



# Remuneration Report

## Statement from the Chair of the Nomination and Remuneration Committee

On behalf of the Nomination and Remuneration Committee, I am pleased to present the Remuneration Report for 2022 with a summary of the remuneration policies for the Management Board and the Supervisory Board and an account of how these policies were implemented in 2022.

On the back of the challenges caused by COVID-19 over the past two years, 2022 was another turbulent year for X5 amid a difficult macroeconomic environment, with a new wave of sanctions stemming from the geopolitical events of late February imposing restrictions on businesses in Russia. In response to these developments and their impact on the Company's strategic priorities, the Nomination and Remuneration Committee closely engaged with management on a thorough review of both the short- and long-term incentive plans. This report describes how this review resulted in inevitable deviations from our remuneration policies for both the Management Board and the Supervisory Board.

As an immediate priority during the first half of the year, it was imperative for the Company to focus on the Group's businesses as a going concern with enhanced control over operational and capital expenses. For the second half of the year, the Supervisory Board could approve the short-term performance criteria initially set for the full year in line with the remuneration policy for the Management Board as described in this report. Meanwhile, actual target levels were adjusted to reflect the new macroeconomic realities impacting X5's businesses.

It was not only the short-term incentive plan that required adjustments. The sharp fall in X5 GDRs and the subsequent trading suspension by the London Stock Exchange on 1 March 2022 forced us to review the long-term performance measures supporting the Company's strategy of sustainable growth. One of these measures – the enterprise value multiple – is no longer considered a meaningful leadership indicator for X5 and was replaced by free cash flow as indicator of the Company's financial health and efficient financial management.

The necessary adjustment to the long-term incentive plan was submitted to shareholders in the Extraordinary General Meeting held on 30 November. Conscious of the principle that performance criteria and targets should not be adjusted during their performance period, the Supervisory Board remains confident that the current long-term incentive (LTI) programme remains adequately designed to support the Company's goal of strengthening its leadership, addressing the strategic imperatives that contribute to the Company's sustainable long-term value creation.

The external environment in 2022 also called for changes to the remuneration policy for the Supervisory Board. Confronted with an unprecedented number of Supervisory Board vacancies and the need to attract new Supervisory Board members, it was particularly important to have an adequate remuneration policy in place. When the trading of X5 GDRs on the London Stock Exchange was suspended in March, the Nomination and Remuneration Committee initiated a restructuring of the Supervisory Board's equity-based remuneration into a phantom stock plan with comparable terms and size of awards but based on the GDR trading value on the Moscow Exchange. The necessary

adjustment to the remuneration policy for the Supervisory Board was also submitted to, and approved by, the Extraordinary General Meeting of Shareholders in November. While I regret the resignation of our Supervisory Board members during the first half of the year and the external circumstances that led to this, I am pleased to say that we could close the year with six highly qualified new Supervisory Board members.

Throughout the year, the Committee remained focused on stability within X5's leadership team, particularly in the face of fierce competition and an increased shortage of qualified executives. The Committee's annual remuneration benchmark review performed in March 2022 was the basis for salary adjustments necessary to safeguard the continuity of the senior management team. Early in the year, the leadership team was strengthened with the appointment of Ekaterina Lobacheva to the role of President. I am also pleased that we could announce the Supervisory Board's recommendation to extend Igor Shekhterman's term as CEO for another two years starting in 2023. We are confident that continuity of X5's leadership in the current volatile environment will be to the benefit of the Company and all its stakeholders.

Despite all operational challenges, strong competition and inflationary pressures on consumers, the Company continued to grow in 2022, and I am proud to say that through the strength of our operations and by remaining customer-focused at all times, we maintained profitability margins in line with our strategic targets. Total revenue rose by 18.2% year-on-year, while EBITDA pre-IFRS 16 margin for FY 2022 was 7.2%. Digital businesses continued to gain momentum, resulting in 46.6% net sales growth year-on-year.

In 2023, against the backdrop of ongoing macroeconomic uncertainties, the Committee shall continue to revisit executive remuneration to ensure that it effectively supports the Company's strategy of long-term sustainable value creation. In doing so, I look forward to keeping an open dialogue with our shareholders and other stakeholders to ensure maximum alignment on our remuneration policies.

