

# Engaging local producers

We develop our product mix and improve the quality of our offering. To this end, we enter into agricultural contracts with farmers across Russia. By working directly with farms, we contribute to the national food security, support regional economy, and create new jobs.

## Procurement from Russian suppliers

GRI 204-1 GRI 13.9.1

In 2022, we increased turnover with domestic producers by 19.3%. Procurement from Russian suppliers accounted for around 95% of the total.

We cooperate with more than 6,100 partners, of which about half are regional. The share of local producers and farmers in Magnit's sales was 35%, up 5 p.p. YoY.

Working with domestic producers gives us the opportunity to expand our product offering, support regional businesses, and contribute to the development of the local economy. In addition, engaging local suppliers allows us to optimise our logistics by keeping products fresh, shortening the product journey to the shelf, and reducing emissions during transport.

We make it easier for farmers' goods to reach our stores by entering into a simplified supply agreement with them and reducing the paperwork compared to large suppliers. At the same time, we carefully monitor compliance of our partners with their obligations to ensure availability and high quality of farm products in our stores.

### Percentage of Russian products in the range of socially important goods

**100%** of bread and baked goods (+5 p.p.)

**98%** of dairy products (+39 p.p.)

**100%** of poultry meat (+41 p.p.)

## Agricultural contracts

Our aim is to create and maintain optimum conditions for cooperation with local agricultural producers by entering into contracts for the supply of future harvest with fixed volumes and the possibility of advance payment. This approach allows local producers to ensure a full workload during the season, guarantee product sales, and forecast revenues.

### Geography of product supplies under agricultural contracts in 2022, tonnes

|                                  |        |              |
|----------------------------------|--------|--------------|
| Moscow region                    | 78,829 | 11 suppliers |
| Southern Federal District        | 62,611 | 13 suppliers |
| Volga Federal District           | 52,760 | 13 suppliers |
| Urals Federal District           | 47,915 | 7 suppliers  |
| Central Federal District         | 32,952 | 15 suppliers |
| Siberian Federal District        | 28,203 | 4 suppliers  |
| North Caucasian Federal District | 22,550 | 27 suppliers |
| Northwestern Federal District    | 10,440 | 2 suppliers  |

