

In December 2018, the Board of Directors approved the action plan for the Internal Audit Department for 2019.

### Remuneration in 2018

Type of remuneration	Amount, RUB mln
Remuneration for participation in the work of the management body	
Salary	8.6
Bonus	3.2
TOTAL	11.9

### External audit

To verify and confirm the reliability of its annual financial statements, each year the Company hires a professional audit organization that has no connection to the Company or its shareholders through property interests, chosen from among the major international audit companies. The Company's auditor is approved by the General Meeting of Shareholders based on a proposal from the Board of Directors. The Audit Committee conducts a preliminary assessment of the audit firm candidates.

#### IFRS auditor

Ernst & Young Limited Liability Company (TIN 7709383532), legal address; Russian Federation, Moscow, 77 Sadovnicheskaya Embankment, building 1, which is a member of the Russian Union of Auditors (Association) Self-Regulatory Organization of Auditors (RUA SRO) (Certificate dated October 20, 2016, Resolution No. 274 dated October 20, 2016, ORNZ 11603050648) and one of the global leaders in the provision of professional services, was approved at the Annual General Meeting of PJSC "Magnit" Shareholders on June 21, 2018 as the auditor of the Company's consolidated financial statements prepared in accordance with International Financial Reporting Standards.

Ernst & Young LLC is part of Ernst & Young Global Limited.

Ernst & Young Global Limited has received international recognition and numerous awards for its high quality of services and unique corporate culture.

The auditor audited the 2018 consolidated financial statements of PJSC "Magnit" and its subsidiaries in accordance with IFRS in the reporting year.

Based on the results of the audit, the auditor expressed an opinion on the reliability of the 2018 consolidated financial statements prepared in accordance with IFRS.

The auditor's remuneration in 2018 amounted to RUB 65 million (excluding VAT). The auditor did not provide any non-audit services during the reporting year.

### RAS audit

The audit firm Faber Lex Limited Liability Company, location: Krasnodar, 144/2 Krasnykh Partizan Street, was approved at the Annual General Meeting of PJSC "Magnit" Shareholders on June 21, 2018 as the auditor of the Company's accounting (financial) statements for 2018 prepared in accordance with Russian Accounting Standards.

AF Faber Lex LLC is a member of the Russian Union of Auditors (Association) Self-Regulatory Organization of Auditors (RUA SRO) with the main registration number entry (ORNZ) 10203002910 and a Certificate of Membership in the SRO RSA dated August 3, 2016.

Based on the results of the audit of PJSC "Magnit," the auditor expressed an opinion on the reliable reflection of the Company's financial standing in the accounting (financial) statements in all its material aspects.

The auditor's remuneration in 2018 amounted to RUB 301,600.00 (excluding VAT). The auditor did not provide any non-audit services during the reporting year.

### Audit Commission

Audit Commission of PJSC "Magnit" is a permanent elected internal control body. The Commission reports to the General Meeting of Shareholders and acts in the interests of the shareholders.

The main job of the Audit Commission is to verify compliance with legislative and other acts governing the Company's activities and the legality of transactions. The three-member Audit Commission is elected at the Annual General Meeting of Shareholders of PJSC "Magnit", which determines its members for the period until the next Annual General Meeting of Shareholders.

The Company's Audit Commission performs the following actions in matters concerning internal control and risk management:

- timely communicates the results of checks (audits) in the form of an opinion or statement to the Company's General Meeting of Shareholders, Board of Directors, and executive bodies;
- provides an assessment of the reliability of the data comprising the Company's annual report contained in the Company's annual financial statements;
- requests the convocation of meetings of the Board of Directors, meetings of the Management Board, or an Extraordinary General Meeting of the Company's Shareholders in cases when violations found in financial and economic activities or a real threat to the Company's interests require the resolution of issues that fall within the purview of these management bodies of the Company;
- records violations of regulatory legal acts or the Company's charter, regulations, rules, or instructions by the Company's employees and officials;

- conducts an audit of the Company's financial and economic activities based on the Company's activities for the year and also at any time based on the initiative of the persons cited in the Federal Law "On Joint-Stock Companies", the charter, or the Regulation on the Company's Audit Commission.

The following members of the Audit Commission were elected at the Annual General Meeting of the Company's Shareholders on June 21, 2018:

- Roman Efimenko;
- Irina Tsyplenkova;
- Alexey Neronov.

The members of the Audit Commission were not paid remuneration and did not have any expenses reimbursed in 2018.

### Audit Committee of the Board of Directors

The Audit Committee plays an important role in monitoring the completeness, accuracy, and reliability of financial reporting, the effectiveness of the risk management and internal control systems, and ensuring the independence of internal and external audits.

The Committee is a collective advisory body that operates under the Board of Directors. The Committee's main task is to facilitate the effective performance of the functions of the Board of Directors in matters concerning the monitoring of the Company's financial and economic activities.

The functions and members of the Audit Committee of the Board of Directors are published on page 76 of this report.

## Anti-corruption

One of the key components of the internal control system is a set of measures that aim to prevent corruption and minimize reputational risks and the risk of penalties being imposed against the Company for bribing officials.

The Company has an Anti-Corruption Policy that was approved by the PJSC "Magnit" Board of Directors. The Company fully precludes members of the Company's management bodies, all its employees as well as other persons acting on behalf of the Company and/or in its interests (persons associated with the Company) from having any direct or indirect participation in any activities that may lead to corruption or are directly corrupt.

The Company has adopted a Business Ethics Code in order to form a positive culture among its employees and clearly and effectively regulate relations between the Company's employees and government authorities, counterparties, competitors, or other third parties. The Business Ethics Code stipulates the obligations of all the Company's employees and representatives to comply with ethical standards of conduct and corporate standards, including:

- the inadmissibility of offering, paying, extorting, or accepting bribes and illegal incentives in any form, directly or indirectly;
- supporting the Company's positive image and reputation when establishing long-term relations with customers and suppliers;
- preventing illegal payments to the authorities and business partners;
- preventing conflicts between personal interests and the Company's interests. All cases involving the failure by employees to comply with this policy are analyzed, and disciplinary measures, up to and including dismissal, may be imposed based on the results of such an analysis.

One of the most important objectives of the Business Ethics Code is to limit the influence of an employee's private or personal interests on the job functions they perform and the business decisions they make. The document specifies the procedure for disclosing and resolving conflicts of interest in various situations.

A safe environment has been created to provide internal and external parties with the opportunity to communicate their doubts and questions in matters concerning anti-corruption, fraud, violations of business ethics, and other violations in the workplace, and also make proposals to improve anti-corruption procedures and control mechanisms. The Company has a dedicated whistleblower hotline for this purpose. The form for sending messages to the Ethics and Anti-Corruption Hotline is located in the Ethics and Anti-Corruption Compliance section of the Company's corporate website. People who provide information using these communication channels are protected from any form of pressure (including dismissal, harassment, or any form of discrimination).

The Audit Committee and the Board of Directors regularly analyze the organization of the Ethics and Anti-Corruption Hotline.

Confidential hotline for employees, customers, contractors, and partners:

- telephone 8-800-6000-477
- email [ethics@magnit.ru](mailto:ethics@magnit.ru)
- feedback form on the website <http://magnit-info.ru/about/ethics/>