**Peter Demchenkov**

CHAIR OF THE NOMINATION  
AND REMUNERATION COMMITTEE

# Remuneration of the Management Board

The Supervisory Board resolved that the remuneration policy for the Management Board shall serve as the basis for the remuneration policy for the Executive Board. In view of the relative size and composition of both boards, this Remuneration Report refers to the Executive Board, unless specific provisions apply to members of the Management Board only, which will be clearly indicated.

## Objectives

The remuneration policy of the Management Board is aligned with the Company's strategy and supports the long-term development of the Company, 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 talent to lead the Company towards its strategic objectives; and
- to provide for a balanced remuneration package that is focused on achieving sustainable financial results in line with the Company's long-term strategy and will foster an alignment between the interests of management and those of shareholders and other stakeholders, including customers, employees and wider society.

When developing the remuneration policy, the Nomination and Remuneration Committee conducted scenario analyses to identify the risks to which variable remuneration may expose the Company.

## Remuneration in context

The table below reflects the total remuneration of Management Board members and the average remuneration of all other X5 employees (on a full-time equivalent basis), set against the Company's performance over the five most recent financial years.

	2018	2019	2020	2021	2022
<b>Group performance</b>					
Revenue, RUB bln	1,533	1,734	1,978	2,205	2,605
Selling space, ths sqm	6,464	7,239	7,840	8,410	9,107
Number of stores	14,431	16,297	17,707	19,121	21,323
Net profit (pre-IFRS 16), RUB bln	29	26	39	49	52
Share price (LSE), USD, eop	24.8	34.5	36.1	26.5	-
Share price (MOEX), RUB, eop	-	-	-	-	1,500.5
Management Board remuneration, RUB mln	380	304	357	442	824
Average employee remuneration, RUB	701,192	754,990	782,079	799,555	895,644
Internal pay ratio (CEO vs employee remuneration) <sup>1</sup>	209	211	198	273	290

<sup>1</sup> The pay ratio is calculated by dividing the total remuneration of the CEO (base salary and short-term incentives) by the average remuneration of all X5 employees. Given the irregular nature of awards under the LTI programme, LTI awards are not included in the pay ratio for fair and consistent presentation purposes. The average remuneration per employee is calculated as the total labour costs derived from note 28 on page 206 divided by the number of employees on an FTE basis. In 2021, the internal pay ratio increased due to the increase of the CEO's base salary upon his re-appointment at the 2021 Annual General Meeting.

## Benchmarking

The remuneration of Executive Board members is benchmarked against a labour market peer group every year. As a company with operations mainly in Russia, the reference group selected for benchmarking is composed of Russian companies comparable in terms of the size of business and complexity of operations, as well as international, non-Russian retail companies. In total, the reference group is composed of 58 companies in various sectors including retail (26%), digital and tele-communications (21%), industrial (19%), financial (10%), FMCG (9%), transportation and logistics (9%), and other sectors (6%).

Although external market data provide useful context, it is ultimately the responsibility of the Supervisory Board to set remuneration packages at an appropriate level that reflects 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 for Management and Executive Board members is set between the 50th and 75th percentile.

For the current CEO, the Supervisory Board resolved to make an exception in recognition of the size and complexity of X5. Following his re-appointment for a two-year term at the 2021 Annual General Meeting, the CEO's Total Direct Compensation was set, for on-target performance, at the 90th percentile.



## Internal pay ratio

As is commonly understood, pay ratios are specific to a 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's compensation with the compensation levels of Management Board members. For companies in other industries, this will be different. Furthermore, pay ratios can be volatile over time, as they can be heavily dependent on the Company's annual performance since that performance impacts the remuneration of the Management Board (and Executive Board) much more than that of all other employees.

