

# Corporate Governance Framework

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

Governance, management and control at the Company are divided among the shareholders (via the 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 corporate law, Magnit's Articles of Association and internal policies.

**Structure of corporate governance bodies**

PJSC Magnit has built robust systems of corporate governance and internal controls over its financial and economic activities.

The Company's highest decision-making body is the General Meeting.

The Board of Directors is elected by shareholders at the General Meeting and is accountable to them. It provides strategic oversight and monitors the activities of the executive bodies: the CEO (Chairman of the Management Board), President and the Management Board.

The executive bodies handle the day-to-day management of the Company and perform tasks assigned by the shareholders and the Board of Directors.

There are four Committees under the Board of Directors:

- the Audit Committee
- the HR and Remuneration Committee
- the Strategy Committee
- the Capital Markets Committee.

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

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

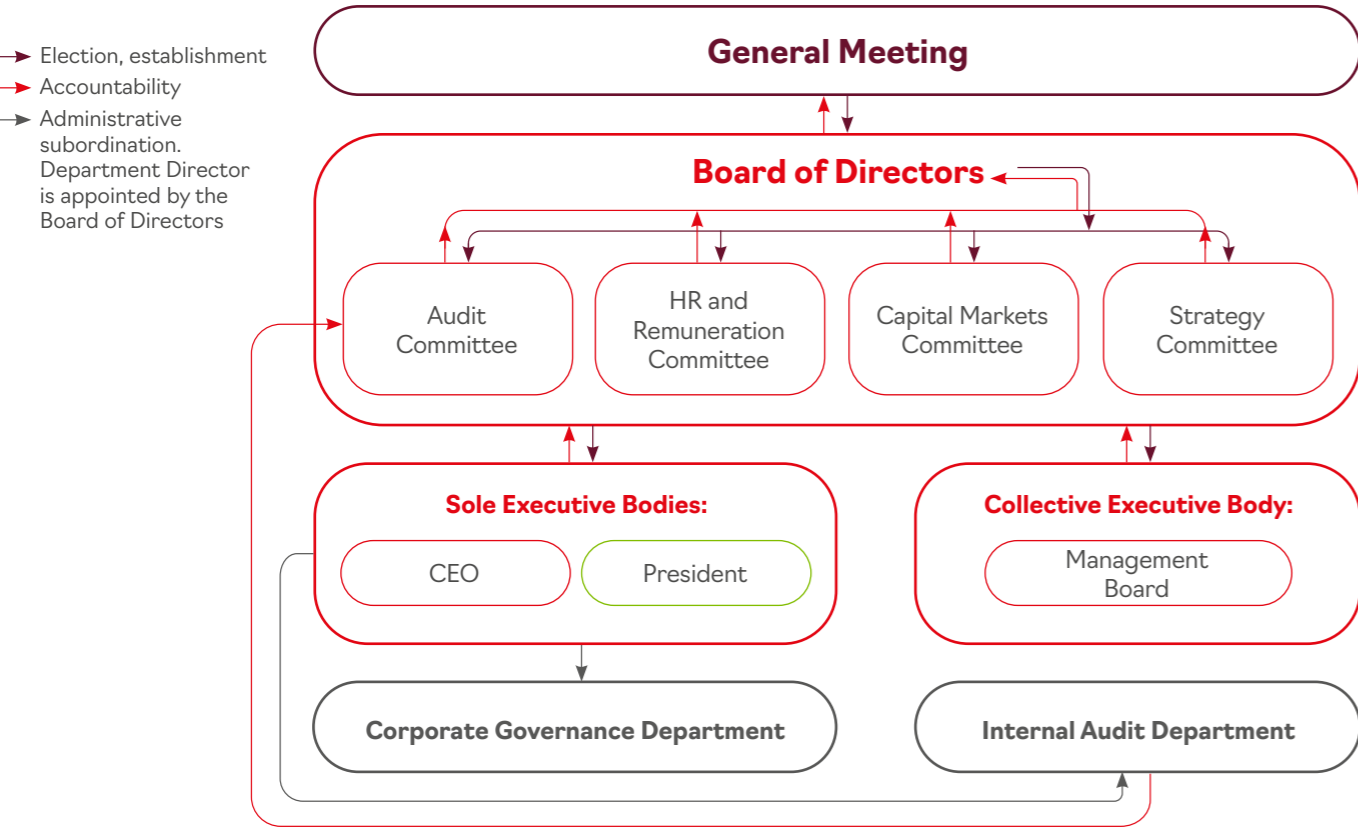
**Regulations**

Magnit maintains its corporate governance framework in line with the following regulations:

- Russian laws
- relevant United Kingdom laws
- relevant European Union laws
- Moscow Exchange listing rules
- London Stock Exchange listing rules
- Corporate Governance Code recommended by the Bank of Russia<sup>1</sup>.

