



**X5** RETAIL GROUP

CODE

OF BUSINESS CONDUCT AND ETHICS

MOSCOW, 2015

# Contents

<b>1.</b>	<b>GENERAL TERMS AND PROVISIONS</b>	<b>3</b>
<b>2.</b>	<b>RULES OF CONDUCT</b>	<b>6</b>
<b>2.1.</b>	<b>RESPONSIBILITY BEFORE THE GOVERNMENT AND THE COMMUNITY</b>	<b>7</b>
2.1.1.	We support fair competition	7
2.1.2.	We observe trade laws	7
2.1.3.	We care about quality	7
2.1.4.	We do not accept bribery and corruption	7
2.1.5.	We do not accept money laundering	8
2.1.6.	We maintain accurate business and financial records	8
2.1.7.	We care about environment	8
<b>2.2.</b>	<b>PROTECTION OF COMPANY INTERESTS</b>	<b>9</b>
2.2.1.	We protect the Company's assets	10
2.2.2.	We protect personal data	10
2.2.3.	We protect confidential information	10
2.2.4.	We establish the rules of public communication	10
2.2.5.	We avoid conflicts of interest	10
<b>2.3.</b>	<b>RESPONSIBILITY TO OUR STAFF</b>	<b>13</b>
2.3.1.	We respect differences and provide equal opportunities	14
2.3.2.	We do not use child labor or any other form of forced labor	14
2.3.3.	We create safe and healthy working conditions	14
2.3.4.	We maintain a respectful and harassment-free work environment	14
<b>2.4.</b>	<b>BUSINESS INTEGRITY</b>	<b>15</b>
2.4.1.	Dealing with Customers	16
2.4.2.	Dealing with Suppliers	16
2.4.3.	Dealing with Competitors	16
2.4.4.	Gifts and Entertainment	16
<b>3.</b>	<b>REPORTING VIOLATIONS AND WHISTLEBLOWING POLICY</b>	<b>17</b>
	ANNEX A: CONFIRMATION CERTIFICATE	18



# 1. GENERAL TERMS AND PROVISIONS

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- ▶ Introduction
- ▶ Terms and conditions
- ▶ Observance of this Code
- ▶ Resolving Issues
- ▶ Additional Responsibility for Management

## 1.1. Introduction

X5 Retail Group N.V. is Russia's leading food retailer in terms of sales, and therefore plays an integral role in the country's social and economic development. Our operational and business conduct affects not only our staff of over 100,000 employees, but also thousands of suppliers who sell their goods through our stores and millions of customers who visit our stores every day.

We recognize that ethics and integrity are key components in the fulfillment of X5's sustainable health and long term success. This Code of Business Conduct and Ethics (henceforth referred to as the "Code") describes the standards of conduct that support our commitment to integrity, and how we, as employees of X5, are expected to treat each other, our suppliers and our customers.

The Code is a tool that can help our employees in understanding their responsibilities, and in making sound business decisions that meet the ethical and legal standards that define our business and upon which our reputation is based.

The Code also provides information on the Hotline which enables employees to report inappropriate behavior or issues of concern on an anonymous basis.

This Code reinforces our commitment to maintaining the highest ethical standards in our daily business activities in order to make positive and sustainable contributions to all of our stakeholders.

## 1.2. Terms and conditions

**Business Partner** – an entrepreneur or organization wishing to conclude an agreement with the Company or already having a contractual relationship with the Company.

**Inside Information** – Inside information is non-public information of a precise nature that is likely to influence an investor's decision to buy or sell securities.

**A conflict of interest** arises when an employee's personal activities and relationships interfere, or appear to interfere, with the employee's ability to act in the best interests of the Company.

**Obligation of any kind to the Business Partner or the Company** – an obligation of the employee to a Business Partner or the Company that has arisen under the law, and/or any kind of agreement to do something, to provide any services, or to pay money or transfer any property or right of claim to the Business Partner or to the Company.

**Gifts** – items, coverage of travel expenses, tickets for events, promotional materials, food, loans from Business Partners and/or from government officials and/or any other third parties provided to the employee by the above persons.