## Summary of remuneration elements and implementation in 2022

	Policy summary	Application in 2022 summary	
<b>Base salary</b>	Base salaries are in line with compensation levels at peer group companies based on the salary benchmarking survey conducted annually		
<b>Short-term incentive</b>	<p>Annual cash bonus</p> <p>Target payout for CEO: 100%</p> <p>Target payout for Management Board members based in the Netherlands: 60%</p> <p>Maximum amount: 140% of target payout per quantitative target and 120% of target payout per qualitative target</p> <p>The total STI payout may be adjusted up- or downwards by up to 20% of the target payout at the discretion of the Supervisory Board</p>	<p><b>Igor Shekhterman:</b></p> <ul style="list-style-type: none"> <li>Group targets: 100%</li> <li>Actual payout: 90.6% of base salary</li> </ul> <p><b>Frank Lhoëst:</b></p> <ul style="list-style-type: none"> <li>Group targets: 100%</li> <li>Actual payout: 65.2% of base salary</li> </ul>	<p><b>Quinten Peer:</b></p> <ul style="list-style-type: none"> <li>Group targets: 100%</li> <li>Actual payout: 60% of base salary</li> </ul> <p><b>Ekaterina Lobacheva:</b></p> <ul style="list-style-type: none"> <li>Group targets: 100%</li> <li>Actual payout: 97.3% of base salary</li> </ul>
<b>Long-term incentive</b>	<p>Cash incentive programme over a three-year period from 1 January 2021 until 31 December 2023</p> <p>Payout thresholds: EBITDA margin and net debt to EBITDA ratio to ensure business efficiency and retain focus on prudent financial and balance sheet management</p> <p>In 2024, 50% of the total award will be paid subject to maintaining achieved targets through the end of 2023, while the other 50% is deferred to 2025 with a profitability threshold as a condition for deferred payout</p>	<p><b>Igor Shekhterman:</b></p> <p>Stage 1 targets (2021)</p> <ul style="list-style-type: none"> <li>Enterprise value/EBITDA multiple: 50%</li> <li>Market share: 45%</li> <li>Sustainability targets: 5%</li> </ul> <p>Stage 2 targets (2022–2023)</p> <ul style="list-style-type: none"> <li>Free cash flow, % of revenue: 35%</li> <li>Market share: 60%</li> <li>Sustainability targets: 5%</li> </ul> <p><b>Frank Lhoëst:</b></p> <p>N/A</p>	<p><b>Ekaterina Lobacheva:</b></p> <p>Stage 1 targets (2021)</p> <ul style="list-style-type: none"> <li>Enterprise value/EBITDA multiple: 50%</li> <li>Market share: 45%</li> <li>Sustainability targets: 5%</li> </ul> <p>Stage 2 targets (2022–2023)</p> <ul style="list-style-type: none"> <li>Free cash flow, % of revenue: 35%</li> <li>Market share: 60%</li> <li>Sustainability targets: 5%</li> </ul> <p><b>Quinten Peer:</b></p> <p>N/A</p>



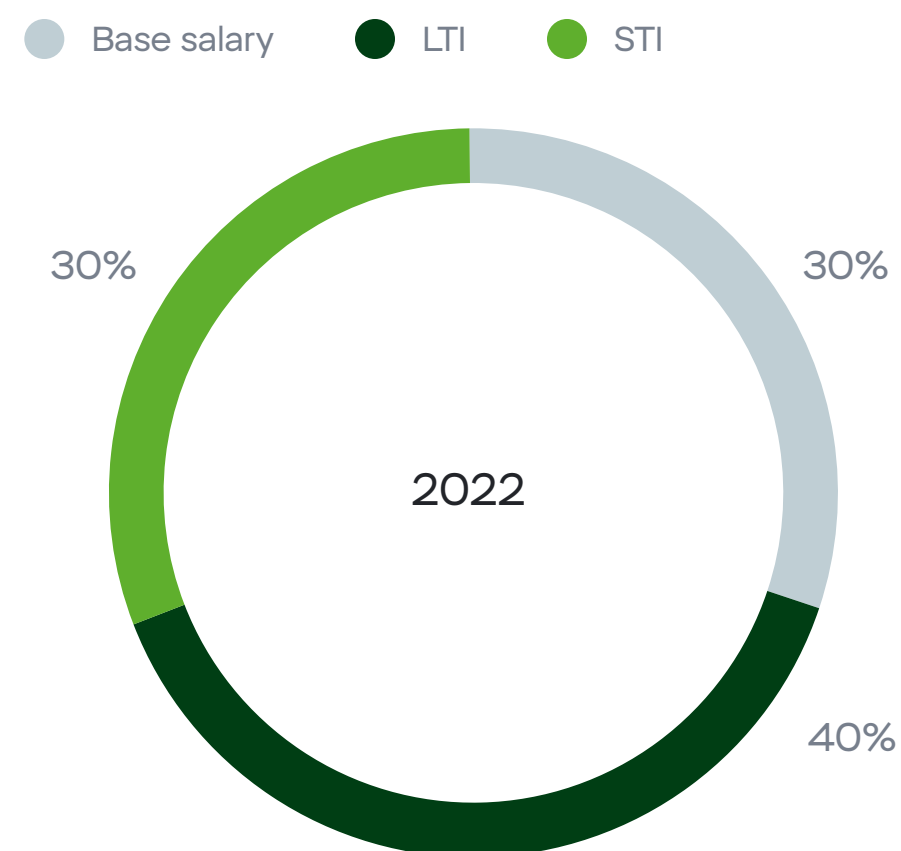
## Elements of remuneration

The remuneration provided to Executive Board members consists of the following fixed and variable components (Total Direct Compensation): a base salary, an annual or short-term cash incentive (STI) and a long-term cash incentive (LTI). Both STIs and LTIs 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.

The Executive Board’s Total Direct Compensation is equally balanced between the fixed and annual variable remuneration components and is more heavily weighted on the LTI to strengthen the focus on long-term goals. The ratio between fixed and variable pay components for members of the Executive Board is as follows in the event of on-target performance.

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

### TOTAL DIRECT COMPENSATION



## 2022 Management Board remuneration

The following table provides an overview of the Management Board’s remuneration in 2022 (in millions of Russian roubles).

Name	Year	Base salary <sup>1</sup>	Short-term incentive <sup>2</sup>	Long-term incentive <sup>3</sup>	Extension bonus <sup>4</sup>	Social security cost <sup>5</sup>	Total
<b>Total</b>	2022	208	162	129	229	96	824
	2021	155	119	122	-	46	442

## Ad (1) Base salary

The base salary of the CEO and other members of the Management Board is determined by the Supervisory Board and derived from compensation levels at peer group companies based on the salary benchmarking survey conducted annually.

For Igor Shekhterman and Ekaterina Lobacheva, the total remuneration includes remuneration paid in the Netherlands and Russia: as Russia-based members of the Management Board, Igor Shekhterman and Ekaterina Lobacheva also have a contract of employment with an operational subsidiary in Russia. Under this contract, 75% of their total base salary as well as their variable remuneration components are paid in Russia. No other remuneration has been granted or allocated to members of the Management Board by subsidiaries or other companies whose financials are consolidated by the Company.

## Ad (2) Short-term incentive (STI)

The short-term incentive is an annual cash bonus ensuring Management Board members focus on achieving performance targets over the financial year. It drives desired behaviour and reflects the key priorities for the year. At the beginning of each financial year, the Supervisory Board selects 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 payout will be made (the threshold), the on-target value and the maximum payout level.

Performance measures are aligned with the Company’s objective to deliver sustainable value to shareholders and other stakeholders and include:

- 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
- measures that reflect specific strategic and key business priorities of the Company.

All performance measures contribute to the Company’s success in the short term, while also securing the Company’s long-term objectives. X5 does not disclose the actual targets as this is considered commercially sensitive information.

## Ad (2) Short-term incentive (STI)

In March 2022, following the sudden changes to the macroeconomic environment that started in late February, the Supervisory Board reviewed the STI programme for 2022 and determined that the situation called for an immediate adjustment of performance criteria for the first half year of 2022 based on key goals in maintaining business as a going concern and enhanced control over OPEX and CAPEX.

For the second part of 2022, the Supervisory Board approved performance criteria and targets initially determined for the full year, as reflected in the table below.

The total STI payout may be adjusted up- or downwards by up to 20% of the target payout at the discretion of the Supervisory Board. The target payout as a percentage of base salary is 100% for the CEO and other members of the Executive Board and 60% for Management Board members based in the Netherlands, contingent on targets being met.

For the reporting year 2022, the achievement of performance targets was assessed and determined by the Supervisory Board for each Management Board member individually.

The following table reflects the performance against STI targets and payouts for 2022.

