MANAGEMENT BOARD REMUNERATION POLICY 2024

Introduction

This remuneration policy was adopted by the General Meeting of Shareholders of X5 Retail Group N.V. (the 'Company') on 27 March 2024 and will take (retro-active) effect from January 1, 2024. It was proposed by the Supervisory Board of the Company, based on a recommendation of its Nomination and Remuneration Committee.

The Supervisory Board resolved that this remuneration policy for the Management Board shall in principle also apply to members of the Executive Board. In view of the relative size and composition of both boards, this policy refers to the Executive Board unless specific provisions apply to members of the Management Board only, which in such case will be indicated.

Objectives

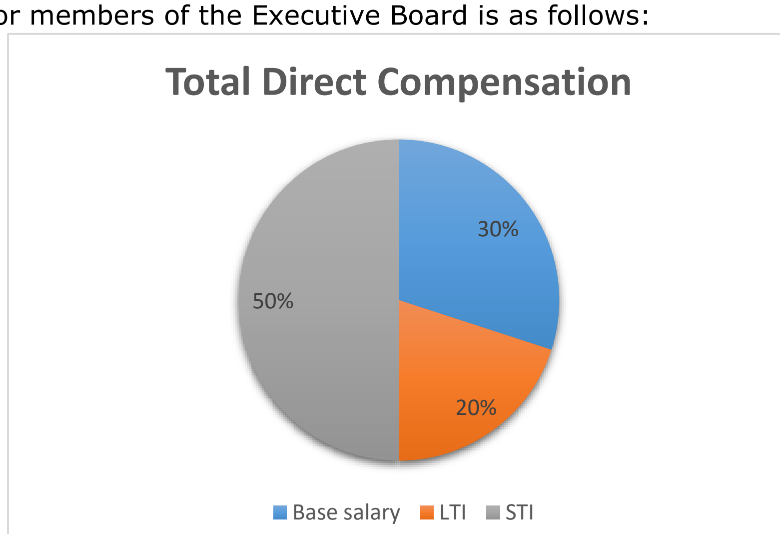
The remuneration policy for members of the Executive Board is aligned with the Company's strategy of sustainable long-term development and value creation, while aiming to be effective, transparent and simple. The objective of the remuneration policy is twofold:

- to create a remuneration structure that supports a healthy corporate culture and allows the Company to attract, reward and retain the best qualified talent to lead the Company towards its strategic objectives;
- to provide for a balanced remuneration package that is focused on achieving sustainable financial results, aligned with the long-term strategy of the Company and shall foster alignment of interests of management with shareholders and other stakeholders including customers, employees and wider society.

Elements of remuneration

The remuneration provided to Executive Board members consists of the following fixed and variable components (the 'Total Direct Compensation'): a base salary, an annual cash incentive (STI) and a long-term cash incentive (LTI). Both STI and LTI are built around performance measures, both financial and non-financial, to support the Company's strategic objective to achieve long-term value creation through sustainable leadership in customer, employee and shareholder recognition.

Due to macro-economic instability and unpredictability that shortens planning horizons, and in line with the current industry standards in the market where the Company is predominantly active, the Executive Board's Total Direct Compensation is more heavily weighted on the STI, with a strong LTI component which may increase in weight over time in case of outperformance of long-term targets. In case of on-target performance, the ratio between fixed and variable pay components for members of the Executive Board is as follows:



In addition to the Total Direct Compensation, members of the Executive Board are entitled to other benefits as described below under "Other remuneration components" and "Contractual arrangements".

Benchmarking

The basic components of the Total Direct Compensation provided to Executive Board members is benchmarked against the labour market peer group every year. As a Company with operations mainly in Russia, the reference group created for the benchmarking is composed of Russian companies equivalent in terms of size of business and complexity of operations. To accommodate potential changes in the labour market peer group due to de-listings, mergers or other extraordinary circumstances, the Supervisory Board may exercise discretion to substitute comparable companies within the peer group.

While the basic components of the Total Direct Compensation provided to Executive Board members is benchmarked against the labour market peer group, the compensation of the operational staff in stores and warehouses is benchmarked locally to achieve a fair compensation throughout all layers of the Company and its affiliated enterprise considering the geographic diversity across all federal districts in Russia where the Company carries out its operations. The Supervisory Board's Nomination and Remuneration Committee closely monitors developments in the regional and local labour markets and takes these developments into account when making recommendations on Executive Board compensation to the Supervisory Board for consideration and approval. While developing the remuneration policy, the Nomination and Remuneration Committee carries out scenario analyses to determine the risks to which variable remuneration may expose the Company.