**Financial interest in the Business Partner** – a situation in which an employee and/or family member of employee has the opportunity under the law of owning shares or a relationship of a contractual nature of income in the form of money, valuables, other property or property-related services from a Business Partner.

**Family members** – relatives or family members (e.g. spouse, parents, children, siblings, in-laws or life partners).

## 1.3. Observance of this Code

This Code applies to all employees, directors and supervisory directors (referred to as the "employees") of the X5 Retail Group N.V. group of companies (referred to as "X5" or "the Company"). Employees are required to undergo training on the basic rules of the Code using specially designed online training and informational materials.

The Code describes our principles so that all our employees, as well as our customers, suppliers, shareholders and communities clearly understand the way we conduct our daily business activities. The Code helps us to ensure that we conduct our business in a legal and ethical manner. This Code exists as an ethical framework. It is not intended to address every ethical issue that might arise, nor does it identify all internal policies or external laws and regulations that apply to our Company or employees.

The Company reserves the right to apply measures of legal responsibility in respect of employees who have violated the provisions of the Code and/or relevant legislation, in accordance with current legislation and the Company's internal documents. Disciplinary measures (verbal reprimand, formal warning or dismissal) may be applied in respect of employees who violate the Code's provisions regarding principles and rules of conduct and commit a disciplinary offence.

## 1.4. Resolving Issues

A key message throughout this Code is: "When in doubt, ask". If you have a question concerning the Code or any ethical issue that you encounter in your work for X5, you are obliged to contact your immediate supervisor or local management or report to the Compliance Officer or X5 Hotline. Specific information on how to report violations and the X5 Hotline can be found at the section "Reporting violations and whistleblower policy".

## 1.5. Additional Responsibility for Management

The culture of integrity and compliance in an organization starts at the top. All managers are responsible for creating an environment that encourages compliance with this Code. This means, among other things, that each manager must emphasize the importance of ethical conduct and compliance, make them regular concerns within everyday business and promote them through personal leadership and training. Moreover, managers must be available for employees to raise and discuss compliance and ethics concerns.

Even if managers delegate particular tasks, they still remain responsible for conduct within their area.



## 2. RULES OF CONDUCT

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### 2.1. | RESPONSIBILITY BEFORE THE GOVERNMENT AND COMMUNITY

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- ▶ We support fair competition
- ▶ We observe trade laws
- ▶ We care about quality
- ▶ We do not accept bribery and corruption
- ▶ We do not accept money laundering
- ▶ We maintain accurate business and financial records
- ▶ We care about environment

## 2.1. Responsibility before the government and community

We act in accordance with principles of legal and ethical compliance. All employees must act in good faith and should know and comply with relevant legislation and the Company's internal policies.

### 2.1.1. We support fair competition

Competition and antitrust laws are aimed at preserving a competitive free market system. The Company is committed to complying with antitrust and competition laws in Russia and any other jurisdiction where we operate. This reflects our conviction that free and fair competition is essential to the welfare of the Company, its customers and suppliers.

Employees may not, therefore, exchange information with competitors regarding pricing, terms and conditions of sale, costs, marketing plans, customer information and any other proprietary or confidential information. Any formal or implicit agreement with competitors about prices or market allocation in violation of applicable competition laws exposes the Company to substantial fines and penalties, as well as reputational damage. Employees who become aware of any activity that may violate competition laws should report this to the Legal Department or Compliance Officer. We engage in diligent marketing only and do not violate law or third parties' interests while conducting marketing activities.

### 2.1.2. We observe trade laws

As retail is our main activity, we strictly observe relevant legislation including export-import rules, customs regulations, licensing and other protocols. We also follow industry standards and business customs. When carrying out their duties, all employees must adhere strictly to trade laws and refrain from any illegal activity.

### 2.1.3. We care about quality

The Company is committed to providing consumers with high-quality products.

We control the quality of products and goods at all stages of production and sales and provide independent quality control and regularly improve our control systems.

When carrying out their duties, employees must be familiar with laws and internal quality standards, ensure product quality and report any potential deviations.

