

Board Responsibilities

Composition and Evaluation of Effectiveness

Board of Directors Responsibilities

The Board of Directors is the collective governing body responsible for the overall management of the Company, except for the matters reserved to the General Shareholders Meeting in accordance with the federal laws and the Company's Articles of Association. The Board of Directors shall also be responsible for the strategic management of the Company, risk management and internal control frameworks, oversight over the executive bodies of the Company, and other key functions

The Board of Directors of PJSC Magnit manages the activities of the Company, defines strategic goals and implements effective management practices, and also elects the Management Board, CEO and President. The main objective of the Board of Directors is to increase the value of the business. When making decisions, the Board of Directors takes into account the interests of all shareholders and other stakeholders.

Induction and training of members of the Board of Directors

When newly elected, members of the Magnit Board of Directors undergo an induction programme, which includes:

- meetings with members of the Management Board and the Company's senior executives
- an introduction to the Company's history, strategy, corporate governance system, risk management and internal control systems, the distribution of responsibilities among the Company's executive bodies, and the work of the Board of Directors
- familiarisation with the Company's documents: the latest annual reports, the minutes of annual and extraordinary General Meetings of Shareholders, the minutes of meetings of the Board of Directors, and other relevant information about the Company's activities.

Composition of the Board of Directors

- The Board of Directors of the Company shall consist of eleven (11) members and be elected by the General Shareholders Meeting
- At least three members of the Board of Directors shall be independent directors
- The members of the collective executive body (Management Board) may not account for more than one fourth of the members of the Company's Board of Directors. The sole executive bodies (President and Chief Executive Officer) may not simultaneously serve as Chairman of the Board of Directors.

The current composition of the Board of Directors is based on the principle of diversity and inclusiveness and has all the necessary competencies for the effective management of the Company.

Members of the Board of Directors all have impeccable professional and personal reputations.

The current Board of Directors is balanced in terms of the status of directors, their age, nationality, nomination by shareholders, and skillset. Its composition corresponds well with the specifics and scale of Magnit's business operations and objectives.

Board Responsibilities, Composition and Evaluation of Effectiveness (continued)

The Board of Directors' activities in 2021

In the reporting year, the Board of Directors held 18 meetings and considered 133 issues. The average attendance at meetings of the Board of Directors was 100%. The key issues related to changes in the corporate governance system, the convening and holding of the General Meeting of Shareholders, etc.

Held

18 meetings

Considered

133 issues

100%

average attendance at meetings of the Board of Directors

External assessment of the Board of Directors

As part of the external assessment, the following components of the activities of the Board of Directors were analysed:

- the structure, composition and independence of the Board of Directors and its Committees
- the organisation of work of the Board of Directors and its Committees
- the effectiveness of the Board of Directors and its Committees
- the role and performance of the Board Chairman
- the overall performance, involvement and contribution as well as skills and competencies of each director.

The external assessment has shown a high level of efficiency, thoroughness, involvement, commitment and openness of the members of the Board of Directors and its Committees. The balance of the composition of the Board of Directors in terms of independence, relevant experience and complementary skills, as well as the ability to make informed decisions for the benefit of the Company, was noted.

An independent assessment of the activities of the Board of Directors included analysis of the internal documents, survey and individual interviews with the Board of Directors members. Also, interviews with the Company's top management were conducted. The activities of the Board of Directors were also analysed for compliance with the provisions of key methodological documents and standards, including the Corporate Governance Code of the Bank of Russia, the UK Corporate Governance Code and the OECD¹ Principles of corporate governance.

According to the results of the assessment by an independent consultant, a high level of efficiency and thoroughness of the Board of Directors of the Company was noted, as well as a very high level of involvement, commitment and openness of the Board of Directors and its committees.

The balance of the composition of the Board of Directors in terms of independence, the availability of the necessary competencies, experience and skills was separately noted. In terms of independence and representation of foreign directors, the Company is well ahead of most Russian large companies and is in line with international corporate governance standards. The current composition of the Board of Directors fully meets the needs of the Company and contributes to making informed decisions.

The degree of implementation of key functions of the Board of Directors was assessed by an independent consultant as high. The Board of Directors of the Company considers a wide range of issues and ensures effective strategic management of the Company.

In order to further improve the work processes of the Board of Directors of the Company, based on the internal assessment results, a list of key areas for development was formed. The identified areas for development formed the basis of the plan to improve the efficiency of the Board of Directors in 2021. During 2021 we followed the plan, i.e. the Board of Directors has been extended, strengthening its independence and gender diversity as well as expanding the skills and competences of the Board members.

¹ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT