

Chairman's Review



Dear shareholders,

In 2021 we continued to improve our corporate governance systems, responding to queries and concerns raised by shareholders.

The continued rapid growth of Magnit prompted us to reevaluate our Board in order to make sure we have a broad range of skills and knowledge needed to support our growth ambitions, whilst ensuring greater diversity. The new edition of the Articles of Association stipulates an increase in the size of the Board of Directors from nine to eleven members. As a result, and after shareholder approval, the Board was extended, with seven out of eleven members having served on the Board in the last Board cycle.

We welcome four new Board members including Sergey Zakharov, Pierre-Laurent Wetli, Vsevolod Rozanov as well as our first female Board member, Naira Adamyan, supporting our gender diversity principles.

The strengthened Board composition increases the number of independent directors, making the Company's approach significantly ahead of current Russian practices. I would like to take this opportunity to thank our former Board members, Evgeny Kuznetsov and Gregor Mowat, for their contribution to Magnit.

Following the Board changes, the members of Committees of the Board of Directors were reformed to best reflect relevant professional experience and knowledge. The Committees continue to be headed by Non-Executive Directors and consist of only Independent Directors. Towards the end of the year, we also published a new edition of the Regulations on Committees of the Board of Directors. The changes are part of Magnit's continuous development of a strong corporate governance system complying with Russian and international best practices.

In parallel, we strengthened the Management Board from nine to 13 members, in line with the Company's strategic priorities and development in the retail market. New appointments to the Management Board in 2021 include Francesco Fiamingo (Commercial Director for Formats and Dry/Non-Food), Pavel Lokshin (Chief Marketing Officer), Andrey Lukashevich (Director for E-Commerce), Yuri Misnik (Chief Digital and Technology Officer) and Egor Shumilin (Commercial Director for Fresh / Ultra Fresh and Regions). We also welcomed Fedor Pavlovsky as Chief Supply Chain and Logistics Officer.

We continued to develop our long-term and short-term incentive (LTI & STI) programmes to ensure an optimal and fair method of motivation and compensation for top management, adding new members to the LTI and setting KPIs for the STI against which performance was evaluated in 2021.

In April 2021 we published our second sustainability report, presenting our progress on commitments to 2025. Now in its third year, our Sustainability Strategy is fully embedded in Magnit's day-to-day operations, underpinning many of our non-financial KPIs and long-term environmental and social aspirations. Led by our President and CEO, Jan Dunning, our sustainability approach is supporting the Company's corporate governance.

The Board is committed to maintaining open and constructive dialogue with investors and responding to any concerns raised. A major outcome of our interactions in 2021 highlighted dissatisfaction with non-audit fees for consultancy work being charged by our auditors, E&Y, which were higher than audit-related fees in 2020.

In response, we engaged independent consultants to investigate the reasons for these concerns and to provide recommendations. The result of this exercise is the creation of the Audit Fees Policy which oversees the approval process for services provided to Magnit by the Company's external auditors and assures auditors' independence.

The Audit Fees Policy stipulates that Magnit will limit the total fees for non-audit services in a calendar year to an amount not exceeding 50% of the total fees for the audit and audit-related services in the relevant year with effect from 1 January 2022.

We maintained a high level of engagement throughout the year, holding virtual and face-to-face meetings, as well as issuing regular announcements as part of increased intensity of activity at Magnit as we pursue our strategy. A milestone in our development was the acquisition of Dixy, which strengthens our market position in the Moscow and St. Petersburg regions in particular. We also reviewed our Company Policies, updating them to maintain the latest standards; these are available on the Company's website.

We continue our work in strengthening our corporate governance and endeavour to comply with the UK Corporate Governance Code. We are continuing to build a sustainable business in line with the best corporate governance practices and look forward to updating our shareholders with details on ongoing improvements.

Charles Ryan

Chairman of the Board of Directors