### 2.1.4. We do not accept bribery and corruption

We conduct our business in compliance with applicable law and regulations. The definition of bribery includes offering, promising or giving a payment or providing any other benefit to a public official or a third party as undue consideration in order to influence selection procedures or other government or company decisions. X5 and its employees shall not (attempt to) influence such decisions by means of illegal payments, bribes, kickbacks or other illegal methods. Any demands for, or offers of, a bribe shall be rejected.

All payments to third parties (including facilitation payments) in the form of remuneration or otherwise to agents, consultants, commissioners, suppliers, government officials and other third parties need to be in compliance with applicable law and regulations, appropriate in relation to the services performed, and for legitimate services only. Such payments may only be made or accepted in strict accordance with X5's internal procedures that can be found on the X5 intranet.

### 2.1.5. We do not accept money laundering

We comply with anti-money laundering legislation. The term «money laundering» refers to the process by which individuals or groups of individuals try to hide the profits of illegal activities, or create the appearance of legal activity.

There is relevant administrative and criminal liability in place for breaching anti-money laundering legislation.

Company employees should be confident that they work with trustworthy coworkers for legitimate purposes and using reputable funds. Should you have any suspicion that your Business Partner is involved in a money-laundering activity, you must immediately report it to the «Hotline».

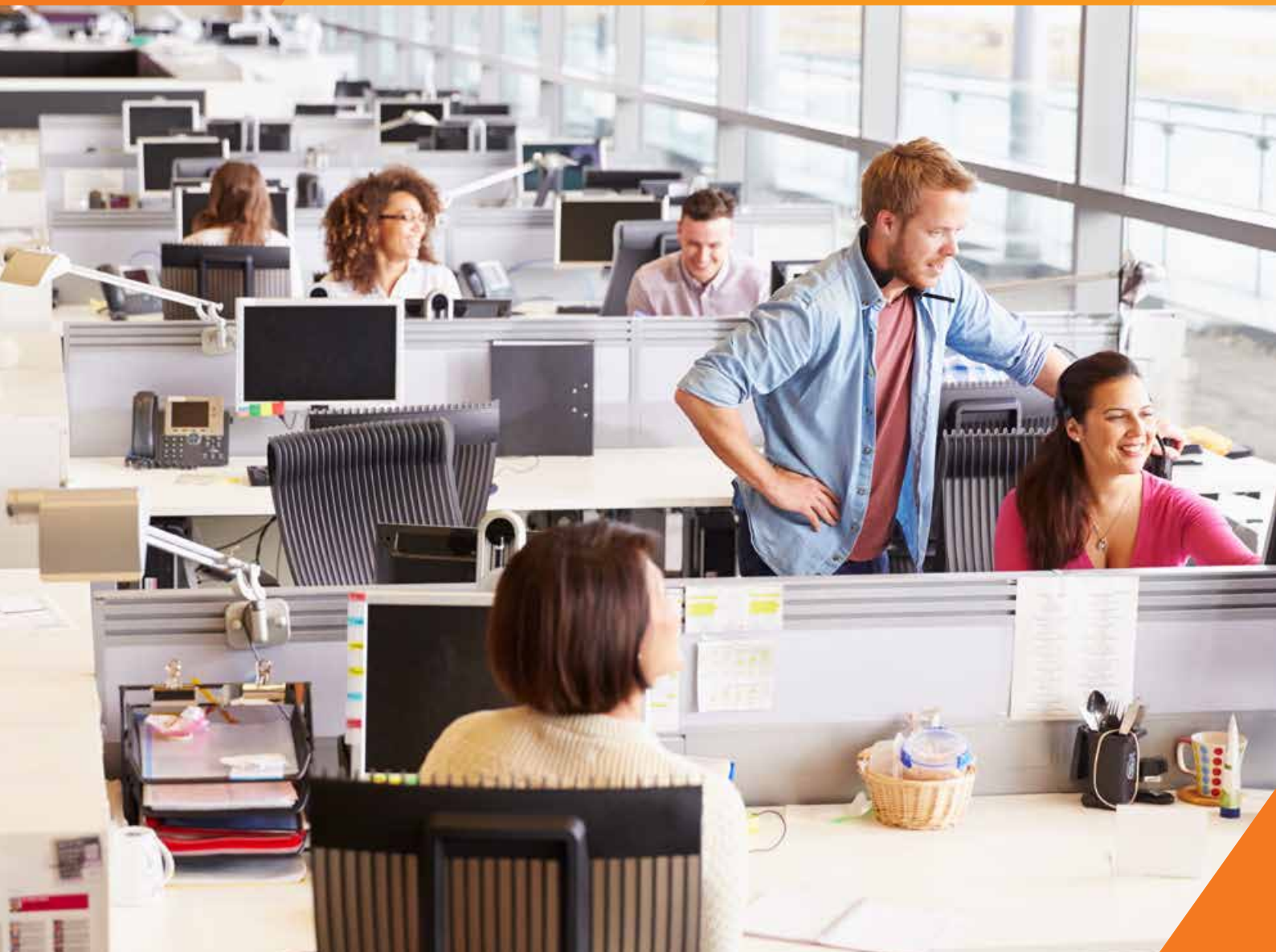
### **2.1.6. We maintain accurate business and financial records**

Ensuring accurate and complete business and financial records is a vital element of our business. It is the Company's policy to keep books, records and accounts that accurately record all transactions and to provide a comprehensive system of internal accounting and control. Employees are expected to ensure that those books, records and accounts for which they have responsibility are valid, complete, accurate and supported by appropriate documentation. Financial transactions must be recorded accurately in the correct accounts and accounting period, in accordance with the applicable accounting rules and policies. It is forbidden to omit funds or assets from financial records, and no document or record may be falsified, destroyed or concealed in order to impair its integrity or availability. Company records must be retained, presented and disposed of in accordance with relevant legal requirements and Company policy.

### **2.1.7. We care about environment**

X5 is committed to conducting its business in a sustainable and environmentally responsible manner in compliance with all environmental laws.





## 2. RULES OF CONDUCT

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### 2.2. | PROTECTION OF COMPANY INTERESTS

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- ▶ We protect the Company's assets
- ▶ We protect personal data
- ▶ We protect confidential information
- ▶ We establish the rules of public communication
- ▶ We avoid conflicts of interest

## 2.2.1. We protect the Company's assets

Every X5 employee is expected to use Company property responsibly and for business purposes only, and to protect Company assets entrusted to them from loss, theft, misuse and waste. Company assets include not only physical items such as inventory, computer and telephone equipment, vehicles, furnishings, funds and supplies, but also intangible assets such as know-how, technology, ideas and concepts. Personal use of telephones, computers and other equipment is generally allowed if it is occasional, does not interfere with employee duties and is not related to an illegal activity or outside business.

Unless otherwise specified in the law, email, voicemail and any other information or data stored on Company equipment or devices are considered Company property, and the Company reserves the right to access, disclose and use this information in its sole discretion or as otherwise may be required by law. This also applies to Company information stored on personal equipment such as mobile phones, personal computers, USB sticks etc.

Misappropriation or theft of Company assets together with fraudulent activities (illegally acquiring financial benefits or damaging the Company's reputation through deception or betrayal of trust) may result in dismissal from the Company and criminal prosecution. It is the Company's policy to pursue criminal prosecutions in all cases where the Company has been subject to fraud, theft, misappropriation of funds or other illegal activities.

## 2.2.2. We protect personal data

X5 is committed to maintaining the privacy and security of its customers, Business Partners, employees and other individuals. Employees are expected to maintain the privacy of personal information for which they have responsibility or to which they have access, and to use that information only for legitimate X5 business purposes. Employees should comply with all existing policies and procedures with regard to personal data protection.

## 2.2.3. We protect confidential information

Confidential information includes trade secrets, detailed sales and profit figures, strategic plans and information about suppliers and customers. All such information must be kept strictly confidential and secure. Every X5 employee must protect X5's confidential information, must not disclose it to third parties and abstain from discussion of confidential information in the public domain. When disclosure is required for business purposes, employees must take appropriate steps such as execution of a confidentiality agreement in order to prevent misuse of information. Employees should protect the Company's confidential information at all times, including outside of working hours and the workplace, and even after their term of employment ends. Unpermitted disclosure of confidential information may result in disciplinary action including but not limited to termination of employment.

