



API Voting Recommendations for Annual General Meeting

Company:	PJSC Magnit (MGNT)
Meeting date:	May 30, 2019
Record date:	May 7, 2019

Company Overview

Magnit is one of the biggest retailers in Russia and Europe. At the end of 2018, Magnit operated 18,399 stores, including 13,427 corner stores, 467 supermarkets, 4,505 stores of the drogerie format. The company's stores are located in 2,976 Russian cities and settlements.

The Company's shares are traded on the Moscow Exchange (ticker symbol: MGNT), its GDRs on the London Stock Exchange (ticker symbol: MGNT) where 5 GDRs are equivalent to 1 ordinary share.

The authorized capital of Public Joint Stock Company Magnit is RUB 1,019,113.55. It consists of 101,911,355 ordinary registered uncertified shares with a par value of 0.01 rubles.

Equity holding structure as of December 31, 2018:

Member (shareholder) of the issuer	Equity stake, %
Central securities depository (non-bank financial institution National Settlement Depository JSC / NSD)	95.54
including:	
• VTB Bank (PJSC)	18.34*
• VTB Infrastructure Investments LLC	7.72*
Businesses and individuals	4.45
Total	100

* Information is provided as of November 12, 2018 based on the list of persons entitled to participate in the general shareholders meeting of PJSC Magnit

No.	AGM agenda item	API recommendation
1.	Approval of the Annual Report of PJSC Magnit for the year 2018	FOR
2.	Approval of the annual accounting (financial) statements of PJSC Magnit	FOR

3.	Approval of the distribution of profits (including the payment (declaration) of dividends) of PJSC Magnit based on the 2018 reporting year results	FOR
4.	Payment of remuneration and reimbursement of expenses to the members of the Revision Commission of PJSC Magnit	ABSTAINED*
5.	Election of members of the Board of directors of PJSC Magnit	API recommends voting FOR Walter Koch Evgeny Kuznetsov (independent director)**
6.	Election of members of the Revision Commission of PJSC Magnit	API recommends voting ABSTAINED*** on all the proposed candidates
7.	Approval of the auditor of PJSC Magnit for statements prepared in accordance with the Russian Accounting Standards	ABSTAINED****
8.	Approval of the auditor of PJSC Magnit for statements prepared in accordance with the International Financial Reporting Standards	ABSTAINED****
9.	Supplementing the Charter of PJSC Magnit with clause 8.9	FOR
10.	Supplementing the Charter of PJSC Magnit with clause 8.9	AGAINST
11.	Amending clause 13.12 of the Charter of PJSC Magnit	FOR
12.	Amending clause 13.12 of the Charter of PJSC Magnit	FOR
13.	Amending subclause 32 of clause 14.2 of the Charter of PJSC Magnit	FOR
14.	Amending subclause 32 of clause 14.2 of the Charter of PJSC Magnit	FOR
15.	Amending clause 14.2 of the Charter of PJSC Magnit	FOR
16.	Amending clause 14.2 of the Charter of PJSC Magnit	AGAINST
17.	Amending clause 14.2 of the Charter of PJSC Magnit	FOR
18.	Amending clause 14.2 of the Charter of PJSC Magnit	AGAINST
19.	Amending subclause 43 of clause 14.2 of the Charter of PJSC Magnit	FOR
20.	Amending subclause 43 of clause 14.2 of the Charter of PJSC Magnit	FOR
21.	Amending article 30 of the Regulations on the Board of Directors of PJSC Magnit	FOR
22.	Amending article 30 of the Regulations on the Board of Directors of PJSC Magnit	AGAINST
23.	Supplementing the Regulations on the Board of directors of PJSC Magnit with clause 35.1.	FOR

24.	Supplementing the Regulations on the Board of directors of PJSC Magnit with clause 35.1.	AGAINST
25.	Amending article 42 of the Regulations on the Board of directors of PJSC Magnit	FOR
26.	Amending article 42 of the Regulations on the Board of directors of PJSC Magnit	FOR
27.	Amending certain provisions of the Charter of PJSC Magnit	FOR
28.	Amending certain provisions of the Regulations on the Board of directors of PJSC Magnit	FOR
29.	Approval of the restated version of the Regulations on the Collective Executive Body (Management Board) of PJSC Magnit	FOR
30.	Approval of the restated version of the Regulations on the Sole Executive Body (Chief Executive Officer) of PJSC Magnit	FOR

* Given the absence of an explanation / rationale for the proposed draft resolution in the reference materials for the general shareholders meeting, we recommend voting "ABSTAINED" on this agenda item.

** The API recommends that the shareholders vote FOR independent directors Walter Koch and Evgeny Kuznetsov backed by the major investment funds that are API members.

*** The proposed candidates are employed by the Company's subsidiary; given a potential conflict of interest we cannot give an affirmative voting recommendation on this agenda item.

**** The company has not disclosed information on the auditor selection procedure, the cost of audit services, as well as information on the cost of contracts for audit and non-audit services in the previous periods. We recommend that the Company reconsider its disclosure practices.

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In-depth review of the Annual General Meeting agenda:

1-2	AGM agenda item	API recommendation
1.	Approval of the Annual Report of PJSC Magnit for the year 2018	FOR
2.	Approval of the annual accounting (financial) statements of PJSC Magnit	FOR

AGENDA ITEMS 1-2 DETAILS:

The 2018 Annual Report of PJSC Magnit presents information on the Company's performance results for the 12-month period, development prospects, a description of the key risk factors, information on major and related party transactions, a report on compliance with the Corporate Governance Code recommended for application by the Bank of Russia and other information.

The accuracy of the Company's consolidated financial statements according to IFRS is confirmed by an audit report of Ernst & Young LLC.