Although external market data provide useful context, it is ultimately the responsibility of the Supervisory Board to determine remuneration packages at an appropriate level that reflect the skills, level of responsibility and performance of each individual. As we aim to recruit and retain the most qualified talent available, the target Total Direct Compensation level is set between the 50th and the 75th percentile. For the current CEO, the Supervisory Board resolved to make an exception in recognition of the size and complexity of X5. The CEO's total direct compensation is set, in case of on-target performance, at the 90th percentile.

Internal pay ratio

As is commonly understood, pay ratios are specific to the Company's industry, geographical footprint and organisational model. As a major food retail company, the relatively small number of executive staff vs. operational staff in stores and warehouses across eight federal districts in Russia, adds to the variety of pay within the Company and substantially differentiates the average employee compensation with the compensation levels of the CEO and other Executive Board members.

Base salary

The base salary of the CEO and the other members of the Management Board is determined by the Supervisory Board. Base salaries of the Executive Board members - not being a member of the Management Board - are determined by the CEO within salary ranges reviewed and approved by the Supervisory Board on an annual basis. Within the approved salary ranges, base salaries for the Executive Board members - not being a member of the Management Board - are fixed by the CEO. Base salaries of the Executive Board members are benchmarked on an annual basis and are reviewed and, if necessary, adjusted. Base salaries reflect the level of responsibility, skills, experience and performance of each executive. Base salaries may exceed the maximum point of a salary range in specific circumstances which may include internal promotions, material growth within the role, or significant changes to the scope and responsibility of a role. Any such salary increase is subject to the Supervisory Board approval.

Short-term incentive (STI)
The short-term incentive is an annual cash bonus that ensures that Executive Board members are focused on the delivery of performance targets over the financial year. It drives behaviour and reflects both short and longer term operational and strategic priorities. At the beginning of each financial year the Supervisory Board determines the performance measures and their relative weight, and the targets to be achieved for each performance measure, based on X5's business priorities for that year. For each measure, performance ranges are set, i.e. the value below which no pay-out will be made (the threshold), the on-target value and the maximum payout level.

Performance measures are aligned with the Company's strategic objective to deliver sustainable value to shareholders and other stakeholders, and consist of two components:

- STI 1: financial measures related to the Company's operational performance, consisting of key financial metrics which typically reflect X5's goal to expand market share while focusing on margins to increase profitability and prudently managing capital spending and expenses; and
- STI 2: measures that reflect specific strategic priorities and drive progress to be made on an annual basis for the longer-term sustainable development of the business.

STI 1 performance measures comprise components related to the Company's operational performance, such as revenue, CAPEX, EBITDA margin, and measures related to operational efficiency and customer satisfaction. STI 2 performance measures may include, at group and/or divisional level, market share, online performance and sustainability targets, as well as measures related to growth and development of new businesses as part of X5's omnichannel offering of interconnected online and offline channels. Furthermore, divisional and individual targets may be set. The Board strongly believes that these performance measures contribute to the Company's success in the short term, while also securing the long-term objectives of the Company. X5 does not disclose the actual targets per performance measure as this would require the disclosure of commercially sensitive information.

For STI 1 the target payout as a percentage of base salary is 100% for members of the Executive Board and 80% for Management Board members based in the Netherlands, contingent on the targets being fully achieved. Under STI 2 members of the Executive Board are entitled to an additional reward, for the CEO up to 40% of base salary, and for the other members of the Executive Board up to 70% of base salary, contingent on the targets being fully achieved. The STI program allows for discretionary adjustments up to 15% of target payout depending on successful succession plan execution, and up to 20% of target payout by discretion of the Supervisory Board. In the event of above-target performance, the maximum payout level under both STI 1 and STI 2 is 140% of target payout per quantitative target (financial and non-financial), and 120% of target payout per qualitative target.

The STI is paid out in March each year for performance relating to the previous financial year.

Long-term incentive (LTI)
Members of the Management Board and the Executive Board participate in the Company's long-term incentive programme. Under the LTI, performance is measured and cash awards are paid after a revolving three-year performance period. This creates a focus on long-term goals throughout the programme and provides an effective mechanism for motivating and retaining members of management who are critical to the ongoing success of the Company.

Targets under the LTI reflect the overall strategy of the Company to achieve leadership in customer recognition through continuously evolving value propositions in the food market, while setting the industry standard in digital transformation and omnichannel growth. Throughout the three-year cycle of the programme the long-term performance measure to support this strategy is sustained leadership in terms of market share growth and free cash flow as a percentage of revenue, as an indicator of the Company's financial health and efficient financial management. Net debt / EBITDA and ROIC thresholds are in place to secure focus on margins, business efficiency and prudent investment, financial and balance sheet management. Performance indicators under the programme have a three-year vesting period.