## 2.2.4. We establish the rules of public communication

Employees should communicate honestly, respectfully and professionally about X5, their work or (former) colleagues during work hours or in their own time, irrespective of the means of communication they use, and refrain from harming X5 or others and must not use these communication tools to air personal issues. This includes any X5-related comment through social media. Only designated employees are permitted to speak to the media, shareholders, financial analysts, creditors, vendors and other third parties on behalf of the Company. For detailed rules on external communication by or on behalf of X5, please refer to X5's Information Policies that can be found on the Company website.

## 2.2.5. We avoid conflicts of interest

Employees should avoid any situation that creates even the appearance of a conflict of interest. Employees are required to disclose any actual or suspected conflict to their supervisor or to the Compliance Officer. A potential conflict of interest that involves a member of the Management or Supervisory Board must be approved in accordance with the relevant provisions in the Management Board and Supervisory Board Rules, as posted on the Company's website.

## • **Outside Employment**

Employees are expected to owe their primary duty of care, professional attention and efforts to the Company and therefore generally avoid additional employment outside of the Company. In certain limited cases, subject to the prior written approval of the employee's supervisor and the Compliance Officer, employees may be employed outside of the Company, or serve on the board of another corporation, if such employment or board position does not adversely affect the employee's performance for X5, is conducted outside X5 working hours and does not otherwise conflict with the employee's work for X5.

Under no circumstances may employees be employed by, or otherwise provide services for or receive benefit, including payment, from any business Partner (including but not limited to suppliers and customers) or competitor of the Company.

For the purposes of this Code, entrepreneurship and contract work are also considered as conflicts of interest.

## • **Relatives and Personal Relationships**

Employees may have relatives or family members (e.g. spouse, parents, children, siblings, in-laws or life Partners) who are employed by suppliers, customers or a Company business Partner. Employees dealing with such business Partners and working with relatives in the Company must disclose the situation in writing to their supervisor and to the Compliance Officer, and ensure that their relationship does not affect, or appear to affect, their ability to act in the best interest of the Company.

Personal relationships at work may not influence an employee's ability to act in the best interest of the Company, and may not affect any employment relationship. X5 is an equal opportunity employer and employment-related decisions should be based on qualifications, performance, skills and experience. Supervisors should refrain from hiring relatives or attempt to influence any decisions about the employment or advancement of people related or otherwise close to them, unless the relationship is disclosed to, and approved by, their supervisor and the Compliance Officer. Under no circumstances may relatives be hired or employed if this leads to family relations in related or hierarchical positions, or within the Executive Committee and its direct reports.

## • **Financial interest in the Business Partner or Company**

If an employee or family member has a financial interest in, or obligation to, any supplier, customer or any other company that does business with us or seeks to do business with us, such interest or obligation must be disclosed to the employee's supervisor and to the Compliance Officer, and approved in accordance with the Company's rules on conflicts of interest. This rule also applies to financial or other business interests in competitors.

## • **Insider Trading**

It is a violation of Company policy and the law to trade in the securities of a company, including X5, while in the possession of inside information about that company. Inside information is non-public information of a precise nature that is likely to influence an investor's decision to buy or sell securities. If an employee possesses inside information they may not disclose such information to anyone else (including relatives and friends) until the information has been released publicly.

Employees who are engaged in trading with inside information, either personally or by disclosing inside information to others, may be subject to immediate dismissal from the Company as well as prosecution by governmental authorities.

For more information on the general trading and disclosure restrictions as well as additional trading restrictions applicable to designated persons, please refer to X5's Policy on Inside Information and Securities Trading that can be found on the Company website.

## • **Loans**

X5 does not allow Company loans to employees.

## • **Political Activities**

Employees shall not express their personal political convictions on behalf of the Company, or make use of the Company's reputation or other assets in their personal political activities.

Employees shall not take part, on behalf of X5, in any political or ideological organization supporting extremist views.