Please note below the key figures representing the Group's financial and economic performance according to IFRS:

Item	2017	2018	Δ, %
Revenue, billion rubles	1,143.3	1,237.0	8.2
Cost of goods sold, billion rubles	(853.8)	(940.6)	10.2
Gross profit, billion rubles	289.5	296.4	2.3

Gross profit margin, %	25.3	24.0	-1.3 p.p.
Profit for the period, billion rubles	35.5	33.9	-4.5
Profit margin, %	3.1	2.7	-0.4 p.p.
EBITDA, billion rubles	91.6	91.4	-0.2
EBITDA margin, %	8.0	7.3	-0.7 p.p.
Net debt, billion rubles	108.1	137.8	27.5
Net debt / EBITDA ratio	1.18	1.51	0.33

In 2018, the number of stores in the Group's chain increased by 12.5% to 18,399. The total sales area reached 6,424 thousand square meters at the end of 2018 growing by 669 thousand sqm (11.6%) against the 2017 level.

The positive dynamics in the opening of new stores have brought about an increase in sales. The Group's total sales revenue for the 12-month period increased by RUB 93.7 billion (+8.2%), gross profit went up 2.3% to reach RUB 296.4 billion, although gross margin decreased by 1.3 p.p. The margin contraction is attributable to an increase in the cost of goods sold resulting from investment in prices, higher shrinkage due to provisions created for write-offs, a higher share of the fresh product assortment, pressure from selling off old slow-moving stock, and a higher share of the wholesale segment. As a result, the Group's EBITDA margin decreased from 8.0% to 7.3%, net profit sank by 4.5% to RUB 33.9 billion.

The Net debt / EBITDA ratio was 1.51 in 2018 against 1.18 a year earlier.

DRAFT RESOLUTIONS ON AGENDA ITEMS 1-2:

ITEM 1. Approve the Annual Report of PJSC Magnit for the year 2018.

ITEM 2. Approve the annual accounting (financial) statements of PJSC Magnit for the year 2018.

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3.	AGM agenda item	API recommendation
	Approval of the distribution of profits (including the payment (declaration) of dividends) of PJSC Magnit based on the 2018 reporting year results	FOR

AGENDA ITEM 3 DETAILS:

According to the Company's Dividend Policy Regulations, dividends shall only be paid out of the Company's after-tax profit according to Russian Accounting Standards (RAS).

Net profit of PJSC Magnit for 2018 according to Russian Accounting Standards amounted to RUB 30.998 billion. Net profit of PJSC Magnit for 2018 available for distribution (excluding the interim 9-month dividends amounting to RUB 14.0 billion) reached RUB 16.998 billion. The Board of Directors recommends that the Company allocates RUB 16.997 billion for the payment of dividends and allocate the remaining earnings for building up a reserve fund.

The materials for the shareholders meeting do not contain an explanation / rationale for the proposed profit distribution (calculation principles, justification, information on factors influencing the Board's recommendation), as well as information on the benchmark application by the Board of Directors when making this decision.

The total amount of 2018 dividends payable shall be RUB 30.998 billion (about 100% of the Company's Russian GAAP / RAS net profit, 91.5% of the IFRS profit), which is equal to **RUB 304.16 per ordinary share**, factoring in the previously paid 9-month dividends.

The total amount of dividends payable by the Company has increased by 25% year-on-year to RUB 6.266 billion.

DRAFT RESOLUTION ON AGENDA ITEM 3:

Distribute the profit earned by PJSC Magnit in the 2018 reporting year as follows:

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1) Pay dividends on the ordinary registered shares of PJSC Magnit in the amount of RUB 16,996,775,786.90 (sixteen billion nine hundred and ninety six million seven hundred and seventy five thousand seven hundred and eighty six rubles 90 kopecks), which is RUB 166.78 per ordinary share.

Pay the dividends as follows:

- a. pay the dividends in monetary form;
- b. set June 14, 2019 as the dividend record date;
- c. pay the dividends according to the procedure and within the time limits established by the laws of the Russian Federation.

2) Allocate part of the profit in the amount of RUB 11,025 (eleven thousand twenty five rubles) for building up the Company's reserve fund.

3) Allocate the undistributed net profit for the business development of PJSC Magnit.

4.	AGM agenda item	API recommendation
	Payment of remuneration and reimbursement of expenses to the members of the Revision Commission of PJSC Magnit	ABSTAIN

AGENDA ITEM 4 DETAILS:

Given the absence of an explanation / rationale for the proposed draft resolution in the reference materials for the general shareholders meeting, we recommend voting "ABSTAIN" on this agenda item.

DRAFT RESOLUTION ON AGENDA ITEM 4:

1. Pay no remuneration to the members of the Revision Commission.
2. Pay no reimbursement for expenses incurred by the Revision Commission members in relation to their service in this capacity.

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5.	AGM agenda item	API recommendation
	Election of members of the Board of directors of PJSC Magnit	API recommends voting FOR Walter Koch Evgeny Kuznetsov (API-supported independent directors)

API recommends voting "FOR" candidates **Evgeny Kuznetsov** and **Walter Koch** nominated by the API members. The candidates supported by API meet the applicable director independence criteria.

On March 27, 2019, API Board of Directors held a conference call to interview candidates for the Board of Directors of PJSC Magnit. API Board members and Magnit's minority shareholders participated in the conference call.

Decision of API Board of Directors

After hearing the candidates and current Board members of Magnit, API Board of Directors recommends that the investors focus on supporting the two candidates nominated by the minority shareholders: **Walter Koch** and **Evgeny Kuznetsov**.

Evgeny Kuznetsov is considered as a person representing the interests of all investors in Magnit, with a more than 20 year track record as a partner and portfolio manager at Genesis Investment Management until he stepped down in 2016. We believe that his extensive financial experience will make him well placed to help the Company improve capital discipline while ensuring that potential deals are reviewed and assessed objectively by the Board of Directors

taking into account interests of all the shareholders. This may prove important as Magnit is (at least in the media) associated with significant potential M&A activity.

Walter Koch comes highly recommended by Magnit's current independent director Alexander Prisyazhnyuk and M.video founder Alexander Tynkovan. Mr. Koch has extensive experience in international and Russian supply chain management, operations and process optimization, as well as corporate governance as an independent director at leading Russian electronics retailer M.video, a company renowned in the industry for long-term profitability growth and a successfully implemented omni-channel strategy.