**92** partners in Russian regions

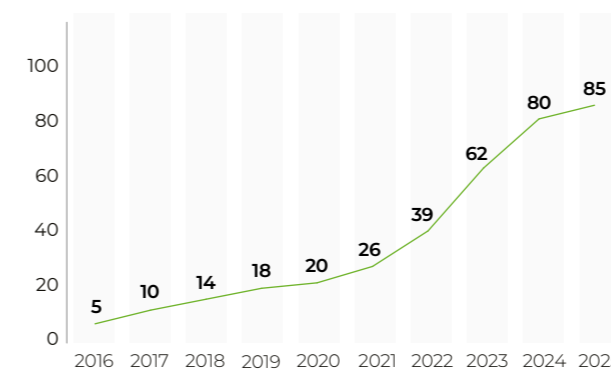
**>50** SKUs

**+9 p.p.** growth in products supplied under agricultural contracts <sup>1</sup>

**39%** of the chain's product demand is covered by agricultural contracts

**19 partners** supply a range of private label products

### Share of agricultural contracts in covering the chain's needs, %

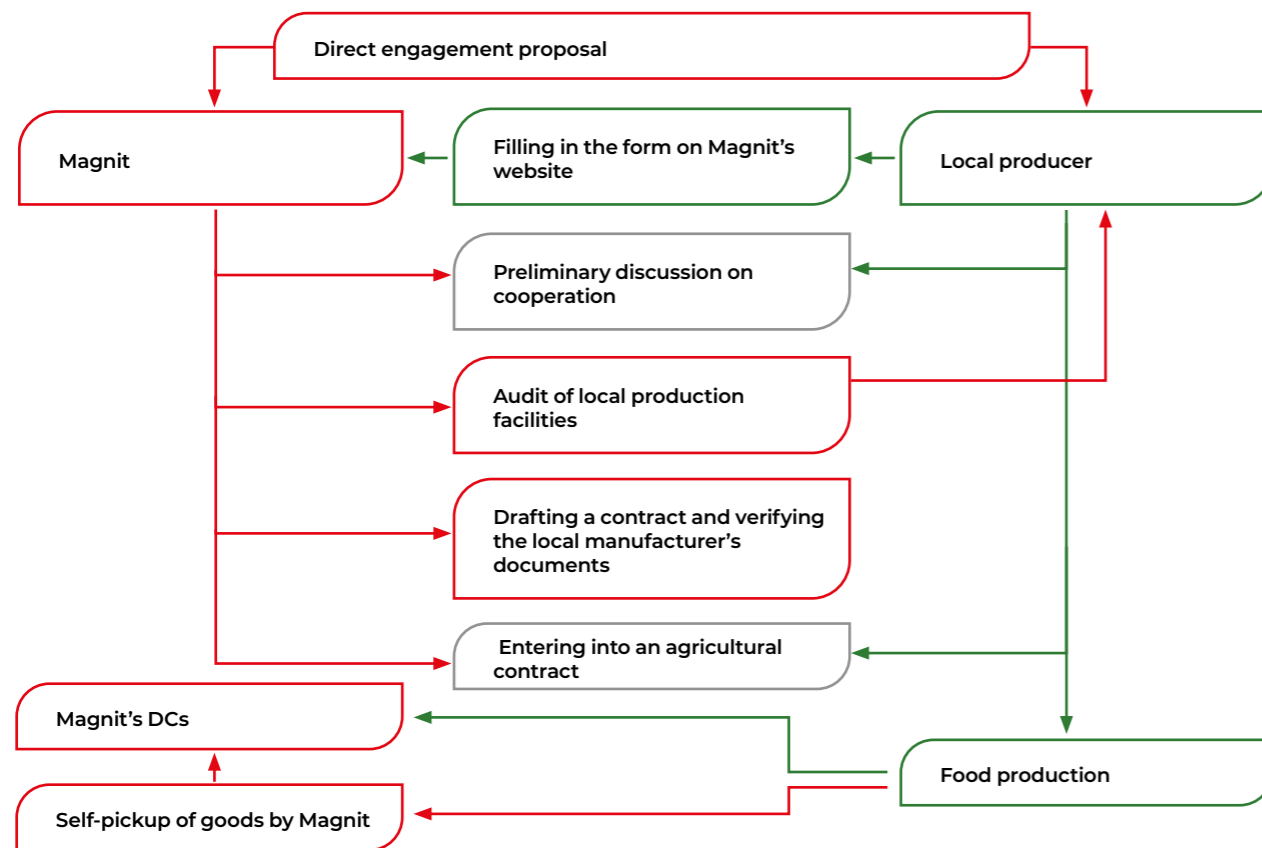


We cooperate with a variety of farms, with the smallest partner having 75 hectares of land and the largest one – 50,000 hectares. We combine the production and logistics capabilities of our partners, and they do not need to be able to produce everything – to enter into a contract with us, it is enough to be an expert in one area.

<sup>1</sup> In RUB compared to 2020.

# Engaging local producers (continued)

## How we enter into agricultural contracts



### Benefits of agricultural contracts for local producers

- ▶ Guaranteed sales volumes at an agreed price
- ▶ Possibility of long-term planning
- ▶ Advance payments for future harvest
- ▶ Product acceptance at the supplier's warehouse to avoid product returns
- ▶ Agricultural support from Magnit's experts
- ▶ Self-pickup from supplier's warehouse

### Agricultural support of local suppliers

Our agricultural support unit employs specialists with professional expertise and a wealth of experience that has built up over the years of work within the Magnit team. We have an extensive knowledge base, as we work with partners from different regions with different climatic conditions and soils. We carry out compulsory audits of local farmers: our experts constantly monitor how crops develop in the areas allocated for our agricultural contracts.

We will continue to enhance our cooperation with local agricultural producers in 2023. We plan to create an electronic platform to improve and simplify the supply process, organise centralised procurement of seeds, fertilisers, crop protection products and packaging, and invest in expanding farm production in the regions.

