

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.

More than 10,000 head office employees have all necessary sports equipment and facilities available and have an opportunity to participate at municipal sporting events.

In October 2018 the company launched the 'Magnit Health' project aimed at all head office employees. Now there is a pharmacy at the "Magnit" head office, injection treatments are available at the medical rooms upon a doctor's prescription, and the Company offers mass flu vaccinations. Specialists from the Mobile Health Center of the Medical Preventive Care Center conducted a free thorough examination of "Magnit" employees.

The Company annually celebrates the professional achievements of its workers and presents departmental and in-house professional awards to its best employees.

Employees rights

All internal regulations governing relations with employees are based on the norms of the Labor Code of the Russian Federation and take into account the principles of equal opportunity, fairness, and the personal development of employees. In accordance with the PJSC "Magnit" Business Ethics Code, the Company adheres to the concept of full transparency of staff management procedures, payroll calculation and payment, incentives for employee performance, and social measures that aim to ensure comfortable working conditions for employees of all departments.

The Business Ethics Code prohibits any preferences based on nationality, gender, age, religion, disabilities, sexual orientation, or political beliefs.

The incentive systems for the Company's employees are not dependent on gender, age, or nationality and are based solely on job performance. Salary is set by position.

If an employee feels that he/she is being treated in a biased manner, the employee can contact the Employee and Applicant Complaints Review Commission to initiate a thorough investigation of the matter. The Commission objectively reviews each request received from an employee or applicant via the Company's Hotline.

After the complaint is reviewed, the Commission decides whether to take administrative action against the guilty parties or whether to modify the technologies, rules, and standards used by the Company in order to resolve conflicts, reduce social tensions in the workforce, and develop a culture of respect for the employee.

Youth outreach

"Magnit" engages in long-term cooperation with educational institutions in an effort to attract young professionals and create a talent pool. The Company has signed contracts with such leading educational institutions of the Krasnodar Territory as Kuban State University, Kuban State Technological University, Kuban State Agrarian University, Kuban State Medical University, the Academy of Marketing and Social Information Technologies, the Kuban Institute of Professional Education, Krasnodar College of Electronic Instrumentation, the Russian University of Cooperation, and the Financial University under the Government of the Russian Federation.

In 2018, 633 students took part in master classes, 121 students completed on-the-job training (27 were hired), and 50 students held an internship at the Company (27 were hired).

The Company launched the 'Magnit Environment' series of educational master classes within the youth environment in 2018 in order to develop students' professional skills. During the master classes, leading "Magnit" specialists share their knowledge and shed light on the specifics of working in different parts of the chain.

In 2018, "Magnit" launched a new project: the 'Magnit – New Generation' on-the-job training and internship programs, which aim to attract promising students with industry-specific specializations to help solve the challenges facing the company. On-the-job training and internships are designed to train open-minded employees with a positive workplace attitude for specific job functions. Students have the opportunity to select their optimal participation format: on-the-job training (which lasts 2-4 weeks, involves performing "operator's tasks," and is unpaid) or internship (which lasts 1-3 months, involves project activities, and is paid). In 2018, "Magnit" organized a business game on the theme of 'Retail-2030' for students from the Krasnodar universities.

Social package

The structure and the scope of the social package will be modified due to the revision of the staff management strategy. In 2018, in addition to paying monthly salaries, the Company provided financial assistance for people facing difficulties in their lives, medical care, discounts on various services, and compensated relocation expenses for certain categories of employees.

Subsidised canteen and a free corporate gym are available for the head office employees.

The Company plans to provide 15,000 employees with private health insurance in 2019 and introduce other benefits for each category of employees.