API Board acknowledges the fundamental corporate governance changes brought about by the new Magnit Board of Directors chaired by Charles Ryan. The Magnit Board of Directors has played a key role in the Company's transition from being heavily reliant on the founder to a more typical governance structure one would expect given the significant levels of institutional ownership.

In connection with the above API Board emphasized their significant concerns about the economic rationale for the deal with SIA Group, which was approved by all directors but one, the only "AGAINST" vote being cast by the independent director nominated by API. Nevertheless, we appreciate the intention of many of Magnit's current Board directors to present preliminary results of the deal by year-end 2019.

Other candidates:

The API Board would also like to emphasize that VTB, Marathon Group and other shareholders also nominated professionals whom we expect to positively contribute to the development of the Board of Directors.

In relation to the other candidates, API Board notes the following:

Charles Ryan, Chairman. API Board hopes that the shareholders that nominated Charles Ryan will continue to support him and vote to elect him at the upcoming shareholders meeting. Magnit needs a strong and experienced Chairman of the Board of Directors to steer the Company through the transformation it is currently undergoing.

Paul Michael Foley, deputy Chairman, Board Strategy Committee Chairman. API Board recommends that Magnit and the Staff & Remuneration Committee change Mr. Foley's status from independent director to non-executive director to avoid questions from shareholders and investors as to the Board composition.

According to Mr. Foley, he acted as a shadow and mentor of the general director and was generally "deeply involved" in operational management of the company for a few months in 2018. For this commitment, Mr. Foley was awarded a one-off payment of EUR 375,000. During the Investor Day on September 26, 2018, Mr. Foley and the management team presented the new corporate strategy (available in Russian at http://ir.magnit.com/wp-content/uploads/Transcript-CMD-2018_31.10.2018_rus.pdf). We also understand that Mr. Foley was previously engaged as an adviser to the Company, although he does not currently have any active consulting contracts.

While highly appreciating Mr. Foley's extensive efforts and assistance to the Company's management, API Board considers that Mr. Foley can hardly be considered an independent director and suggests that his status should be changed to 'non-executive director'. In this regard, API Board cannot recommend that minority shareholders vote "FOR" Mr. Foley as an independent director.

Gregor Mowat. Mr. Mowat, previously a partner of KPMG, with competence and experience in audit, appears to be in a position to make a further positive contribution to the development and activities of the Board Audit Committee. API Board hopes that the shareholder nominating Mr. Mowat will continue to support his candidacy.

James Pat Simmons. API Board has confirmed that the nomination of Mr. Simmons as an independent director raises concerns with investors as regards his possible affiliation with a significant shareholder of Marathon Group. The

Board of Directors considers that the shareholders should avoid, where possible, cases where the election of independent candidates raises many questions among shareholders.

In this regard, API Board cannot recommend that the minority shareholders vote FOR this candidate. API Board has also recommended that James Simmons, in his capacity as Remuneration Committee Chairman, revise the Company's approach to disclosing the top management incentive system in the annual report based on best practices, including those used by peers such as X5 Retail Group and Lenta.

Vladimir Chirakhov. API Board welcomes Vladimir Chirakhov's nomination and highly appreciates his unique experience in the Russian retail segment, being hopeful that Marathon Group will vote for Mr. Chirakhov as a non-executive director. We have not so far received any comments from this shareholder.

API Board has noted a potential conflict of interest between Vladimir Chirakhov's position as CEO of Detsky Mir PJSC and his position as a member of the Magnit Board of Directors. Magnit has announced plans to develop sales of children's goods. While the percentage of earnings from children's goods is insignificant for Magnit, these goods (nappies, baby food, etc.) represent a large share of Detsky Mir's revenues. That said, the API Board believes that, with proper management of the conflict of interest and benefiting from his similar experience of service on OZON Board of Directors, Mr. Chirakhov may contribute positively to the development of Magnit. API Board hopes that Marathon Group will vote in support of Mr. Chirakhov.

Florian Jansen. Regrettably, despite API's efforts, Mr. Jansen did not respond to the invitation to participate in the consultations.

According to the Company's Charter, the size of the Board of Directors will be 9 members starting from the 2019 Annual General Meeting. The shareholders have nominated 13 candidates, including 6 current Board members (italicized in the table below).

We note that the Company has not provided information on the persons nominating the candidates and the Board's position on the nominated candidates in the reference materials for the meeting, just as for the previous meetings.

No.	Name	Candidate office / position (at the primary place of employment)**	Nominated by	Years on the Board	Status
1.	<i>Gregor William Mowat</i>	<i>Nooli UK Limited – Director</i>	<i>Not disclosed</i>	1	<i>Independent director</i>
2.	<i>Timothy Demchenko</i>	<i>VTB Capital plc – Global Head of Private Equity and Special Situations</i>	<i>Not disclosed</i>	1	<i>Non-executive director</i>
3.	<i>James Pat Simmons</i>	<i>Mazovia Capital sp z o.o, Management Board member</i>	<i>Not disclosed</i>	1	<i>Independent director</i>
4.	<i>Alexey Makhnev</i>	<i>JSC VTB Capital – Adviser to the First Deputy President / Management Board Chairman, Senior Vice President</i>	<i>Not disclosed</i>	6	<i>Non-executive director</i>
5.	<i>Paul Michael Foley</i>	<i>Foley Retail Consulting GmbH – Managing Partner</i>	<i>Not disclosed</i>	1	<i>Independent director***</i>
6.	<i>Evgeny Kuznetsov*</i>	-	<i>Not disclosed</i>	0	<i>Independent director</i>
7.	<i>Charles Emmitt Ryan</i>	<i>UFG Asset Management – Chairman of the Board of Directors</i>	<i>Not disclosed</i>	1	<i>Independent director</i>
8.	Alexander	Marathon Group LLC – President	Not disclosed	0	Non-executive

	Vinokurov				director
9.	Jan Gezinus Dunning	PJSC Magnit – President	Not disclosed	0	Executive director
10.	Sergei Zakharov	Marathon Group LLC – Chairman of the Management Board	Not disclosed	0	Non-executive director
11.	Hans Walter Koch	Twincuccess – Restructuring & Change Management – Owner, Senior Adviser	Not disclosed	0	Independent director
12.	Vladimir Chirakhov	Detsky Mir PJSC – Chief Executive Officer	Not disclosed	0	Independent director***
13.	Florian Jansen	Kupishoes LLC	Not disclosed	0	Independent director***

Members of the Company's Board of Directors shall be elected by cumulative voting.