The size of each individual on-target cash award is based on the participant's annual base salary and LTI scale reflecting his/her role and position level, contribution to meeting the LTI targets at both individual and team level, being 60% per year of the base salary during the three-year programme for the CEO, 70% per year of the base salary during the three-year programme for the other Executive Board members and 100% per year of the base salary during the three-year programme for the Netherlands-based Management Board members.

Performance measure	Weight	Definition	Thresholds	Link to strategy	Payout
Market share	50%	X5 leadership in market share growth relative to competition in the Russian food retail segment throughout the programme. Maximum payout is not capped.	Net debt / EBITDA ROIC	Creating long-term shareholder value by striking the right balance between sustained leadership in the Russian food market, new business models and prudent investment and financial management.	In Q3 2027
Free Cash Flow, % of Revenue	50%	Value to reflect the efficiency of the financial management. Minimum payout level is 80%, maximum is 120%, depending on achievement level.			

Other remuneration components
Members of the Executive Board may be offered a number of other arrangements, such as an expense allowance, medical insurance, accident insurance and life insurance, in accordance with Company policy. The Company's policy does not allow advance payments, personal loans and guarantees to members of the Executive Board, nor does the Company provide or operate pension arrangements for members of the Executive Board.

Contractual arrangements
Members of the Management Board are engaged on the basis of a Management Services Agreement with a four-year term, to be extended upon reappointment by the General Meeting of Shareholders. The Russia-based members of the Management Board also have a contract of employment with an operational subsidiary in Russia. The fixed and variable salary components stipulated in each contract reflect the relevant responsibilities of each member of the Management Board in the Netherlands and in Russia.

The severance payment is generally limited to one annual base salary plus on-target STI entitlement, however the Supervisory Board may increase the severance if required under individual circumstances. Accrued LTI entitlements, if any, are not included in the severance payment unless otherwise decided by the Supervisory Board. For the CEO, severance pay is structured as a non-competition reward equal to one annual base salary payable in quarterly instalments following contract termination, subject to compliance with non-competition conditions. For other Executive Board members severance pay may be structured as a non-competition reward payable six months after contract termination, subject to compliance with non-competition conditions. The non-competition period for the CEO is twelve months, and six months for other Executive Board members. The CEO's contract contains a penalty in the amount of one annual base salary should he /she breach non-competition obligations. No severance pay will be awarded if the agreement is terminated by a Management or Executive Board member, or in the event of seriously culpable or negligent behaviour on his/her part.

For Dutch members of the Management Board the severance arrangement was adjusted in 2023 to one annual base salary plus on-target STI entitlement in case of termination by the Company or termination by either party in case of sanctions-related circumstances or developments.

Agreements with members of the Management Board may be terminated by either party with a notice period of two months or, in the case of the CEO, three months. For Management Board members serving under an employment agreement concluded prior to 1 January 2013, the statutory notice periods apply as per Dutch labour law.

Legacy arrangements
When Igor Shekhterman took office as CEO in 2015, he was entitled to a minimum gross annual compensation package of USD 4,000,000. The 2023 Annual General Meeting of Shareholders approved to denominate such amount to the Company's currency for reporting purposes, fixing it at RUB 360,000,000. Should the minimum annual compensation exceed the total annual remuneration through its fixed and variable components, Mr. Shekhterman will be entitled to the difference upon completion of his full term as CEO.

Claw-back
The Supervisory Board may recover from the Management Board members all or part of a paid bonus derived from STI or LTI if such bonus is based on incorrect information regarding the targets or the conditions of the bonus. Furthermore, the Supervisory Board has the discretionary authority to adjust an unpaid bonus to an appropriate amount if payment of the bonus is considered unreasonable or unfair.

Insurance and indemnity arrangements
Members of the Management Board as well as certain senior management members, are insured under X5's Directors and Officers Insurance Policy.

Although the insurance policy provides broad coverage, X5's directors and officers may incur uninsured liabilities. Under the Company's Articles of Association, members of the Management Board are indemnified by the Company against any claims arising out of or in connection with the general performance of their duties, provided that such claim is not attributable to gross negligence, wilful misconduct or intentional misrepresentation by the director in question.

Adoption and amendments
This remuneration policy, and subsequent amendments thereto, shall be submitted for adoption by the General Meeting of Shareholders pursuant to a proposal of the Supervisory Board. The Nomination and Remuneration Committee is responsible for the development of the remuneration policy and making proposals to the Supervisory Board.

Deviations
The Supervisory Board may decide to deviate from the remuneration policy, for instance when necessary to serve the long-term interests and sustainability of the Company as a whole or to assure its viability.