	Performance measure <sup>1</sup>	Weight	Realised performance	Resulting payout as % of target	Actual bonus (% of payout <sup>1</sup> weight)
<b>Igor Shekhterman</b> Chief Executive Officer	Business continuity	25%	100%	100%	25%
	OPEX/CAPEX optimisation	25%	100%	100%	25%
	<b>Total H1</b>	<b>50%</b>	<b>100%</b>	<b>100%</b>	<b>50%</b>
	Market share	10%	0%	0%	0%
	X5 LFL sales	10%	100%	100%	10%
	X5 EBITDA margin	10%	103.8%	110.7%	11.07%
	X5 CAPEX	10%	119.8%	120%	12%
	NPS	10%	74.9%	74.9%	7.49%
	<b>Total H2</b>	<b>50%</b>	<b>79.7%</b>	<b>81.1%</b>	<b>40.6%</b>
	<b>Total FY</b>	<b>100%</b>	<b>–</b>	<b>–</b>	<b>90.6%</b>
	<b>Discretionary +/-20%</b>				<b>+20%</b>
<b>Frank Lhoëst</b> Company Secretary	Business continuity	25%	100%	100%	25%
	OPEX/CAPEX optimisation	25%	100%	100%	25%
	<b>Total H1</b>	<b>50%</b>	<b>100%</b>	<b>100%</b>	<b>50%</b>
	Market share	10%	0%	0%	0%
	X5 LFL sales	10%	100%	100%	10%
	X5 EBITDA margin	10%	103.8%	110.7%	11.07%
	X5 CAPEX	10%	119.8%	120%	12%
	NPS	10%	74.9%	74.9%	7.49%
	<b>Total H2</b>	<b>50%</b>	<b>79.7%</b>	<b>81.1%</b>	<b>40.6%</b>
	<b>Total FY</b>	<b>100%</b>	<b>–</b>	<b>–</b>	<b>90.6%</b>
	<b>Discretionary +/-20%</b>				<b>+20%</b>

<sup>1</sup> For each performance measure, a threshold, target and maximum performance level is set with the following STI payout, as a percentage of target payout:  
 · Threshold performance: varies per performance measure, starting from 50% of target payout  
 · Target performance: 100% of target payout  
 · Maximum performance: 120% of target payout  
 For each measure, payout between performance levels is on a straight line basis; payout is zero for below threshold performance, whereas payout for performance above maximum is capped at 120% of payout at target.

	Performance measure <sup>1</sup>	Weight	Realised performance	Resulting payout as % of target	Actual bonus (% of payout <sup>1</sup> weight)
<b>Quinten Peer</b> Chief Operating Officer (X5 Retail Group N.V.)	Business continuity	25%	100%	100%	25%
	OPEX/CAPEX optimisation	25%	100%	100%	25%
	<b>Total H1</b>	<b>50%</b>	<b>100%</b>	<b>100%</b>	<b>50%</b>
	Market share	10%	0%	0%	0%
	X5 LFL sales	10%	100%	100%	10%
	X5 EBITDA margin	10%	103.8%	110.7%	11.07%
	X5 CAPEX	10%	119.8%	120%	12%
	NPS	10%	74.9%	74.9%	7.49%
	<b>Total H2</b>	<b>50%</b>	<b>79.7%</b>	<b>81.1%</b>	<b>40.6%</b>
	<b>Total FY</b>	<b>100%</b>	<b>–</b>	<b>–</b>	<b>90.6%</b>
	<b>Discretionary +/-20%</b>				<b>+10%</b>
<b>Ekaterina Lobacheva</b> President	Business continuity	25%	100%	100%	25%
	OPEX/CAPEX optimisation	25%	100%	100%	25%
	<b>Total H1</b>	<b>50%</b>	<b>100%</b>	<b>100%</b>	<b>50%</b>
	Market share	10%	0%	0%	0%
	X5 LFL sales	10%	100%	100%	10%
	X5 EBITDA margin	10%	103.8%	110.7%	11.07%
	X5 CAPEX	10%	119.8%	120%	12%
	NPS	10%	74.9%	74.9%	7.49%
	<b>Total H2</b>	<b>50%</b>	<b>79.7%</b>	<b>81.1%</b>	<b>40.6%</b>
	<b>Total FY</b>	<b>100%</b>	<b>–</b>	<b>–</b>	<b>90.6%</b>
	<b>Discretionary +/-20%</b>				<b>+20%</b>

## Ad (3) Long-term incentive (LTI)

Igor Shekhterman, Ekaterina Lobacheva and other members of the Executive Board participate in the Company’s long-term incentive programme. Under the LTI programme, performance is assessed and cash awards are paid after a revolving three-year performance period, with a 50% deferred payout subject to maintaining achieved targets in the fourth year, and a profitability threshold as a condition for deferred payout. 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 Company’s continued success.

### 2018–2020 LTI programme

For Igor Shekhterman the expense recognised in 2022 under 2018–2020 LTI programme represent the final deferred payout.

The following table reflects the LTI performance for the 2018–2020 LTI programme.

LTI 2018–2020	Performance measure	Weight	Target payout	Achievement
Igor Shekhterman	Revenue	50%	100%	100%
	EV/EBITDA multiple	50%	100%	100%

### 2021–2023 LTI programme

The current 2021–2023 LTI programme was approved by the 2021 Annual General Meeting of Shareholders. Performance measures under the programme have a one- or three-year vesting period, with payouts in 2024 and 2025 as described above. Following the unexpected developments since February 2022 and their severe impact on the Company’s market capitalisation, the Company reviewed its strategic priorities and corresponding long-term performance measures and targets. As a result, the Supervisory Board had to use its discretionary authority to deviate from the remuneration policy by adjusting LTI measures and their weights as of 2022, as described below.

Targets under the LTI reflect the overall strategy of the Company to achieve leadership in customer recognition by continuously transforming 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, with

profitability and net debt/EBITDA thresholds to remain focused on margins, business efficiency and prudent financial and balance sheet management. With the enterprise value multiple no longer being a meaningful leadership indicator for X5 as of 2022, it was replaced by free cash flow in stage 2 of the programme and will serve as an indicator of the Company’s financial health and efficient financial management. In both stages of the programme, the LTI includes sustainability targets to support the Company’s ESG strategy.

The size of each individual cash award is based on the participant’s annual base salary and LTI scale reflecting his/her role and position, contribution towards the LTI targets at both the individual and team level and a cap of 133% per year of the participant’s base salary during the three-year programme.

For Igor Shekhterman and Ekaterina Lobacheva the expense recognised in 2022 under the 2021–2023 LTI programme is the accrual based on the probability of achieving the targets, payable in 2024–2025.





## Ad (3) Long-term incentive (LTI)

### LTI STAGE 1 (JANUARY–DECEMBER 2021)

Performance measure	Weight	Definition	Thresholds	Link to strategy	Payout
EV/EBITDA multiple	50%	EV/EBITDA multiple leadership, calculated and accrued on an annual basis		Long-term shareholder value creation through sustained leadership in the Russian food market, with a 15% share in grocery and a 20% share in e-grocery by 2023-end	
Market share	45%	X5 market share relative to competition in the Russian food retail segment throughout the programme, with an annual revenue growth threshold. If the threshold is not achieved in the first year, 1/3 of the target payout is not accrued. The minimum payout level is 60%, and the maximum is 140%, dependent on performance	<ul style="list-style-type: none"> <li>Net debt to EBITDA</li> <li>EBITDA margin</li> </ul>		In 2024 (50%) and 2025 (50%, subject to EBITDA threshold)
Sustainability	5%	2023 targets: 1) Reduce CO <sub>2</sub> emissions by 10% 2) Boost the share of recycled solid waste to 95% 3) Achieve an over 50% share of private label goods sold in sustainable packaging		Achieving the ESG targets in X5's 30x30 Sustainability Plan	

### LTI STAGE 2 (JANUARY 2022–DECEMBER 2023)

Performance measure	Weight	Definition	Thresholds	Link to strategy	Payout
Free cash flow (FCF), % of revenue	35%	Value to reflect financial management performance The minimum payout level is 80%, and the maximum is 120%, dependent on performance		Creating long-term shareholder value by striking the right balance between sustained leadership in the Russian food market, new business models and prudent financial management	
Market share	60%	X5 market share growth relative to competition in the Russian food retail segment throughout the programme. The minimum payout level is 80%, and the maximum is 120%, dependent on performance	<ul style="list-style-type: none"> <li>Net debt to EBITDA</li> <li>EBITDA margin</li> </ul>		In 2024 (50%) and 2025 (50%, subject to EBITDA threshold)
Sustainability	5%	2023 targets: 1) Reduce CO <sub>2</sub> emissions by 10% 2) Boost the share of recycled solid waste to 95% 3) Achieve an over 50% share of private label goods sold in sustainable packaging		Achieving the ESG targets in X5's 30x30 Sustainability Plan	

## Ad (4) Extension bonus

On 22 September 2022 the Company announced the Supervisory Board's recommendation to extend Igor's contract for another two-year term ending on the day of the Annual General Meeting in 2025. On 30 November 2022 the General Meeting of Shareholders approved to substitute 75% of Igor Shekhterman's discretionary USD 5,000,000 termination bonus (see below under 'Legacy arrangements') for a contract extension bonus, in recognition of his commitment to extend his CEO mandate, as such protecting the continuity of the Company and its leadership in an increasingly challenging environment.

## Ad (5) Social security cost

For the year ended 31 December 2022, the social security costs include statutory pension contributions in the amount of RUB 62 (2021: RUB 29).

## Other policy information and contract terms

### 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. This policy does not allow personal loans or guarantees to members of the Executive Board, nor does the Company provide 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 maximum four-year term, to be extended upon reappointment by the General Meeting of Shareholders. The CEO and the President, as 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 the CEO and the President in the Netherlands and in Russia.

Severance payment is generally limited to six months' base salary; however, the Supervisory Board may increase this to a maximum of one year's base salary if required under individual circumstances. For the CEO, severance pay is structured as a non-competition reward payable in quarterly instalments following contract termination, subject to compliance with non-competition conditions. For the President, severance pay is structured as a non-competition reward payable after six months after contract termination, subject to compliance with non-competition conditions. Accordingly, the non-competition period for the CEO is 12 months and six months for other Executive Board members. In case of breach of the non-competition obligations, the contract provides for a penalty in the amount of two annual base salaries for the CEO and one annual base salary for other Executive Board members. No severance pay will be awarded if the agreement is terminated at the initiative of the Executive Board member, or in the event of seriously culpable or negligent behaviour on his/her part.

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.

### Legacy arrangements

As disclosed when Mr Shekhterman took office in 2015, he is entitled to a minimum annual compensation package of USD 4,000,000. 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. Furthermore, Mr Shekhterman is eligible to a termination compensation of up to USD 5,000,000 at the discretion of the Supervisory Board.

### Clawback

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



# Remuneration of the Supervisory Board

## Objectives and benchmarking

Supervisory Board fees are set at an appropriate level to attract individuals with the necessary experience, knowledge and ability to make a significant contribution to the Company's strategy, long-term development and sustainability. As such, the remuneration policy supports the long-term development of the Company, while aiming to meet all stakeholders' requirements.

The level and structure of remuneration for members of the Supervisory Board is periodically benchmarked against a reference group of Dutch and other European companies that are comparable in size and complexity, as well as leading Russian and international retailers. In order to attract the most talented individuals with the necessary experience, knowledge and ability, the cash allowances for members of the Supervisory Board are set between the 50th and the 75th percentile. For the current Supervisory Board, the peer group consisted of 33 mostly non-Russian international companies in various retail sectors, i.e. food retail and wholesale (61%), drug retail (9%), specialty and other types of retail (30%).

The Company acknowledges that the awarding of shares to members of the Supervisory Board constitutes a deviation from the Dutch Corporate Governance Code. However, in addition to the cash allowance, X5 believes it is necessary to compensate members of the Supervisory Board in the form of equity to align the interests of Supervisory Board members with the long-term interests of shareholders and strengthen their commitment to the future of the Company. The equity-based awards paid to members of the Supervisory Board are calculated with respect to the fixed board fee of each member and are therefore not performance-based. While the total remuneration – including the equity component – may exceed the benchmark for the chairman and committee chairs, X5 believes that the level and structure of the remuneration of Supervisory Board members safeguard their independence of thought and judgement and adequately reflect the time commitment and responsibilities of the role.

## 2022 Supervisory Board remuneration

In 2022, the General Meeting of Shareholders approved the updated remuneration policy for the Supervisory Board for the year.

The following table provides an overview of the Supervisory Board's remuneration that became unconditional in 2022 or at year-end (in millions of Russian roubles).

	Position	Base remuneration		Share-based compensation		Extraordinary remuneration		Total remuneration	
		2022	2021	2022	2021	2022	2021	2022	2021
<b>P. Demchenkov</b>	Chair, Nomination and Remuneration Committee	26	30	29	22	-	-	55	52
<b>O. Vysotskaya<sup>2</sup></b>	Chair, Audit and Risk Committee	8	-	2	-	-	-	10	-
<b>F. Ovchinnikov<sup>2</sup></b>		4	-	1	-	-	-	5	-
<b>V. Stavrou<sup>3</sup></b>		2	-	-	-	-	-	2	-
<b>V. Zingman<sup>1, 2</sup></b>		-	-	-	-	-	-	-	-
<b>D. Alekseev<sup>3</sup></b>		2	-	-	-	-	-	2	-
<b>L. Afendikov<sup>1, 3</sup></b>		-	-	-	-	-	-	-	-
<b>S. DuCharme<sup>4, 6</sup></b>		1	12	21	19	90	-	112	31
<b>M. Fridman<sup>1, 4</sup></b>		-	-	-	-	-	-	-	-
<b>R. Brasher<sup>4</sup></b>		2	7	(2)	2	-	-	-	9
<b>G. King<sup>4</sup></b>		6	22	(32)	21	-	-	(26)	43
<b>M. Kuchment<sup>4</sup></b>		3	10	(14)	10	-	-	(11)	20
<b>K.-H. Holland</b>		-	3	-	2	-	-	-	5
<b>N. Shouraboura<sup>5</sup></b>		6	17	10	11	-	-	16	28
<b>A. Tynkovan<sup>4</sup></b>		3	8	(2)	2	-	-	1	10
<b>M. Atnashev<sup>1, 4</sup></b>		-	-	-	-	-	-	-	-
<b>Total</b>		<b>63</b>	<b>109</b>	<b>13</b>	<b>89</b>	<b>90</b>	<b>-</b>	<b>166</b>	<b>198</b>