*The API officially supports this candidate at the AGM.

** specified as of the date of nomination

*** Given that there is virtually no information on affiliation, or absence thereof, between the candidate and the Company, its substantial shareholder or counterparty in the reference materials for the meeting, API cannot confirm the independent candidate's status. The status is provided as specified in the reference materials for the meeting.

For details on API's engagement with independent directors, please visit the official API website:

<http://api-russia.org>.

All independent directors supported by API are open to direct contact with shareholders; please [contact us](#) for further information.

DRAFT RESOLUTION ON AGENDA ITEM 5:

Elect candidates from the following list as members of the Board of Directors of PJSC Magnit consisting of 9 members:

- 1) Gregor William Mowat
- 2) Timothy Demchenko
- 3) James Pat Simmons
- 4) Alexey Makhnev
- 5) Paul Michael Foley
- 6) Charles Emmitt Ryan
- 7) Evgeny Kuznetsov
- 8) Alexander Vinokurov
- 9) Jan Gezinus Dunning
- 10) Sergei Zakharov
- 11) Hans Walter Koch
- 12) Vladimir Chirakhov
- 13) Florian Jansen

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6.	AGM agenda item	API recommendation
	Election of members of the Revision Commission of PJSC Magnit	API recommends voting ABSTAIN on all the proposed candidates

AGENDA ITEM 6 DETAILS:

According to the Company's Charter, the Revision Commission consists of 3 members. The two current Commission members are included in the list of candidates (italicized in the table below)

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No.	Name	Candidate office / position (at the primary place of employment)
1.	Evgeny Prokoshev	JSC Tander – Director for Audit and Analytical Work
2.	Irina Tsyplenkova	JSC Tander – Director for Control and Accounting
3.	Alexey Neronov	JSC Tander – Deputy Director of the Financial Department

Revision Commission members are elected by a simple majority of votes.

Candidates to the Revision Commission, just as in previous years, are employed by the wholly-owned subsidiary company JSC Tander. This, in our view, indicates a formal approach to the Commission's activity and signals a potential conflict of interest.

DRAFT RESOLUTION ON AGENDA ITEM 6:

Elect the following candidates as members of the Revision Commission of PJSC Magnit:

- 1) Evgeny Prokoshev;
- 2) Irina Tsyplenkova;
- 3) Alexey Neronov.

7-8.	AGM agenda item	API recommendation
7.	Approval of the auditor of PJSC Magnit for statements prepared in accordance with the Russian Accounting Standards	ABSTAIN
8.	Approval of the auditor of PJSC Magnit for statements prepared in accordance with the International Financial Reporting Standards	ABSTAIN

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AGENDA ITEMS 7-8 DETAILS:

The Company's shareholders are asked to approve Limited Liability Company Audit Firm "Faber Lex" as the auditor of PJSC Magnit for statements prepared in accordance with the Russian Accounting Standards, Ernst & Young Limited Liability Company as the auditor of PJSC Magnit for statements prepared in accordance with the International Financial Reporting Standards.

We note that the materials for the general shareholders meeting do not include the terms and conditions of the auditor selection, the competition details, information on the bidders and their bids. We therefore recommend voting ABSTAIN on this agenda item.

DRAFT RESOLUTIONS ON AGENDA ITEMS 7-8:

ITEM 7. Approve Limited Liability Company Audit Firm Faber Lex (Taxpayer Id. Number 2308052975, registered at: 144/2 Krasnykh Partizan Street, Krasnodar, Krasnodar Krai 350049, Russian Federation) as the auditor of PJSC Magnit for statements prepared in accordance with the Russian Accounting Standards.

ITEM 8. Approve Ernst & Young Limited Liability Company (Taxpayer Id. Number 7709383532, registered at: 77 bldg. 1, Sadovnicheskaya Embankment, Moscow 115035, Russian Federation) as the auditor for consolidated financial statements of PJSC Magnit and its subsidiaries prepared in accordance with the International Financial Reporting Standards.

9-10.	AGM agenda item	API recommendation
9.	Supplementing the Charter of PJSC Magnit with clause 8.9	FOR

10.	Supplementing the Charter of PJSC Magnit with clause 8.9	AGAINST
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AGENDA ITEMS 9-10 DETAILS:

The reference materials for the meeting include the position of the Company's Board of Directors on the voting of quasi-treasury shares. Acknowledging the importance of exercising robust control over the voting of such shares but unwilling to completely lose the power to use the votes attributed to them, the Board recommends that the shareholders vote for the wording of clause 8.9 proposed in agenda item 10 providing for the possibility of voting quasi-treasury shares subject to decision by the Board of Directors.

The meeting materials do not provide information on the person(s) initiating the inclusion of the issues, together with the wording of draft resolutions, in the agenda. Agenda item 9 was drafted with the API's support together with the Association members, given that the possibility of voting quasi-treasury shares impairs corporate governance at the Company.

In view of the above, API recommends voting "FOR" on agenda item 9 and "AGAINST" on agenda item 10. API advocates restricting the right to vote quasi-treasury shares in accordance with best corporate governance practices.

DRAFT RESOLUTIONS ON AGENDA ITEMS 9-10:

ITEM 9:

Supplement the Charter of PJSC Magnit with new clause 8.9 as follows:

"The Company shall take necessary and adequate measures to prevent legal entities under the Company's control from participation in voting during decision-making by the General Shareholders Meeting."

