

# Sustainability Strategy

Magnit is Russia's largest retail chain, serving most of the country's population. We are committed to sustainability. Our priority is to provide customers with accessible, high-quality food and non-food staples. Magnit's extensive track record, particularly in economy class and discounter formats, is evidence of our commitment to helping everyone in society.

Magnit is a signatory to the UN Global Compact and the Social Charter for Russian Business. Our Sustainability Strategy is derived from the 10 principles of the UN Global Compact and 17 UN Sustainable Development Goals (SDGs). The scale of our operations ensures we make a sizeable contribution towards these Global Goals. Our stakeholder engagement is underpinned by a respect for human rights – something we communicate to our employees, suppliers and partners every day.

Our focus is to drive environmental protection and social responsibility. As Magnit's operations expand, we aim to contribute to the development of Russian regions and foster positive social change. For over 28 years we have provided local communities with quality and affordable products, promoting customer health and well-being. Our stores create jobs and

support over 6,000 suppliers, from large corporations to local manufacturers and farmers.

Our 2025 Sustainability Strategy seeks to transform sustainability in the food retail industry, responding to people's most pressing needs. Despite external challenges, Magnit continues to make every effort to remain a socially and environmentally responsible business. This is an integral part of the Company's development and a condition for its profitable growth.

Magnit's Sustainability Strategy is focused on five key areas: environmental stewardship, responsible supply chains, employees, local communities, and healthy lifestyles and well-being. We have set quantitative and qualitative targets for 2025 for each area. Magnit aims to become the industry's leader in reducing the impact on our environment, create a 100% responsible supply chain, continue delivering positive

impact on the quality of life of all people in Russia, and become the number one employer in retail. We have already made significant progress towards a number of goals defined in the Sustainability Strategy.

## Our strategic goals to 2025

### A leader in reducing the impact on our environment

The Company's retail, production and agricultural facilities consume a significant amount of resources. Nevertheless, by reducing GHG emissions, improving energy efficiency, and promoting recyclable packaging, we are a leader in reducing adverse impact on the environment.



**The Russian Federation's 2030 National Development Goals:**  
 ▶ Comfortable and safe environment



**National projects**  
 ▶ Environment

#### Goal to 2025

#### 2022 performance

50% of private label and own production packaging to be recyclable, reusable or compostable	<ul style="list-style-type: none"> <li>▶ 78% of the Company's own production packaging is suitable for recycling, with 32% fully recyclable and 46% potentially recyclable</li> <li>▶ 68% of private label packaging<sup>1</sup> is suitable for recycling, with 24% recyclable and 44% potentially recyclable (recycling infrastructure for some components is limited)</li> </ul>
100% of recyclable plastics used in Magnit's operations to be collected and recycled	>99% total plastic generated by the logistics unit is sent for recycling
50% reduction in specific food waste generation	147.04 kg / RUB mln (-52.5% vs base year 2019)
30% GHG emissions reduction	2.28 tonnes of CO <sub>2</sub> eq / RUB mln (-26.7% vs the 2019 base year)
25% water and energy consumption reduction	2.3 cbm / RUB mln (-55.5% vs the 2019 base year) 1,690.60 kWh / RUB mln (-16% vs the 2019 base year)

<sup>1</sup> In 2022, the Company conducted a packaging assessment focused on the body of packaging items only.

### Building a fully responsible supply chain

Magnit is incorporating ESG principles through all levels of its value chain. We carefully select the sources of our products and raw materials. By maximising in-house production, we have better oversight of the production chain, and ensure better quality and availability of products in our stores. We adhere to the highest standards at our production and agricultural facilities, implement an array of assessment tools and conduct audits of our suppliers. We maintain a high share of regional and local producers' products on our shelves by streamlining local supply chains and leveraging local sourcing effectively.



**The Russian Federation's 2030 National Development Goals**

- ▶ Comfortable and safe environment
- ▶ Decent, effective jobs and successful entrepreneurship

**National projects**

- ▶ Environment
- ▶ Small and medium-sized enterprises

#### Goal to 2025

#### Progress in 2022 (vs base year 2019)

100% responsible sourcing for socially important product categories

- ▶ Supplier quality audits
- ▶ Increase in the share of private labels in the Company's socially important product mix by up to 65% in certain categories
- ▶ Preparing to relaunch a project for independent ESG assessment of new Russian suppliers

100% responsibility for own production and agriculture

- ▶ Development of private labels
- ▶ Implementation of lean production techniques across the Company's own facilities
- ▶ Lab product tests
- ▶ Supplier quality audit
- ▶ Online monitoring of ready-to-eat food production and temperature requirements
- ▶ Shipment and inventory accounting efficiency
- ▶ Implementation of the Voluntary Sustainable Packaging Standard jointly with other private label producers
- ▶ Magnit's goods awarded 78 accolades at the 2022 International Quality Assurance contest

Partnership programmes for local suppliers and farmers

- ▶ Streamlined supply chain of Russian agricultural products to the Company's stores
- ▶ Development of effective tools for working with domestic producers (agricultural contracts)
- ▶ +19.3% increase in turnover with Russian suppliers
- ▶ 95% share of Russian-made products in Magnit
- ▶ 905 Russian suppliers became new partners of Magnit
- ▶ Pilot project launched – an aggregator for centralised supply of farm products to the chain's stores

### The industry's leading employer

People are the foundation of our business. We always respect employees' rights, provide them with decent salaries, safe and comfortable working conditions, deliver training and develop their talents and competencies.



