

Suppliers

Magnit is committed to being a reliable and trusted partner to its suppliers. We differentiate our product offering through tailored procurement initiatives, including strategic partnerships with suppliers. We foster long-term partnerships with suppliers by upholding the principles of transparency and fair play and by continuously fine-tuning our procurement procedures and logistics processes. Furthermore, the key pillars of our supplier management approach include supporting local manufacturers, promoting collaboration with agricultural producers and farmers, and ensuring quality control of the supplied products.

The Company's procurement operations rely on the **SRM 2.0 system**, which boasts over 12,000 registered active and potential partners. A supplier's personal account has been rolled out as a single entry point for submitting commercial proposals and participating in the chain's tender procedures. The Company prompted the review time for commercial proposals by 60% by leveraging targeted communication with the responsible category manager and internal notification system. In addition to the core procurement processes, the system incorporates additional useful partner services such as access to electronic document management, factoring options, and RS.Magnit (an analytical portal for suppliers).

Currently, Magnit is integrating SRM 2.0 with SME Corporation's portal as a way to simplify the submission of Magnit commercial proposals for small and medium-sized businesses and provide the relevant range of decision-making parameters. In 2024, we plan to integrate the procurement function for fruit and vegetables and launch processes for coordinating supply schedules, promotions, price notifications, and payment statements.

The analytical RS.Magnit portal is a crucial element of our supplier relation policies. More than 100 partners accounting for over 30% of the chain's turnover are now connected to the portal. RS.Magnit enables our partners to track key business metrics online across commercial, logistics, and marketing domains. In 2024, we intend to add new functions to the portal, in particular, by increasing the range of available indicators and analytical panels.

In 2023, the Company joined forces with suppliers to roll out a product availability management system which leverages on-shelf availability (OSA) calculation algorithms. OSA can be calculated by both retailers and manufacturers as a way to boost sales of their products and help merchandisers. The innovation introduced by Magnit consists in the exchange of information between the retailer and suppliers to enable joint analysis of the product's in-store presence, improve its OSA, and boost sales.

>5 thous.
suppliers

>2.5 thous.
local suppliers

49%
share of local suppliers

11%
increase in Magnit's turnover with Russian suppliers

849
Russian suppliers became new partners of Magnit in 2023



In the reporting year, Magnit expanded the pool of suppliers involved in the efforts to streamline the joint supply chain as part of the E2E¹ approach.

For more details on this project, see the Logistics section on [p. 108](#)

¹ End-to-end supply chain.

Agricultural contracts

As a way to ensure sales efficiency and increase on-shelf availability, Magnit extensively uses long-term agricultural contracts with agricultural producers to secure the supply of fixed future harvest volumes and leverage advance payment arrangements.

Benefits of agricultural contracts for local producers

Guaranteed sales volumes at an agreed price

Possibility of long-term planning

Advance payments for future harvest

Product acceptance at the supplier's warehouse to avoid product returns

Agricultural support from Magnit's experts

Pickup of products from the supplier's warehouse by Magnit

In the reporting year, Magnit partnered with 134 agricultural producers across Russian regions ranging from Dagestan in the south to the Pskov region in the north-west and the Krasnoyarsk territory in the east. The Company cooperates with a wide variety of suppliers, with the smallest partner managing 20 hectares of land and the largest one – 86,000 hectares. Magnit harnesses synergies between partner production and logistics capabilities, enabling collaboration with suppliers without requiring them to produce an extensive array of products.

Our goal is to gradually increase the share of agricultural contracts in the chain's total procurement needs to 80%. Magnit also seeks to provide suppliers with an opportunity to sell goods within their home regions and to offer customers unique or niche product categories.

+22% YoY

411 thous. tonnes

of products supplied under agricultural contracts

63%

of the chain's needs covered across the key categories by supplies under agricultural contracts

134

agricultural partners

in 39

regions

134

SKUs supplied under agricultural contracts, including

33

added to the product range for the first time



¹ End-to-end supply chain.



Our success stories

Starostina Farm

Over the years of partnership with Magnit under the relevant contract, the farm's shipments have more than doubled, with the supply range expanding each new season thanks to joint experiments with new crops and varieties. For example, in addition to the key items, the farm began supplying yellow carrots, which are popular with consumers looking to cook pilaf.

Soyuz-Volgograd LLC

At the start of our partnership five years ago, the farm had 30 hectares of land and cultivated only bulb onions. Currently, the farm manages 800 hectares, including 350 hectares of irrigated land. Soyuz-Volgograd supplies over 30 SKUs, some of them exclusively to Magnit. An open dialogue, clear goal-setting, and joint events helped the farm grow into a large-scale producer, while also expanding its technical capabilities and land assets.



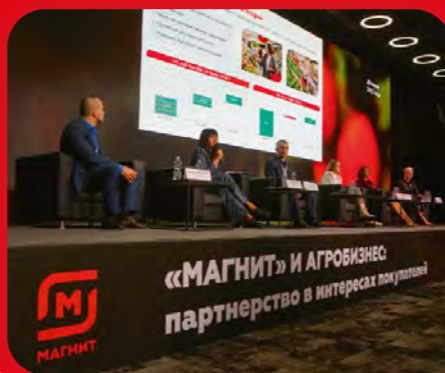
Magnit is developing a loyalty programme for regular suppliers and an electronic platform for centralised procurement.

To obtain all necessary information on agricultural contracts, find out more about support and legal advice options or submit a contract request, interested agricultural businesses are invited to visit the [Magnit's Agricultural Contracts](#) section of Magnit's website. The Company plans to transform the website into a farmers' portal offering detailed information on farmer grants and joint procurement initiatives, and providing tools that might be useful for the market players. Apart from that, in 2023, we began developing new offers made available to partners on an optional basis. For example, we started providing consulting services on various aspects of partnerships with agricultural producers, including assistance in infrastructure construction projects.

2024 plans in the relevant area:

- foster new formats of partnership with suppliers, such as consulting services and support across the partnership life cycle, including construction of additional infrastructure facilities, provision of supplementary packaging equipment, assistance in purchasing seeds, fertilisers, etc.;
- continue developing [Magnit's Agricultural Contracts](#) project;
- increase the volume and assortment of products supplied under agricultural contracts, including unique SKUs;
- expand the partner network;
- increase the volume of seasonal soilgrown vegetable supplies.

In 2023, Magnit held its first forum for agricultural producers titled "Magnit and Agricultural Business: Partnership for the Benefit of Customers". The event primarily focused on pricing in the fruit and vegetable category and initiatives to increase the availability of Russian agricultural products.



Partnership with farmers

We actively cooperate with farmers producing unique, high-quality products. In 2021, we developed a simplified supply contract for smaller agricultural producers, already available to farmers all over Russia.

Magnit promotes the concept of affordably priced farm products for mass consumers, especially with respect to traffic generating SKUs.

Farm products aggregator in the Tula region

We support farmers throughout the supply chain from field to shelf. In 2022, we joined forces with the Tula regional government to test a new model of cooperation with farms. It is based on an aggregator for purchasing and supplying farm produce with a wide range of additional services for smaller farms. The aggregator enables farmers to supply their products not only to Magnit stores but also to other retail chains, as well as HoReCa and manufacturing companies.

In 2023, a total of 25 farmers started cooperation with Magnit under this pilot project, including 21 farmers from Tula and four from the neighbouring Kaluga, Smolensk and Voronezh regions, with 14 of them supplying fresh and ultra-fresh products.

In addition to centralising Magnit's procurement and supplies, the aggregator offers farmers advice on production and sales, support programmes and eligible subsidies. It also provides analytical data, co-finances purchases of raw materials (seeds, fertilisers, feed) and equipment, trains farm staff, provides support in product labelling etc.

Currently, farm products are supplied to 190 Magnit stores across eight product categories: frozen and dairy products, meat deli, poultry, fresh fruit and vegetables, cheese, and egg products. In 2023, purchases amounted to about RUB 300 mln. Next year we plan to increase them by 10%.

In some Russian regions, Magnit signed agreements of intent to cooperate with third-party aggregators, such as Esh Derevenskoe which supplies products from the Tver, Yaroslavl, Lipetsk and Moscow regions, as well as Food Miles in the Leningrad region. The Company is also working to build partnerships with regional aggregators in the Volgograd region, Republic of Chuvashia, and Republic of Udmurtia for a comprehensive package offering of farm products. In 2024, Magnit plans to promote aggregation of farm products in regions, share experience with other aggregators, and scale up the aggregator model through collaboration with local partners.

>170
partner farms

+35%
turnover of farm products in the retail chain

1.9 thous.
farm product SKUs in Magnit's offering

45%
share of farm produce in supplies under agricultural contracts



Partnership with Russian winemakers

In 2023, Magnit expanded its collaboration with 12 Russian winemakers into new segments, while also significantly enhancing the assortment of Russian products in the medium and high price segments by adding new SKUs primarily offered by HoReCa and specialised retailers. The sales geography covers over 100 hypermarkets and the supply volume comes in at 75,000 bottles. Going forward, Magnit plans to complement the assortment with exclusive product lines specifically designed by winemakers for the Company. To support the project, special layouts for wine displays are being rolled out across the entire chain.

The Company offers its partners simplified delivery arrangements, which are of particular relevance for medium-sized and small wineries as they help streamline the winemakers' logistics. Additionally, Magnit is considering an option for joint long-term planning of wine production

volumes aligned with its procurement needs. Collaboration with the Company will help winemakers expand their distribution channels (as those are often limited for small producers to the HoReCa industry), and provide them with a reliable partner in terms of stable payment flows and guaranteed sales.