The Company's activities are governed by its Articles of Association approved in a new edition by the annual General Meeting of Shareholders of PJSC Magnit held on 10 June 2021 and internal regulations<sup>2</sup>, including:

Internal regulations	
Document	Effective date
Regulations on the Board of Directors	11 June 2021
Regulations on the Committees of the Board of Directors	10 November 2021
Code of PJSC Magnit On Terms and Conditions of Transactions with Financial Instruments	25 June 2019
Regulations on the Sole Executive Bodies (President and CEO)	31 May 2019
Regulations on the Collective Executive Body (Management Board)	25 December 2020
Code of Business Ethics	24 March 2019
Regulations on Internal Audit	31 October 2018
Regulations on the General Shareholders Meeting	11 June 2021
List of Insider Information	17 January 2022
Regulations on the Corporate Governance Department	30 May 2016
Regulations on the Dividend Policy	30 May 2016
Internal Control and Risk Management Policy	13 December 2019
Audit Fees Policy	6 September 2021
Anti-Bribery and Corruption Policy	25 February 2014
Regulations on the Information Policy	24 April 2021
Anti-alcohol and Anti-drug Policy	1 January 2020
Safe Use of Vehicles Policy	1 January 2020
Fire Safety Policy	1 January 2020
Occupational Safety Policy	1 January 2020
Charity, Sponsorship and Volunteer Policy	1 January 2020
Environmental protection and occupational health and safety policy	1 January 2020



<sup>1</sup> FOR THE REPORT ON COMPLIANCE WITH THE PRINCIPLES AND RECOMMENDATIONS OF THE CODE SEE APPENDIX 1.  
<sup>2</sup> FOR MORE DETAILS, SEE THE WEBSITE OF THE COMPANY AT [HTTPS://WWW.MAGNIT.COM/EN/CORPORATE-GOVERNANCE/CORPORATE-DOCUMENTS/](https://www.magnit.com/en/corporate-governance/corporate-documents/).

# Corporate Governance Framework

(continued)

Compliance with the principles and recommendations of the Corporate Governance Code (hereinafter, the “CGC”)<sup>1</sup>

Corporate governance principles	Number of principles recommended by the Code	2017			2018			2019			2020			2021		
		<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Shareholder rights and equal conditions for shareholders to exercise their rights	13	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Board of Directors	36	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Corporate Secretary	2	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Remuneration system for members of the Board of Directors and senior Company executives	10	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Risk Management and Internal Control System	6	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Corporate disclosure	7	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Significant corporate actions	5	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
Total grade	79	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>	<div></div>
	-	78%			81%			81%			81%			87%		

Magnit is consistently improving the level of its compliance with the Corporate Governance Code and systematically benchmarks its compliance against other public companies.

For a detailed report on compliance with the principles and recommendations of the Code, see Appendix 1 on p. 219.

- Complied with
- Partially complied with
- Not complied with

Corporate Governance Framework Development

PJSC Magnit continues to steadily develop its corporate governance system in accordance with best practices. By improving its corporate governance system PJSC Magnit aims to reassure its shareholders and investors that the Company scrupulously implements its strategy and management decisions.

In 2021, the Company further improved its corporate governance system. The main changes and innovations are listed below.