ITEM 10:

Supplement the Charter of PJSC Magnit with new clause 8.9 as follows:

"The Company's Board of Directors shall make decisions on voting the Company's shares at the General Shareholders Meeting of the Company by legal entities under the Company's control."

11-12.	AGM agenda item	API recommendation
11.	Amending clause 13.12 of the Charter of PJSC Magnit	FOR
12.	Amending clause 13.12 of the Charter of PJSC Magnit	FOR

AGENDA ITEMS 11-12 DETAILS:

API and its members have drafted proposals as regards agenda item 11 changing the period for nominating candidates and accepting shareholders' proposals for the agenda of annual shareholders meetings from 30 to 60 days. In response to our proposals, the Board of Directors proposed an alternative period of 45 days. Based on the position of investors and its own extensive experience of nominations, API believes that a larger period for nominations enables a larger number of minority shareholders to contribute to this process, resulting in higher chances for the nomination of independent directors and submission of proposals to the AGM agenda. At the same time, there are no negative consequences of setting a 60-day nomination period as far as the Company's interests are concerned.

While we stand a chance of persuading the major shareholders to support the amendments proposed by the API members in the run-up to the shareholders meeting, we encourage the shareholders to vote "FOR" on both agenda items, being aware that the proposal of Magnit's Board of Directors is definitely a step forward compared with the current version, even though being slightly worse than the API members' initiative.

The API recommends voting "FOR" on agenda item 11 and, accordingly, "FOR" on agenda item 12.

DRAFT RESOLUTIONS ON AGENDA ITEMS 11-12:

ITEM 11.

Amend paragraph 2 of clause 13.12 of the Charter of PJSC Magnit as follows:

"Such proposals shall be submitted to the Company within 60 days after the end of the reporting year."

ITEM 12.

Amend paragraph 2 of clause 13.12 of the Charter of PJSC Magnit as follows:

"Such proposals shall be submitted to the Company within 45 days after the end of the reporting year."

13-14.	AGM agenda item	API recommendation
13.	Amending subclause 32 of clause 14.2 of the Charter of PJSC Magnit	FOR
14.	Amending subclause 32 of clause 14.2 of the Charter of PJSC Magnit	FOR

AGENDA ITEMS 13-14 DETAILS:

API and its members have proposed expanding the powers of Magnit's Board of Directors. The rationale behind the proposed change is that the Company's controlled entities account for a large part of its business. Therefore, significant business transactions carried out by the controlled entities should also be under control of the Company's Board of Directors so that the latter should have the same powers in relation to transactions made by the Company and the relevant controlled entities. Implementation of this initiative would allow the Board of Directors to stay in control over the relevant aspects of activities across the whole Group.

It is also vital to abandon the term "ordinary course of business" and to use instead the term "current activities" formulated in the Charter. The reason for this is that the term "ordinary course of business" recently introduced in the federal law "On Joint-Stock Companies" for transaction regulation purposes is extremely broadly defined, now applying to nearly any activity of the Company. This undermines the legal efficacy of the wording currently used to describe the relevant item of the Board's power. Transactions beyond the normal current operations of the Company actually do not fall within the Board's competence anymore. To restore the original substance of this power vested in the Board of Directors, it is therefore proposed to replace the term "ordinary course of business" with the term "current activities".

In response to our proposals, Magnit's Board of Directors recommends that the shareholders vote for an alternative wording of clause 14.2 subclause 32 (*agenda item 14*). Without substantially changing the original proposal, the alternative wording specifies what transactions require approval by the Board of Directors and provides that the Company's sole executive bodies shall determine whether the relevant transaction is subject to any exceptions from the requirement for approval. The proposed wording does not make clear how the said clause is supposed to be implemented in practice in the version proposed by the Board of Directors of PJSC Magnit. No further comment is provided in the materials for the meeting.

While we stand a chance of persuading the major shareholders to support the amendments proposed by the API members in the run-up to the shareholders meeting, we encourage the shareholders to vote "FOR" on both agenda items, being aware that the proposal of Magnit's Board of Directors is definitely an improvement compared with the current version, even though being slightly worse than the API members' initiative.

The API recommends voting "FOR" on agenda item 13 and, accordingly, "FOR" on agenda item 14.

DRAFT RESOLUTIONS ON AGENDA ITEMS 13-14:

ITEM 13:

Amend clause 14.2 subclause 32 of the Charter of PJSC Magnit as follows:

"32) giving consent to or further approval of transactions (including a series of related transactions), where such consent or further approval is not referred to the competence of the Company's General Shareholders Meeting by this Charter, associated with direct or indirect acquisition, disposal and possible disposal by the Company and/or organizations under the Company's control of the assets valued at 5 and more per cent of the book value of the assets of the Company and its subsidiaries (the Group), to be determined based on the Group's latest consolidated

financial statements prepared in accordance with the International Financial Reporting Standards (IFRS), except for any transactions to place the Company's ordinary shares, transactions where the Company and/or organizations under the Company's control are the sole parties thereto and beneficiaries thereof, and transactions made by the Company and organizations under the Company's control in the ordinary course of business."

ITEM 14:

Amend clause 14.2 subclause 32 of the Charter of PJSC Magnit as follows:

"32) giving consent to or further approval of transactions (including a series of related transactions), where such consent or further approval is not referred to the competence of the Company's General Shareholders Meeting by this Charter, associated with acquisition or disposal by the Company and/or organizations under the Company's control of the assets valued at 5 and more per cent of the book value of the assets of the Company and its subsidiaries (the Group), to be determined based on the Group's latest consolidated financial statements prepared in accordance with the International Financial Reporting Standards (IFRS), except for any transactions to place the Company's ordinary shares, transactions where the Company and/or organizations under the Company's control are the sole parties thereto and beneficiaries thereof, and transactions made by the Company and organizations under the Company's control in the ordinary course of business, provided that determination of whether the relevant transaction falls within any of the above exceptions shall be responsibility of the Company's sole executive bodies."