If an employee combines work in the Company and performing duties in the management body or a coordination council of the political organization, he should inform his immediate supervisor and or the Compliance Officer thereof.

- **Public Service**

If an employee combines work in the Company with public service in state or local authorities, he should inform his immediate supervisor and or the Compliance Officer thereof.



## 2. RULES OF CONDUCT

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### 2.3. | RESPONSIBILITY TO OUR STAFF

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- ▶ We respect differences and provide equal opportunities
- ▶ We do not use child labor or any other form of forced labor
- ▶ We create safe and healthy working conditions
- ▶ We maintain a respectful and harassment-free work environment

### **2.3.1. We respect differences and provide equal opportunities**

Within X5 every employee has an equal opportunity for personal recognition and career development, regardless of personal background, race, gender, nationality, age, sexual preference or belief. This commitment applies to all phases and aspects of the employment relationship, including recruitment, promotions, transfers, terminations, compensation and training. All employees are expected to comply with applicable laws and regulations relating to equal opportunity and non-discrimination.

### **2.3.2. We do not use child labor or any other form of forced labor**

The Company does not use child labor or any other form of forced labor.

### **2.3.3. We create safe and healthy working conditions**

The Company is committed to providing a safe and healthy work environment, and employees are expected to comply with applicable health and safety laws as well as with related Company policies and procedures. Employees should report any threat to the safety of our customers, employees or facilities to the Compliance Officer and their supervisor or to a member of management.

We recognize that safety depends not only on technical serviceability of operators and equipment, but also on the competence of personnel and measures taken to ensure health and safety. Even the most important and urgent tasks should be performed in compliance with safety regulations.

We expect employees to follow relevant policies and procedures to ensure the safety of themselves, of their colleagues and of customers.

Employees are prohibited from consuming alcohol and drugs at work and also from being in the workplace whilst under the influence of alcohol or drugs.

Managers are also required to ensure that their subordinates work in safe working conditions, including informing them about possible security threats and procedures in place to minimize them.

### **2.3.4. We maintain a respectful and harassment-free work environment**

Employees are expected to create and maintain a workplace culture that is free of harassment and discrimination, respecting all colleagues. The Company does not tolerate verbal or physical conduct, including sexual harassment by any employee or any other person that disrupts the integrity, or interferes with the work performance, of an employee or which creates an intimidating, offensive or hostile work environment.



## 2. RULES OF CONDUCT

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### 2.4. | BUSINESS ETHICS

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- ▶ Dealing with Customers
- ▶ Dealing with Suppliers
- ▶ Dealing with Competitors
- ▶ Gifts and Entertainment

## 2.4.1. Dealing with Customers

Employees must treat our customers with dignity and respect. Employees may never harass or discriminate against any customer. Appropriate employees are responsible for keeping up to date with the food and product safety policies and laws that apply to our business. In case of a conflict, employees should make every effort to settle it in a calm manner. We are committed to accurate and honest communication in all our interactions with customers, including the marketing, promotion, pricing and packaging of our products.

## 2.4.2. Dealing with Suppliers

We build our relationships with suppliers upon lawful and fair business practices. The selection of suppliers must be based on objective criteria including commercial conditions, quality, reliability, product suitability, sustainability and X5 purchasing practices and procedures. Employees must strictly adhere to the Company's tender and purchasing policies in the selection of, and business with suppliers and other trading partners.

## 2.4.3. Dealing with Competitors

Employees may only use acceptable sources of competitive information, and never use illegitimate methods to acquire a competitor's confidential information.

Employees are allowed to collect information about competitors through the study of publicly available information or requests sent in an ethical manner. In particular, employees are permitted to use information received from:

- Public documents filed with the state authorities
- Public statements of senior officials of companies;
- Annual reports, quarterly reports, press-releases;
- News articles or articles in trade publications.

Employees also have the right to ask questions or to obtain information about competitors from third parties, unless there is a reason to believe that those third parties have a contractual or other legal obligation not to disclose such information.

Employees may not make false statements about competitors or their services.