- Shareholders approved a new edition of the Articles of Association, which stipulates an increase in the size of the Board of Directors from nine to eleven members
- Further strengthened the Board of Directors, including appointing a female Independent Non-Executive Director to the Board

- Reorganised and elected members to the four Board Committees following changes to the composition of the Board of Directors
- Continued to strengthen the Management Board to improve decision-making. The Management Board was expanded to 13 members
- Published a new edition of the Regulations of the Board of Directors and Regulations on Committees of the Board of Directors
- Published new Regulations on the General Shareholder Meeting
- Published new Regulations on the information policy
- Reviewed and approved the short-term incentive programme and the KPIs of members of the Management Board
- Included new participants into the list of the long-term incentive programme

- The practice of liability insurance of members of the Board of Directors was continued
- Introduced the Audit Fees Policy to oversee the approval process of external auditors, assure independence and manage fees.

In 2022, the Company plans to:

- further improve the efficiency of and consistently follow corporate governance processes
- continue to increase the number of implemented recommendations of the CGC
- take the necessary measures to implement the recommendations of the CGC.

Addressing shareholders' concerns

- The AGM held on 10 June 2021 amended the Company’s Regulation on the General Shareholders Meetings (clause 5 article 53) stipulating that if more than 20 percent of the shareholders vote against the decisions recommended by the Board of Directors, the Company is obliged to engage with shareholders through consultations.
- At the AGM more than 20 percent of Magnit shareholders voted against the ratification of the auditor under IFRS. Although the majority of shareholders voted in favour of the ratification, in line with the above amendment, the Board instructed the management team to consult with Magnit’s shareholders on the decision.
- The management hired an independent agency and conducted a perception study among its shareholders. The study identified that the main rationale for those voting against the decision was due to the non-audit fees awarded to the auditor over the past fiscal year. These additional fees raised concerns among shareholders around the auditor’s independence.
- In response to the findings of the perception study, the Board introduced the Audit Fees Policy to oversee the approval process of external auditors, assure independence and manage fees. The policy limits the sum of non-audit fees it pays to the approved auditor to no more than 50% of its audit fees with effect from 1 January 2022.

<sup>1</sup> Statistics provided are based on a report on compliance with the principles and recommendations of the CGC, prepared on the basis of Bank of Russia Recommendation Letters No. IN-06-52/8 dated 17 February 2016 (in relation to statistics for 2017-2020) and No. IN-06-28/102 (in relation to statistics for 2021).

# Corporate Governance Framework

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## General Meeting of Shareholders

The General Meeting is the highest decision-making body of the Company. Shareholders of PJSC Magnit may significantly affect the Company's business by participating in the General Meeting of Shareholders.

At the Annual General Shareholders Meeting held on 10 June 2021, shareholders approved new Regulations on the General Shareholders Meeting.

The key capabilities of the General Meeting of Shareholders include:

- approval of the Company's annual report
- approval of the Company's annual accounting (financial) statements
- election of the Company's Board of Directors
- distribution of profits, including dividend payments
- approval of major and related party transactions and
- approval of the Company's auditor.

The procedure for the General Meeting aims to ensure the observance of the shareholder rights and meets all the relevant laws and regulations of the Russian Federation and the applicable legislation of the United Kingdom of Great Britain and Northern Ireland and the European Union.

Shareholders of PJSC Magnit held three General Meetings in 2021: one annual General Meeting (AGM) and two extraordinary General Meetings (EGM), all meetings were in the form of absentee voting.

## General Meeting resolutions

GM <sup>1</sup>	Quorum, %	Key resolutions
AGM, 10 June 2021	73.38	<ul style="list-style-type: none"><li>— Approval to re-elect the nine members of the Board of Directors</li><li>— Approval of the annual report and annual financial report for 2020</li><li>— Approval of the distribution of profit (including the payment (declaration) of dividends) based on the 2020 results</li><li>— Approval of the Articles of Association</li><li>— Approval of the Regulations on the General Shareholders Meeting and Regulations on the Board of Directors in the new editions</li></ul>
EGM, 9 September 2021	75.09	<ul style="list-style-type: none"><li>— Approval to terminate powers of the Board of Directors that consisted of nine members, reflecting the decision of the AGM held on 10 June 2021 to extend the Board to eleven members</li><li>— Four new members of the Board of Directors were appointed; seven of the nine original members of the Board were re-elected to the extended Board</li></ul>
EGM, 16 December 2021	71.78	<ul style="list-style-type: none"><li>— Approval of the dividend payment based on the 9M 2021 financial results</li></ul>

<sup>1</sup> <https://www.magnit.com/en/shareholders-and-investors/shareholders-meeting/>.