

# Management Board

The Management Board is the collective executive body responsible for the day-to-day management of the Company within its remit as defined by the Articles of Association.

The Management Board shall be guided by resolutions of the Company's General Meeting of Shareholders and Board of Directors. Resolutions adopted by the General Meeting of Shareholders and the Board of Directors within their remit shall be binding for the Management Board. The Management Board shall report to the Board of Directors and the General Meeting of Shareholders.

The Chief Executive Officer and the President of the Company shall be members of the Management Board by virtue of their office.

The Chief Executive Officer shall act as the Chairman of the Management Board by virtue of office.

Should the powers of the Chief Executive Officer be terminated, up to the moment when the Board of Directors elects a new Chief Executive Officer, the President shall act as the Chairman of the Company's Management Board by virtue of office.

In 2022, the number of Management Board members increased to 14 to improve the decision-making process.



Since 2022, the Management Board consists of

**14 members**

# Corporate Secretary

The Corporate Governance Department of PJSC Magnit discharges the responsibilities of the Corporate Secretary.

The main objective of the Department is to maintain effective communication with the shareholders, coordinate the Company's actions to protect the rights and interests of the shareholders and ensure effective operation of the Board of Directors.

Corporate Governance Department reports to the President and CEO and is held accountable to the Board of Directors.

The main responsibilities of the Corporate Governance Department are as follows:

- ▶ to participate in improving the Company's corporate governance system and practices
- ▶ to participate in preparing for and holding of General Meetings of Shareholders
- ▶ to support the work of the Board of Directors and its committees
- ▶ to participate in implementing the Company's disclosure policy and ensure safekeeping of the Company's documents
- ▶ to ensure interaction between the Company and its shareholders and to participate in preventing corporate conflicts
- ▶ to ensure interaction between the Company and regulatory authorities, organisers of trading activity, the registrar and other professional participants of the securities market within the remit of the Corporate Governance Department
- ▶ to immediately inform the Board of Directors of any breaches of laws and the Company's by-laws, where ensuring compliance with such laws and by-laws is the responsibility of the Corporate Governance Department
- ▶ to ensure that the procedures established by laws and the Company's by-laws to protect the shareholders' rights and legitimate interests are put into practice and to oversee their implementation.

# Internal control and risk management system

The Company's internal control and risk management system is set up to provide reasonable assurance that the Company fulfils its mission and values, whilst meeting business targets. The system gives an accurate, fair and clear representation of the Company's current affairs and prospects, whilst also ensuring the integrity and transparency

of Magnit's accounts and reports. Finally, the system establishes a reasonable and acceptable Company risk level.

The Company's Board of Directors and Management Board ensure the effective operation and development of the internal control and risk management system. This

helps control the Company's strategic and operational goal achievement, the reliability of information disclosure and compliance with external and internal requirements.

## Goals of the internal control and risk management system:

- ▶ strategic goals ensuring the accomplishment of the Company's mission and efficient management of its operations
- ▶ operational goals related to the efficient and effective use of the Company's resources
- ▶ goals ensuring the accuracy of the Company's accounts and reports
- ▶ goals related to compliance with applicable laws and the Company's by-laws.

## Objectives of the internal control and risk management system:

- ▶ reduce the number of unexpected events in the Company's operations
- ▶ define and manage Company risks to provide reasonable assurance that the Company will achieve its goals
- ▶ ensure the right balance between risk appetite and development strategy
- ▶ improve managerial decision-making, including risk response decisions
- ▶ develop a risk-oriented corporate culture with the corporate bodies and management disseminating knowledge and skills across the Company and engaging employees along the way.

In the process of creating shareholder value, the Company makes management decisions based on a number of mixed factors that can have both a positive and negative impact on progress towards the set goals. One of the ways to reduce uncertainty caused by such factors is to raise the awareness of shareholders, management and employees of such factors and assess their potential impact.

# Internal control and risk management system (continued)

The Company adopts a consistent approach to the organisation of internal control and risk management with a focus on five key components.

## Analysis and review

Performance analysis helps the Company assess the efficiency of risk management components over time and in light of material changes, while also identifying the required changes.



## Information, communications, and reporting

Corporate risk management involves continuous sourcing of required information from inside and outside the Company, as well as relaying such information up, down and horizontally within the Company.

## Corporate governance and culture

Corporate governance controls risk management across the organisation, while also defining responsibilities in this area.

## Strategy and target setting

The Company's risk management, strategy and goal setting all contribute to strategic planning. Risk appetite is aligned with the strategy, while the achievement of business objectives translates into strategy implementation and lays the foundation for identifying, assessing, and responding to risks.

## Performance

Risks that may affect the implementation and realisation of strategy and business goals must be identified and assessed. Risks are prioritised in terms of severity in the context of risk appetite. Subsequently, the Company determines the right response and paints a comprehensive picture of the risk magnitude. The results are disclosed to key stakeholders.

The control and risk management system is governed by the following internal regulations:

- ▶ Internal Control and Risk Management Policy<sup>1</sup>
- ▶ Regulations on Process-Oriented Risk Management
- ▶ Risk Register

<sup>1</sup> Approved by the Board of Directors on 12 December 2019 (Minutes w/o No. dated 13 December 2019).


