

Proportion of employees with over five-year tenure

| Employment tenure | 2016 | | 2017 | | 2018 | |
|-------------------|------------------|---------------|------------------|---------------|------------------|---------------|
| | Number of people | Proportion, % | Number of people | Proportion, % | Number of people | Proportion, % |
| Over 10 years | 5,618 | 2 | 8,430 | 3 | 11,337 | 4 |
| Over 5 years | 45,867 | 19 | 53,647 | 22 | 58,835 | 20 |

Employee structure by category, people

| Category | 2016 | 2017 | 2018 |
|----------------------------------|---------|---------|---------|
| Managers | 9,801 | 10,127 | 9,767 |
| Specialists and office employees | 89,773 | 83,194 | 87,152 |
| Workers | 171,795 | 182,969 | 200,827 |

Number of jobs created in 2018¹

| Region | |
|----------------------------------|--------------|
| Caucasus | 446 |
| Southern | 149 |
| North-west | 1,367 |
| Black Earth | 117 |
| Privolzhsky | 51 |
| Moscow | 1,964 |
| Ural | 2,330 |
| Siberian | 1,632 |
| Total in-house production | 958 |
| Total | 9,014 |

Recruiting principles

The Company's vacancies are publicly available on its official website and on the other job search websites. The main source of information about vacancies at the Company is Magnit stores, which advertise when hiring new employees. Linear hiring is managed internally by the Company's employees, which ensures a high level of efficiency and quality of recruitment. In 2018, the Company hired approximately 106,000 people in the retail segment and 16,000 people in logistics. As part of the management team renewal program at the district and branch levels, 151 managers at the CEO-1, -2, and -3 level were brought on staff over the last half of the year.

The Company hires candidates from related industries without limiting itself to grocery retail and provides them with training opportunities within the company.

Priorities for selecting candidates include:

- strong leadership,
- the ability and willingness to develop professionally,
- customer centricity,
- teamwork skills,
- a systematic approach,
- a high level of responsibility,
- speed in decision-making in uncertain conditions,
- an ability to manage widely scattered objects.

1. Excluding SIA

During the selection process, preference is always given to in-house candidates who must be evaluated and have the opportunity to prove themselves. Since July 2018, assessment centers have been used to evaluate 217 managers: 109 managers at the CEO-2 and -3 and Head Office levels and 108 managers at the Regional Director level.

The recruitment process is governed by the Employee Recruitment Regulations, which describe the general rules for recruitment, staffing requirements, the recruitment stages, the procedure for interacting with units involved in recruitment, and the timeframe for filling vacancies.

Development of leadership skills and the talent pool

In 2018, the Company launched a corporate training program for managers and specialists called the Magnit Business Academy (MBA).

The MBA includes several specialized departments:

- the MBA for branch directors,
- MBAadvp for regional managers of the Development and Launch Directorate,
- MBApro for district and branch network directors.

Training is conducted in Sprint format, with each Sprint lasting up to three months and including: pre-training preparation, intensive on-the-job training with internal and external expert coaches, and the post-training phase.

In 2018, 145 managers underwent the first short-term training programs within the MBApro and MBA departments. The MBAcatmen department began training 180 employees. Two new departments are in the design stage. The Company plans to organize training for 700 employees in 2019.

The Company has a well-established system for promoting and training its internal talent pool for management positions in retail. A total of 35,190 people underwent assessments and the training program under this system in 2018. As of the start of 2019, the retail talent pool included 2,176 employees who are ready to be appointed to new positions.

In 2018, "Magnit" spent RUB 19.3 million on employee training (including store positions, office positions, and executive positions). The training program budget is expected to more than double in 2019 to RUB 45.2 million.

Incentive system

Management KPIs

In 2018, "Magnit" launched a project to develop a unified performance management system and also introduced a short-term KPI-based remuneration system for managers at the level of department director and above. The Company switched this category of managers to a targeted bonus structure (short-term incentive, or STI), developed and introduced KPIs, and created KPI Maps. Thirty percent of the bonuses for all managers at this level depend on their fulfillment of three main goals: revenue, LFL, and EBITDA. The rest depends on the functional and projected KPI that must be achieved to meet the Company's strategic objectives.

Employee incentive scheme

The Company introduced a new employee incentive scheme that aims at improving efficiency of the store opening and modernization process.

The "Magnit" incentive scheme seeks to ensure that employees in various professions maintain a high level of engagement and focus on achieving the Company's goals.

With this in mind, the Company developed a Regulation on Long-Term Incentives (LTI) for key employees of JSC "Tander". The program includes 50 senior executives who have the greatest impact on the Company's business results. The LTI program provides incentives to fulfill two key objectives: boosting capitalization and EBITDA in absolute terms. The amount of remuneration is tied to stock prices and is offered in the form of shares and options.

Incentives for in-store personnel depend on the store's turnover and the quality of business processes. Salaries for in-store employees are consistent with the regional labor market and varies depending on the region of presence. The average salary in 2018 was RUB 33,987.

The Company is developing the 'Magnit-Idea' project in which employees develop their own creative potential and their best ideas are introduced into the Company's operations.

In 2018, "Magnit" employees proposed 1,133 ideas, with 39 being deemed viable. Two ideas were introduced, while another three ideas are in the process of being implemented.

"Magnit" regularly holds corporate events and motivational programs that aim to:

- develop corporate culture and team spirit;
- recognize personal and professional achievements;
- promote sports and inform employees about a healthy lifestyle.