The preliminary results strongly suggest that we have managed to offer Magnit's customers a highly popular product in the promising category of wines priced above RUB 900.

Local producers can choose one of the two formats: Farmer's Basket, where the store displays locally sourced farm products on its shelves, or Farmer's Shop, where Magnit leases space in its stores for businessmen to sell their products independently.

Key focus areas in the domain of farmer partnerships in 2023 also included:

- expanding the range of products purchased from farmers: currently, the sourced product mix includes fruit and vegetables, dairy products, meat, poultry, sausages, etc.;
- organising special events for farmers to showcase their products;
- providing consultation support: in 2023, we were in touch with over 20 farmers to address safe production issues, assisted in setting up quality management document flow, offered support in declaring product compliance, and clarified ways to meet sanitary and hygienic requirements;
- hosting regional procurement sessions: in 2023, we hosted a total of 86 sessions, conferences, and workshops for suppliers and farmers, a 39% increase from the previous year;
- developing a chatbot to streamline communication with farmers.

In 2023, Magnit partnered with the competition for the best domestic brands organised by the Agency for Strategic Initiatives and the Roscongress Foundation, and established its own Farm Products category. The winners were selected from various product categories, including dairy, desserts, bakery, and berries. As a prize, winning producers were granted an opportunity to sell their products in Magnit stores and receive marketing support.



Quality assurance of supplied products

The Company has a set of initiatives designed to assure the quality of products, services and customer experience. These initiatives include regular independent audits of suppliers, lab product tests, maintenance of the cold chain throughout the product life cycle in stores and distribution centres, compliance with sanitation and hygiene standards in stores and distribution centres, efforts to obtain permits for the supermarket and hypermarket chains' own products, etc.

We seek to partner with suppliers of certified products and trace product origins. Audits are an important element of the quality and safety assurance system. Magnit conducts audits across the supply chain – from the supplier's production sites to stores. Before the supplier's products are admitted to store shelves, we test them and relevant production processes for compliance with the quality standards of Russia and the EAEU Customs Union. Thanks to these additional checks, the share of partner products found to be in breach with the applicable requirements is gradually going down.

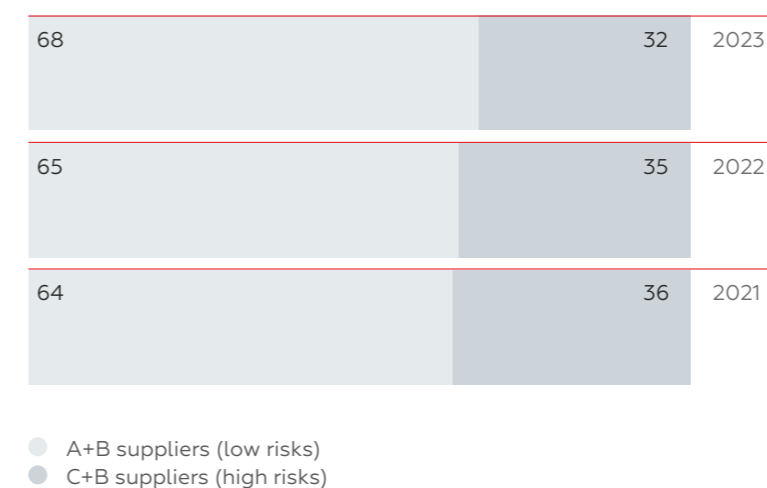
Our quality assurance experts regularly conduct on-site audits to inspect the suppliers' production conditions. In 2023, Magnit completed 633 audits of suppliers' production facilities and around 18,000 remote and on-site audits of its stores. In 2024, we will continue improving our audit procedures with a focus on suppliers' production processes.

Quality assurance stages

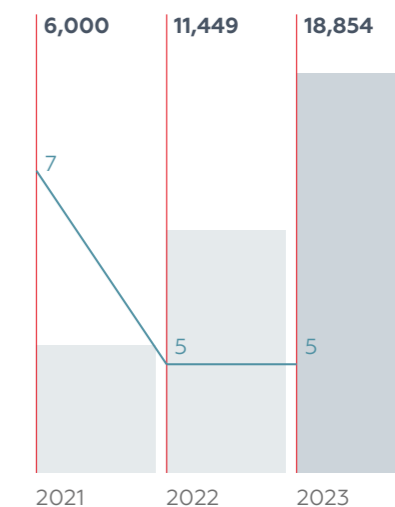


We regularly test product samples in collaboration with 175 laboratories, including state-run facilities, research institutes and federal scientific centres. In 2023, we carried out over 4,000 sample tests of products made by Magnit's integrated facilities.

Supplier quality assessment, % of total Magnit suppliers



Number of lab tests performed with respect to supplied products



— Share of supplied products found to be in breach of applicable standards during lab tests, %

Note: DIXY's performance is consolidated starting from 2023.