Core principles:

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▶ **comprehensive and continuous operation.** Risk management and internal control are undertaken on a constant and cyclical basis and cover all areas of the Company's business operations across the governance hierarchy;
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▶ **integration with governance.** Risk management is an integral part of the decision-making process. It supports sound management decisions and factors in the probability and consequences of risks;
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▶ **distinction of decision-making levels.** Risk management decisions shall be made at various governance levels subject to the significance of the risk and area of the Company's business activities;
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▶ **responsibility.** All subjects of internal control are responsible for compliance with risk management and internal control standards and approaches within their respective remit;
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▶ **distribution of responsibilities and powers.** The responsibilities and powers of the internal control and risk management bodies are distributed to eliminate or reduce the risk of error and/or fraud;
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▶ **balance between risk exposure and profitability.** Risks in each area of the Company's business activities are monitored with a focus on the risk/profitability ratio;
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▶ **risk-focused approach.** Control procedures shall be established for business lines based on their significance in terms of the Company's operational efficiency;
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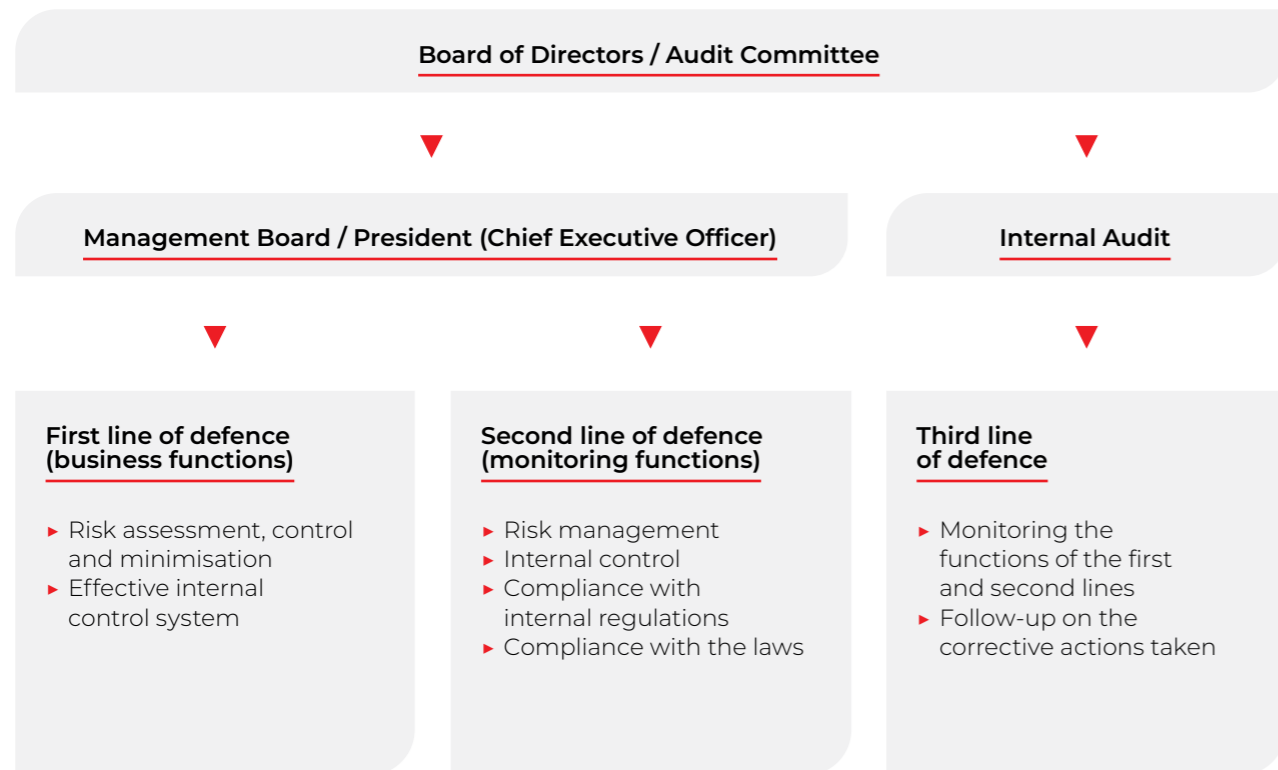
▶ **reasonable assurance.** The Company relies on high rather than absolute confidence regarding the reliability of risk management and internal control;
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▶ **ongoing improvement.** The Company constantly monitors its risk management system and works out new ways for its improvement and development.

# Internal control and risk management system (continued)

The Company applies a three lines of defence model<sup>1</sup> to coordinate risk management and internal control processes by clearly defining and delimiting respective functions and responsibilities.

## Three lines model



In the first line of defence, risks are managed by business process and business unit owners supported by control mechanisms that are responsible for embedding risk controls into the decision-making process and key business operations. Business units are risk owners responsible for identifying, managing and mitigating risks, analysing and reporting on key risks. Heads of business units draft, implement, and ensure the operation of controls in business processes.



The second line of defence consists of the Risk Management Office, Economic Security Department, Department for Compliance and Antitrust Practices, Financial Control and Operational Controlling Office, etc. They draft and implement risk management and internal control methodologies, set standards and coordinate the Company's activities related to risk management and internal control, including relevant processes, technologies, and culture, ensure continuous monitoring of the development and functioning of controls related to the first line of defence, and provide advice on risk management.



The third line of defence is operated by the Internal Audit Department, which provides independent performance assessment of internal controls and risk management and gives recommendations for their improvement.

<sup>1</sup> A control model developed and recommended by the Institute of Internal Auditors (IIA).