## 2.4.4. Gifts and Entertainment

Gifts and entertainment provided to our employees by a supplier or any other Business Partner can make it difficult to be objective when dealing with the person or company that provides such benefits. Therefore, our policy is to never accept gifts or entertainment from any supplier, potential supplier, government, business Partner, or any person the employee has reason to believe may be seeking to influence business decisions or transactions. Employees may not, in respect to any of the entities or individuals described in the previous sentence:

- accept or offer any gift or entertainment in exchange for favors, or in circumstances that could raise suspicion of improper influence or conduct
- ask for gifts or entertainment
- accept or offer gifts or cash.

A gift of a ceremonial nature in keeping with local custom is permitted as long as its value does not exceed 3000 Russian rubles or its equivalent in other currencies, and if its acceptance does not violate any applicable law and cannot be construed as a bribe or kickback. Individual or collective gifts between colleagues may never exceed the value of 3000 Russian rubles or its equivalent in other currencies. Unless in the case of aforementioned ceremonial gifts or gifts between colleagues, employees must decline any gift or favor (including business trips, event tickets, entertainment, promotional materials, loans and other favors, whether received or offered) and immediately report to their supervisor and to the Compliance Officer.





### 3. REPORTING VIOLATIONS AND WHISTLEBLOWER POLICY

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- ▶ How to report violations?
- ▶ X5 Ethics Hotline
- ▶ Anonymous applications
- ▶ Confidentiality of information
- ▶ Protection of persons who report abuse
- ▶ False accusations

### 3.1. How to report violations?

Employees are obliged to report any actual or suspected violations of this Code:

- to their immediate supervisor;
- to any manager in the Company that they trust;
- to the Compliance Officer;
- to the X5 Hotline on ethical issues.

To report to the Compliance Officer, as required under this Code, you may use the dedicated email address [compliance@x5.ru](mailto:compliance@x5.ru).

Staff should only use the Hotline if the matter cannot be resolved at the level of employee's supervisor. Reporting issues to Hotline should not substitute the Company's standard procedure for addressing issues.

### 3.2. X5 Ethics Hotline

Through the X5 Ethics Hotline employees can call toll free or communicate via e-mail to report actual or suspected irregularities.

**Phone: 8-800-200-26-13**

**Email: [hotline@x5.ru](mailto:hotline@x5.ru)**

All calls and e-mails on Hotline are handled by employees of the Compliance Department.

Further provisions on the Hotline and the administrative handling of reports on violations are described in X5's statute on reporting and considering of (alleged) offences, including fraud and abusive practices (the "Hotline Statute").

### 3.3. Anonymous applications

Reports to the Hotline can be done anonymously. We recommend employees to report their contact information, as this would facilitate the possibility of communication with the applicant, if necessary, to obtain additional information. The Company takes seriously all reports of possible violations, if the applicant has reported enough information to start the investigation.

### 3.4. Confidentiality of information

All necessary measures shall be taken to prevent unauthorized access to information and to protect employees' personal data. The confidentiality of personal data regarding the identity of any employee who makes an allegation via the Hotline or directly to the Compliance Officer should be protected by all means possible under applicable legislation. If a reporting person voluntarily (or through negligence) discloses the fact that he has made an allegation using the Hotline, the Company will no longer be responsible for protecting the confidentiality of the information received. If information is disclosed under other circumstances the Company guarantees protection to the reporting person.

### 3.5. Protection of persons who report abuse

The Company will not apply measures against anyone who in good faith reports a potential violation of law or Company policy, and will not allow such a person to be dismissed, prosecuted, discriminated against or otherwise adversely affected.

### 3.6. False accusations

Knowingly making false accusations, obstructing an investigation or refusing to cooperate represent breaches of the Code. Employees must verify facts before making a claim.

## ANNEX A

### CONFIRMATION CERTIFICATE

I have been provided with a copy of the Code of Business Conduct and Ethics of X5 (the "Code") and I acknowledge that I have read the Code and understand my responsibilities under it. I further acknowledge that I shall follow the reporting procedures described in the Code in case of any actual or suspected violations of applicable laws, rules, regulations or of this Code.

**Name:** \_\_\_\_\_

**Date:** \_\_\_\_\_