## Success stories from our partners

### Samara region

#### Tsirulev Farm

**5 years** of cooperation under an agricultural contract

**15 SKUs** supplied to Magnit

Since the beginning of its cooperation with Magnit under the agricultural contract, this farm has become one of the largest producers of vegetables in the Samara region and Middle Volga. In the 2010s, the farm had a focus on cereals, while vegetables were grown for its own needs, but today it supplies over 15 vegetable SKUs to the Group, including washed products.

### Tyumen region

#### Druzhba Farm

**6 years** of cooperation under an agricultural contract

Our partner in the Tyumen region has carried out a major renovation of its vegetable packing line, built a new potato washing facility with two lines, upgraded its storage facilities, purchased new vehicles for product transportation and a self-propelled potato harvester. Druzhba has an ambition to expand and is negotiating the purchase of another farm.

### Rostov region

#### Doroshenko Farm

**6 years** of cooperation under an agricultural contract

**+100%** increase in onion planting

**+2** onion packing lines

The farm is successful and procures new equipment: two onion packing lines were purchased and installed, new storage facilities were built with a total capacity of 13,000 tonnes, a modern preparation area was set up, and new agricultural machinery was procured. Over the years of our cooperation, the area planted with onions has doubled. The farm is now increasing its range of vegetables for delivery to the Magnit chain.

# Engaging local producers (continued)

## Moscow region

### Bunyatino Farm

**5 years**  
of cooperation under an agricultural contract

**66%**  
of products supplied to Magnit

Bunyatino is the leading enterprise of Dmitrovskiye Ovoshchi Group and Magnit is the key buyer of its vegetables. The company has its own production and logistics system, operates more than 250 machines, and delivers 400 tonnes of products per day.

## Belgorod region

### Veydelevskoye LLC

**4 years**  
of cooperation under an agricultural contract

Since the start of its cooperation with Magnit, the Belgorod agricultural company has upgraded its production facilities (sorting and packaging lines and refrigeration equipment). In February 2023, it launched a production facility for direct-pressed apple juice with a capacity of 500 litres per hour.

## Cooperation with farmers

We work with farmers producing unique, high-quality products. In 2021, we developed a simplified supply contract for smaller agricultural producers. It has already been used by farmers all over Russia.



**420**  
partner farms



**+35%**  
turnover of farm products in the retail chain



**1,9 thous.**  
farm products in Magnit's offering

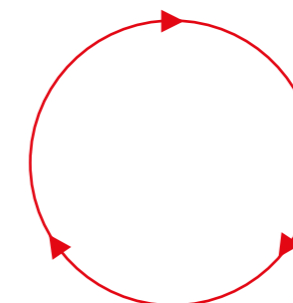


**45%**  
share of farm produce in supplies under agricultural contracts

## Concept of Magnit's cooperation with farmers

Farmers sell their products through the Magnit chain

Magnit retains the quality of farm products guaranteed by local suppliers



Consumers purchase local agricultural products at the best possible price

We support farmers throughout the chain from field to shelf. Last November, we and the Tula Regional Government started testing of a new model of liaising with farms. It is based on an aggregator for purchasing and supplying farm produce with a wide range of additional services for smaller farms. With the aggregator, farmers will be able to supply their

products not only to Magnit stores but also to other retail chains, as well as HoReCa and manufacturing companies. In early 2023, 36 farmers began working with Magnit as part of this pilot project.

### How the aggregator helps us support farmers

- ▶ Providing vehicles to deliver farm products
- ▶ Washing, packing and packaging of farmers' products
- ▶ Delivering products to the nearest DC or Magnit stores
- ▶ Advising farmers on product certification and conformity assessment, support programmes and subsidies
- ▶ Training farm staff
- ▶ Supporting product labelling
- ▶ Highlighting farm products on dedicated shelves in our stores

### Top 5 fruit and vegetable categories supplied by farmers

- ▶ Potato
- ▶ Cabbage
- ▶ Onion
- ▶ Carrot
- ▶ Water melon

Local producers can choose one of the two formats: Farmer's Yard, where the store displays locally sourced farm products on its shelves, and Farmer's Shop, where Magnit leases space in its stores to local producers for them to sell their products independently.