15-18.	AGM agenda item	API recommendation
15.	Amending clause 14.2 of the Charter of PJSC Magnit	FOR
16.	Amending clause 14.2 of the Charter of PJSC Magnit	AGAINST
17.	Amending clause 14.2 of the Charter of PJSC Magnit	FOR
18.	Amending clause 14.2 of the Charter of PJSC Magnit	AGAINST

AGENDA ITEMS 15-18 DETAILS:

In relation to agenda items 15 and 17, API together with its active members has drafted proposals for expanding the powers vested in the Board of Directors as regards approval of transactions by the Company and its controlled entities. The Company does not have a controlling shareholder in terms of the Law on Joint-Stock Companies. As a result, the regulation of related party transactions in the way provided for by law turn out to be inapplicable to transactions where individual shareholders of the Company are involved in a potential conflict of interest. At the same time, the Company has shareholders with large shareholdings allowing them to influence decision-making at the Company and business activities directly through the Company and indirectly through its controlled entities. It is therefore extremely important to vest the power to approve transactions with a related potential conflict of interest in the Board of Directors of the Company.

The Board of Directors of Magnit believes that these proposals are not effective and proposes alternative resolutions related to agenda items 16 and 18, without appropriate explanations. In fact, the amendments proposed in agenda items 16 and 18 do not make sense in the wording proposed; in this case, we have to ask the shareholders to vote "AGAINST" on the proposals of Magnit's Board of Directors and to support the proposals put on the agenda by the Company's shareholders that are API members.

API recommends that the shareholders vote "FOR" on item 15, "AGAINST" on item 16, "FOR" on item 17, "AGAINST" on item 18.

DRAFT RESOLUTIONS ON AGENDA ITEMS 15-18:

ITEM 15:

Supplement clause 14.2 of the Charter of PJSC Magnit with new subclause 32.1 as follows:

"32.1.) Approval of the Policy with respect to transactions made by the Company and legal entities under the Company's control."

ITEM 16:

Add the following as the last sentence to clause 14.2 of the Company's Charter:

"The procedures for determining independence of members of the Company's Board of Directors in relation to decision-making on matters falling within the competence of the Board of Directors shall be set out in the Company's Regulations on the Board of Directors."

ITEM 17:

Supplement clause 14.2 of the Charter of PJSC Magnit with new subclause 32.2 as follows:

"32.2.) giving consent to or further approval of a transaction (a series of related transactions), associated with direct or indirect acquisition, disposal or possible disposal by the Company and/or organizations under the Company's control of assets with a value or book value of more than 0.1 per cent of the book value of the Group's assets, made by the Company and/or organizations under the Company's control, where a party, beneficiary, intermediary or representative is a person which, directly or indirectly (through persons under its control), independently or jointly with other persons bound therewith by an agreement the subject matter of which covers the execution of rights certified by the Company's shares, controls at least 10% of votes attributed to the Company's shares, or its controlling person, or a person under its control, or its affiliated person (except for organizations under the Company's control), except for transactions made in the ordinary course of business of the Company and organizations under the Company's control, provided that the Company or a corresponding organization under the Company's control makes similar deals, unrelated to this subclause hereof, over a long period of time, under similar terms and conditions, including transactions made by credit institutions in accordance with Article 5 of the Federal Law On Banks and Banking Activities."

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ITEM 18:

Add the following to clause 14.2 of the Company's Charter as the second last sentence:

"Decisions on matters falling within the competence of the Board of Directors shall be taken in accordance with the applicable provisions of this Charter."

19-20.	AGM agenda item	API recommendation
19.	Amending subclause 43 of clause 14.2 of the Charter of PJSC Magnit	FOR
20.	Amending subclause 43 of clause 14.2 of the Charter of PJSC Magnit	FOR

AGENDA ITEMS 19-20 DETAILS:

API together with its active members has drafted proposals for amending the Charter so as to ensure effective distribution of powers between the Board of Directors and the Company's executive bodies when making decisions on transactions and actions of significant controlled entities (referred to in agenda item 19). The Board of Directors of the Company has proposed alternatively worded amendments to subclause 43 of clause 14.2 as provided below, and recommends that shareholders vote for the alternative wording (*agenda item 20*).

API intends to ask major shareholders to vote in support of the wording referred to in agenda item 19 before holding the shareholders meeting, although considering it possible to recommend an affirmative vote on agenda item 20 as well. Unlike the amendments proposed by API members, the wording advocated by the Board of Directors of Magnit does not contain reference to the quarterly report, which makes it slightly less effective, although definitely better than the current version anyway.

DRAFT RESOLUTIONS ON AGENDA ITEMS 19-20:

ITEM 19:

Amend clause 14.2 subclause 43 of the Charter of PJSC Magnit as follows:

"43) making decisions regarding significant organizations under the Company's control on issues of restructuring involving organizations that are not under the Company's control, dissolution, transactions referred to the competence of the supreme governing body of the corresponding organization, changes in the charter capital entailing changes in the equity stake of the Company and/or organizations under the Company's control, issues related to the loss by the Company of the controlling entity status, nomination of candidates for establishing executive bodies, in case such bodies are established by the supreme governing body of the corresponding organization, and candidates to boards of directors of such organizations, as well as making decisions on operations of subsidiaries, determining a position of the Company's representatives in exercising the right to vote on shares (stakes) in other organizations (business companies) held by the Company, disposing of shares and stakes in other business companies, encumbering shares and stakes in other business companies with rights of third parties; where significant organizations under the Company's control shall mean organizations under the Company's control that are referred to in the quarterly report of the Company as organizations under the Company's control being significant for the Company, and/or included in the List of Significant Organizations under the Company's Control subject to approval by decision of the Board of Directors of the Company."

