enterprises in 2018–2021<sup>1</sup>

Type of energy resource	2018		2019		2020		2021	
	All companies of the Group	Magnit PJSC	All companies of the Group	Magnit PJSC	All companies of the Group	Magnit PJSC	All companies of the Group	Magnit PJSC
Thermal energy, Gcal	1,246,351	516	1,201,925	469	1,232,174	561	1,369,486	462
Electricity, KW per hour	,564,578,505	217,587	2,725,130,567	241,101	2,839,098,541	266,604	3,155,928,433	202,163
Natural gas, cbm	170,739,126	24,903	234,939,230	18,937	187,787,159	29,386	216,570,229	23,442

<sup>1</sup> EXCLUDING DIXY.  
DATA FOR 2019 AND 2020 DIFFER FROM THE DATA IN THE 2019 ANNUAL REPORT DUE TO IMPROVED DATA COLLECTION.

Energy expenditures by the Group's enterprises in 2018–2021, RUB mln<sup>1</sup>

Type of energy resource	2018		2019		2020		2021	
	All companies of the Group	Magnit PJSC	All companies of the Group	Magnit PJSC	All companies of the Group	Magnit PJSC	All companies of the Group	Magnit PJSC
Thermal energy	1,944.9	0.8	2,083.3	0.8	2,201.4	1.0	2,537.8	0.8
Electricity	13,762.9	1.1	15,066.8	1.4	17,295.9	1.6	19,043.3	1.3
Natural gas	1,067.8	0.2	1,548.3	0.1	1,229.1	0.2	1,443.5	0.1

PJSC Magnit did not use or consume other types of energy resources other than those indicated in the table in the reporting year.

