

# Managing Director's Statement



Dear Reader,

I am pleased to present to you Magnit's Sustainability Report. 2022 brought significant changes to supply chains and the retail sector. Magnit's priority was to ensure stable operations. We achieved this goal by carefully keeping track of market events and concentrating on our strengths: the high proportion of in-house products in our product mix and close cooperation with Russian suppliers. By doing so, Magnit successfully continued implementing its strategy throughout 2022. Throughout the year, Magnit remained committed to ESG principles and demonstrated progress in all three core areas: environmental, social and governance.

One of Magnit's most important sustainability objectives is consistently improving our customers' quality of life. As a leader in the retail sector, we recognise our responsibility for ensuring people's food security. Despite all external challenges, Magnit made sure our customers could still purchase quality goods at affordable prices.

Throughout the year, the Company remained in close contact with regional suppliers, agricultural producers and farmers. We signed new contracts, raising the share of Russian-made products on our shelves to 95%. We significantly expanded our own production capacity, increasing the output of Magnit-made products by 9% and ramping up the share of private label products to 20% of all sales. Our efforts meant Magnit continued to offer a stable and varied product assortment.

In 2022, Magnit took steps to curb price inflation. To mitigate inflationary pressure on customers, we voluntarily capped markups on more than 300 SKUs in 26 product categories that make up a basic food basket in Russia. For over 200 socially important goods, we set a markup of no more than 5% despite no statutory requirements for retailers to limit their markups. This way Magnit provided targeted support to vulnerable individuals.

For Magnit, people and their well-being are at the centre of everything we do. In the reporting year, we continued to promote healthy lifestyles, doubling the number of merchandise and display



units for healthy foods. We increased the share of healthy food products among private labels to 27% and became Russia's first retail chain to produce its own organic foods. Our customers were keen to join Magnit's various online initiatives promoting an active lifestyle and balanced diet, including the Magnit of Habits marathon and the pro.healthy habits club. The Company's employees participated in corporate training programmes with lessons on healthy eating, recognising quality foods and taking good care of your health.

We continued to build an inclusive environment at all Magnit stores. As part of the nationwide Kind Bunny – Inclusive City project, we trained over 200,000 employees on how to better communicate with disabled people. In 2022, we launched Magnit Life, a project to help orphan and disabled teenagers improve their employability, including through paid internships in our stores. In 2023, the Company will continue to implement these inclusivity programmes throughout Russia's regions.

One of Magnit's strategic goals is to become the retail sector's foremost environmental champion. Magnit is consistently reducing GHG emissions and energy consumption. In the reporting year, we cut our GHG emissions by 15% YoY by taking measures such as switching Company vehicles to greener fuels and implementing energy efficiency initiatives. The Company reduced its 2022 energy and heat consumption by 16% and 27%, respectively, thanks to careful energy load management at production and retail facilities as well as the use of energy-efficient equipment.

Good waste management is central to our environmental efforts. We have been steadily reducing Company-generated waste. In the reporting year, waste fell by 4.7% YoY. We also cut plastic waste by 1%, and sent almost 100% of plastics for recycling.

In the reporting year, we carried on transitioning our private labels to recyclable packaging and worked on creating eco-friendly promotion materials. The Company consulted with experts to develop a Voluntary Sustainable Packaging Standard, which was applied to all private label suppliers. The standard will help us make the packaging on Magnit's shelves greener and cut waste generation. We also launched an initiative to create a voluntary standard for recyclable pre-packs.

We are gradually reducing food waste generation, cutting it by 15% YoY. This was thanks to the launch of a pilot food sharing project in Moscow and St Petersburg, during which we donated 20 tonnes of food to more than 11,500 people, including the elderly, large families, and others.

Magnit's employees are contributing to the Company's success every day. We employ hundreds of thousands of people and care about their well-being and health. Magnit aims to become Russia's best employer by providing decent wages and social support. We strive to recruit, retain and train talented employees while also ensuring the workplace is always comfortable and safe. In the reporting year, we expanded our health insurance coverage and developed new non-financial incentives

**+9%**

in-house production volume

**-12.3%**

reduction in specific food waste generation

**27%**

share of healthy products sold under private labels

for employees. Our personnel management performance was well received: an internal survey conducted during the year showed a record level of employee engagement – 84.9%, while employee satisfaction rose from 72.1% to 79.8% YoY.

We remain committed to achieving Magnit's strategic sustainability goals and aim to strengthen our leadership in this field by exploring and adopting best ESG practices. We respond to requests and listen to the opinions of those living and working in our regions of operation. Magnit welcomes open dialogue with all stakeholders and values their contribution to furthering our sustainability goals.

**Anna Meleshina**

Managing Director, member of the Management Board