**The Russian Federation's 2030 National Development Goals**

- ▶ Decent, effective jobs and successful entrepreneurship
- ▶ Self-fulfilment and unlocking talent

**National projects**

- ▶ Education

#### Goal to 2025

#### 2022 performance

70% employee satisfaction rate	79.8% employee satisfaction (72.1% in 2021) <sup>1</sup>
50% reduction of lost time injury frequency rate, zero fatalities	LTIFR of 0.5 FAR of 0.009 <sup>2</sup> (Injury frequency rate of 0.79 in 2019)
40% maximum turnover rate	55.4% turnover rate (64.6% in 2020)



<sup>1</sup> The first corporate survey was conducted in 2020.

<sup>2</sup> Since 2022, the Magnit Group has used LTIFR (Lost Time Injury Frequency Rate) and FAR (Fatal Accident Rate) to measure its injury rates.

### Positively impacting on the whole population's quality of life

As one of the largest retail chains in Russia, Magnit plays a part in developing the regions where it operates. We strive to provide local communities with equal opportunities and ensure fair access to quality and affordable products. We pay taxes to regional budgets, create jobs, and offer social and charitable support.



- The Russian Federation's 2030 National Development Goals**
- ▶ Protecting the population's health and well-being
  - ▶ Comfortable and safe environment

- National projects**
- ▶ Demography
  - ▶ Healthcare
  - ▶ Culture
  - ▶ Education
  - ▶ Housing and urban environment

#### Goal to 2025

#### Progress in 2022 (vs base year 2019)

Community programmes for all our regions of operation	All our regions of operation benefit from Magnit social projects
10% employees volunteering	7.8% employees volunteering (1.1% in 2020) <sup>1</sup>

### Improving the quality of life for consumers and local communities

We seek to help our customers opt for healthy, safe and quality products. To this end, we promote healthy lifestyles and disseminate information about healthy nutrition, increase the share of healthy products in the assortment of our private labels and that of the products we buy from our suppliers.



- The Russian Federation's 2030 National Development Goal**
- ▶ Protecting the population, health and well-being

- National projects**
- ▶ Healthcare
  - ▶ Demography

#### Goal to 2025

#### Progress in 2022 (vs base year 2019)

Information about healthy lifestyles and nutrition available to all customers.	Steps taken to promote healthy lifestyle principles as part of the United for Healthier Future initiative The Healthy Lifestyle Marathon initiative, a healthy lifestyle club for Magnit's mobile app users, launched A healthy lifestyles online media platform developed jointly with the Gastronom magazine
Healthy products available to all customers	27% share of healthy products sold under private labels 476 merchandise and display units for healthy products in place (up from 228 in 2021) Gross sales of healthy products up by 16% LFL sales of healthy products up by 11.5%

<sup>1</sup> Collection of data about the number of volunteering employees commenced in 2020.

# Our approach to sustainability management

GRI 2-12 GRI 2-13 GRI 2-22 GRI 2-23 GRI 2-24 GRI 2-25 GRI 2-26

The Company takes a systematic approach to tackling sustainability management challenges and established a Sustainability Steering Committee (SSC) chaired by the Company's CEO and comprising all heads of Magnit's key business departments.

### Board of Directors

In line with internal regulations, the Board of Directors defines strategic areas of Magnit's sustainability-related activities. In 2020,

the Board approved the Company's 2025 Sustainability Strategy. It also approves the content of our Sustainability Report.

### Sustainability Steering Committee

Magnit's Sustainability Steering Committee reports to the Board of Directors' Strategy Committee and manages sustainability-related issues within the Company. The Committee comprises heads of all key business units and is chaired by the CEO. The Committee holds meetings on a quarterly basis.

- ▶ Managing 16 working groups in charge of building a sustainable business model in all areas of our operations.

In the reporting year, meetings of the Sustainability Steering Committee and the Board of Directors discussed matters related to the implementation of Magnit's strategic sustainable development goals. It agreed proposals on improving efficiency in sustainability management and looked into ESG trends and the status of the sustainable development agenda in Russia and throughout Russian business.

The Sustainability Steering Committee has the following functions:

- ▶ Managing stakeholder engagement;
- ▶ Recommendations on strategic enhancement of long-term business sustainability in response to social, environmental, resource and energy challenges;
- ▶ Preparing a report on the progress and the status of the Sustainability Strategy projects and initiatives, which is then presented to Magnit's 150 key managers;

### Sustainability Department

Magnit established the Sustainability Department, which develops action plans for both environmental protection and engagement with the employees, local communities and other stakeholders.