

Improving corporate governance

PJSC "Magnit" corporate governance system was designed and structured to conform with the existing laws of the Russian Federation and the Company's Charter, to comply with the key Russian and international corporate governance standards, and to support a positive image of the Company as perceived by its shareholders, customers, and employees. PJSC "Magnit" constantly implements new methods and concepts to replace old practices that no longer meet modern requirements.

In 2018, the Company's corporate governance system underwent significant changes, for example:

- the Board of Directors elected an independent director as its Chairman;
- the Board of Directors set up new dedicated committees: the Strategy Committee and the Financial Markets Committee;
- at the Annual General Meeting, the shareholders approved the Regulation on the Board of Directors of PJSC "Magnit," which set the fixed remuneration as the

only form of financial compensation of the members of the Board of Directors for their work during the reporting period;

- the Company introduced an equity-based long-term incentive program for members of the executive bodies and other senior managers. This program was approved by the Board of Directors at its meeting on September 25, 2018.¹

These important changes have brought the Company's corporate governance framework a few steps closer towards full compliance with the recommendations of the Corporate Governance Code, aiming to improve the governance and ensuring the Company's long-term, sustainable development.

By the end of 2019, the Company plans to bring its Charter and some of its corporate policies, particularly covering the information and disclosure practices and functions of the Board of Directors, in closer compliance with the recommendations of the Corporate Governance Code.

1. Unnumbered minutes dated September 26, 2018