ITEM 20:

Amend clause 14.2 subclause 43 of the Charter of PJSC Magnit as follows:

"43) making decisions regarding significant organizations under the Company's control on the following issues:

- restructuring involving organizations that are not under the Company's control;
- adopting amendments to the charters of such organizations, or restated charters;
- distribution of profits (including the payment (declaration) of dividends, except for the payment (declaration) of dividends based on the results of the first three, six and nine months of the reporting year) and losses of such organizations based on the results of the reporting year;
- payment (declaration) of dividends based on the results for the first three, six and nine months of the reporting year;
- dissolution;
- transactions referred to the competence of the Company's Board of Directors pursuant to this Charter;
- changes in the charter capital entailing changes in the equity stake of the Company and organizations under the Company's control; and
- nomination of candidates for establishing executive bodies, in case such bodies are established by the supreme governing body of the corresponding organization, and candidates to boards of directors of such organizations, as well as determination of a position in voting for such candidates;

where significant organizations under the Company's control shall mean organizations under the Company's control that are included in the List of Significant Organizations under the Company's Control subject to approval by decision of the Board of Directors of the Company, provided that such list may be reviewed and amended from time to time by decision of the Board of Directors of the Company;"

21-22.	AGM agenda item	API recommendation
21.	Amending article 30 of the Regulations on the Board of Directors of PJSC Magnit	FOR
22.	Amending article 30 of the Regulations on the Board of Directors of PJSC Magnit	AGAINST

AGENDA ITEMS 21-22 DETAILS:

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The wording of the resolution referred to in agenda item 21 proposed by the API together with its active members provides members of the Board of Directors with guarantees that their dissenting opinion(s), if any, will be included in the minutes.

The wording of the alternative resolution proposed by the Board of Directors of Magnit in agenda item 22 only grants members of the Board of Directors the right to request that their dissenting opinion(s), if any, be included in the minutes. In our view, the shareholders should support the wording proposed by API (agenda item 21).

We therefore recommend voting FOR on item 21 and AGAINST on item 22.

DRAFT RESOLUTIONS ON AGENDA ITEMS 21-22:

ITEM 21

Supplement article 30 of the Regulations on the Board of Directors of PJSC Magnit with new clause 6 as follows:

"6. Any member of the Company's Board of Directors shall be entitled to express their minority opinion on any agenda issue, which shall be recorded in the Minutes of the meeting of the Company's Board of Directors, with indication of the content of the corresponding minority opinion, and the text of such opinion shall be attached to the Minutes of the meeting in case the opinion is provided in writing."

ITEM 22

Supplement article 30 of the Regulations on the Board of Directors of PJSC Magnit with new clause 6 as follows:

"6. Any member of the Company's Board of Directors shall be entitled to request that his/her minority opinion on any of the agenda issues and decisions thereon be recorded in the Board of Directors meeting minutes."

23-24.	AGM agenda item	API recommendation
23.	Supplementing the Regulations on the Board of directors of PJSC Magnit with clause 35.1.	FOR
24.	Supplementing the Regulations on the Board of directors of PJSC Magnit with clause 35.1.	AGAINST

AGENDA ITEMS 23-24 DETAILS:

Together with its active members, API has proposed describing in detail how conflicts of interest should be managed by the Board of Directors.

The Board of Directors of Magnit has proposed an alternative wording, actually refusing to bring this issue under regulation without giving any reason.

API recommends voting FOR on agenda item 23, AGAINST on agenda item 24.

DRAFT RESOLUTIONS ON AGENDA ITEMS 23-24:

ITEM 23

Supplement the Regulations on the Board of Directors of PJSC Magnit with article 35.1 as follows:

"Article 35.1. Conflict of interests.

1. The members of the Company's Board of Directors shall act in the Company's interests and take measures to avoid situations that may pose a conflict of interests. A conflict of interests means any conflict between the Company's interests and the personal interests of a member of the Company's Board of Directors, where personal interests mean any direct or indirect personal interests or interests in favor of a third party, including those arising from their business, social, family and other connections and relations, or their related persons holding any position in another legal entity, or their related persons holding any shares in another legal entity, from contradictions of their duties to the Company and duties to other persons.

2. To avoid any conflict of interests, the members of the Company's Board of Directors shall be obliged to act as follows:

- should a potential conflict of interests arise for a member of the Company's Board of Directors, including the

member's interest in the Company making a certain transaction, they shall notify the Company's Board of Directors thereof in writing and, in any circumstances, prioritize the Company's interests over their own;

- a member of the Company's Board of Directors shall refrain from any actions that will or may cause a conflict between their interests and the Company's interests;

- should an actual conflict of interests arise for a member of the Company's Board of Directors, they shall notify the Company's Board of Directors of its existence and grounds for its occurrence via the Chairman or the Secretary of the Company's Board of Directors. Such notice shall in any case be made in writing prior to discussion of the issue posing a conflict of interests for such member of the Board of Directors, during a Board of Directors meeting or a meeting of the Board of Directors Committee in which such member of the Company's Board of Directors participates;

- a member of the Company's Board of Directors shall abstain from voting on the issues the conflict of interests is related to, and, where the specific character of the discussed issue or the nature of the conflict of interests requires so, from attending the discussion of such issue during the meeting of the Company's Board of Directors.

2.3. The members of the Company's Board of Directors and their related persons shall not accept any gifts from the parties interested in decisions taken by the Company's Board of Directors and shall not use any direct or indirect benefits provided by such parties (except for tokens of courtesy allowed in accordance with the generally accepted rules of courtesy or souvenirs presented during official events)."

ITEM 24:

Supplement the Regulations on the Board of Directors of PJSC Magnit with article 35.1 as follows:

"Article 35.1. Directors' Independence Questionnaires

Members of the Board of Directors shall, on a regular basis, fill out directors' independence questionnaires prepared by the Company and covering all matters that are required to be considered in assessing their independence for the purposes of applicable law and listing rules."

25-26.	AGM agenda item	API recommendation
25.	Amending article 42 of the Regulations on the Board of directors of PJSC Magnit	FOR
26.	Amending article 42 of the Regulations on the Board of directors of PJSC Magnit	FOR

AGENDA ITEMS 25-26 DETAILS:

Amendments to agenda item 25 were proposed by API together with its active members.

The amendments to the Charter referred to in agenda items 25-26 establish the procedure for granting members of the Board of Directors the right to receive information and documents on the activities of the Company and its controlled entities, to read and examine all the constituent, regulatory, accounting, reporting, contractual and other documents of the Company and its controlled entities, along with the procedure for exercising this right.

The amendments are identical in wording, except for the period for providing requested information to members of the Board of Directors (10 days in agenda item 25, 7 days in agenda item 26).

API agrees to support the recommendation of the Board of Directors to vote for the wording referred to in agenda item 26.

DRAFT RESOLUTIONS ON AGENDA ITEMS 25-26:

ITEM 25:

Supplement Article 42 of the Regulations on the Board of Directors of PJSC Magnit with clauses 3-6 as follows:

"Each member of the Board of Directors shall be entitled to receive information and documents about activities of the Company and organizations under its control, to examine all constitutional, regulatory, accounting, reporting, contractual and other documents of the Company and organizations under its control.

The requested documents and information shall be provided to a member of the Board of Directors not later than 10 (ten) business days after the related request is made. If the Company needs more time to obtain the requested

information and documents about the Company's activities, as well as information and documents of the organizations under the Company's control, the period for providing such information shall be extended for a period required for the Company, acting in good faith, to obtain them.

Moreover, presence of any confidential information, including information classified as a commercial secret, in any documents requested by a member of the Board of Directors may not prevent from being provided to such member of the Board of Directors. As a confirmation of assuming liability for keeping such information confidential the Company may require the member of the Board of Directors to provide a corresponding acknowledgement.

The Company may not refuse to provide information to a member of the Board of Directors on the grounds that, in the Company's opinion, the requested information is not related to the meeting agenda or to the Board of Directors' scope of competence."

ITEM 26:

Supplement Article 42 of the Regulations on the Board of Directors of PJSC Magnit with clauses 3-6 as follows:

"Each member of the Board of Directors shall be entitled to receive information and documents about activities of the Company and organizations under its control, to examine all constitutional, regulatory, accounting, reporting, contractual and other documents of the Company and organizations under its control.

The requested documents and information shall be provided to a member of the Board of Directors not later than **7 (seven) business days** after the related request is made. If the Company needs more time to obtain the requested information and documents about the Company's activities, as well as information and documents of the organizations under the Company's control, the period for providing such information shall be extended for a period required for the Company, acting in good faith, to obtain them.

Moreover, presence of any confidential information, including information classified as a commercial secret, in any documents requested by a member of the Board of Directors may not prevent from being provided to such member of the Board of Directors. As a confirmation of assuming liability for keeping such information confidential the Company may require the member of the Board of Directors to provide a corresponding acknowledgement.

The Company may not refuse to provide information to a member of the Board of Directors on the grounds that, in the Company's opinion, the requested information is not related to the meeting agenda or to the Board of Directors' scope of competence."

27.	AGM agenda item	API recommendation
	Amending certain provisions of the Charter of PJSC Magnit	FOR

AGENDA ITEM 27 DETAILS:

The proposed amendments establish two sole executive bodies of the Company: the President, whose key responsibility shall be to develop and implement the Company's business strategy, and the Chief Executive Officer. Both sole executive bodies shall have an almost identical scope of authority vested.

API considers it possible to recommend that the shareholders vote FOR the amendments proposed by the Board of Directors.

DRAFT RESOLUTION ON AGENDA ITEM 27:

Approve the proposed amendments to the Charter of PJSC Magnit (related to the granting of powers to act on behalf of PJSC Magnit to two persons, the President and the Chief Executive Officer).

28.	AGM agenda item	API recommendation
	Amending certain provisions of the Regulations on the Board of directors of PJSC Magnit	FOR

AGENDA ITEM 28 DETAILS:

The proposed amendments to the document bring it in line with the draft Charter providing for two sole executive bodies of the Company, the President and the Chief Executive Officer.

Taking into account the recommendation on agenda item 27, we suggest that the shareholders vote to support the recommendation given by the Company's Board of Directors.

DRAFT RESOLUTION ON AGENDA ITEM 28:

Approve the proposed amendments to the Regulations on the Board of directors of PJSC Magnit (related to the granting of powers to act on behalf of PJSC Magnit to two persons, the President and the Chief Executive Officer).

29.	AGM agenda item	API recommendation
	Approval of the restated version of the Regulations on the Collective Executive Body (Management Board) of PJSC Magnit	FOR

AGENDA ITEM 29 DETAILS:

The proposed amendments to the document bring it in line with the draft charter providing for two sole executive bodies of the Company, the President and the Chief Executive Officer.

Taking into account the recommendation on agenda item 27, we suggest that the shareholders vote to support the recommendation given by the Company's Board of Directors.

DRAFT RESOLUTION ON AGENDA ITEM 29:

Approve the restated version of the Regulations on the Collective Executive Body (Management Board) of PJSC Magnit.

30.	AGM agenda item	API recommendation
	Approval of the restated version of the Regulations on the Sole Executive Body (Chief Executive Officer) of PJSC Magnit	FOR

AGENDA ITEM 30 DETAILS:

The proposed amendments to the document bring it in line with the draft charter providing for two sole executive bodies of the Company, the President and the Chief Executive Officer.

Taking into account the recommendation on agenda item 27, we suggest that the shareholders vote to support the recommendation given by the Company's Board of Directors.

DRAFT RESOLUTION ON AGENDA ITEM 30:

Approve the restated version of the Regulations on the Sole Executive Body (Chief Executive Officer) of PJSC Magnit.

The AGM Voting Recommendations are based on the Annual General Meeting reference materials published on the website of PJSC Magnit. For questions and/or comment, please contact us at: +7 (495) 510-5306 or via email: maksimov@api-russia.org