1 Vadim Zingman, Leonid Afendikov, Mikhail Fridman, and Marat Atnashev, in their role as representatives of CTF Holdings S.A., have waived any entitlement to Supervisory Board remuneration, whether in cash or restricted stock units.

2 Olga Vysotskaya, Fedor Ovchinnikov and Vadim Zingman were appointed on 30 June 2022.

3 Dmitry Alekseev, Vassiliis Stavrou and Leonid Afendikov were appointed on 30 November 2022.

4 Stephan DuCharme and Mikhail Fridman stepped down on 1 March 2022. Richard Brasher, Geoff King, Michael Kuchment, Alexander Tynkovan, and Marat Atnashev stepped down on, respectively, 4 March, 11 March, 25 March, 25 May, and 22 July 2022.

5 Nadia Shouraboura's term in office expired at the 2022 Annual General Meeting of Shareholders.

6 As described in this report under "Legacy arrangements", the General Meeting of Shareholders approved to substitute part (75%) of Igor Shekhterman's termination bonus for a contract extension bonus. The meeting of shareholders approved to pay the remaining part (25%) to Stephan DuCharme for his invaluable contribution to the Company since 2008, both as member and later Chair of the Supervisory Board, and CEO from 2012 to 2015.

## Ad (1) Base remuneration

Annual fees are as follows:

Role	Fee (EUR)
Supervisory Board Chair	250,000
Supervisory Board member	100,000
<b>Additional allowance for:</b>	
Supervisory Board Vice Chair	50,000
Committee Chair	100,000
Committee member	16,000

## Ad (2) Equity-based compensation

Under the remuneration policy for the Supervisory Board, the remuneration of Supervisory Board members is composed of a fixed cash remuneration and an equity-based reward. The equity-based reward is not subject to performance criteria and was awarded in the form of restricted stock units that are converted into X5 global depositary receipts (X5 GDRs) upon vesting. When the trading of X5 GDRs at the London Stock Exchange was suspended in March, the Nomination and Remuneration Committee initiated a restructuring of the Supervisory Board's equity-based remuneration into a phantom stock plan comparable in terms and size of awards, based on the GDR trading value on the Moscow Exchange. The necessary adjustment to the remuneration policy for the Supervisory Board was submitted to, and approved by, the Extraordinary General Meeting of Shareholders in November.

### Restricted Stock Unit Plan

At the same meeting, the accelerated vesting and cash settlement of restricted stock units (RSUs) awarded in 2019, 2020 and 2021 to Stephan DuCharme, who stepped down from the Supervisory Board on 1 March 2022, and Nadia Shouraboura, whose term in office came to an end at the 2022 Annual General Meeting, was approved. The proposed cash settlement was based on the X5 GDR value on the Moscow Exchange on 22 September 2022, the date the Supervisory Board resolved to terminate the restricted stock plan.

	RSUs outstanding as at 31/12/2021	Accelerated vesting	MOEX GDR value on vesting date in EUR (22/09/2022) <sup>1</sup>	Gross settlement amount
<b>S. DuCharme</b>	24,190	24,190	21.06	EUR 509,441.40
<b>N. Shouraboura</b>	16,171	13,571	21.06	EUR 285,805.26
<b>Total</b>	<b>40,361</b>	<b>37,761</b>		<b>EUR 795,246.66</b>

For Peter Demchenkov, Chair of the Supervisory Board, the 2022 Extraordinary General Meeting approved a transition scheme for restricted stock units awarded in 2019, 2020 and 2021; i.e. vesting of his 2019 RSU awards based on the X5 GDR value at the Moscow Exchange on 22 September 2022.

	RSUs outstanding as at 31/12/2021	Accelerated vesting of 2019 awards	MOEX GDR value on vesting date in EUR (22/09/2022) <sup>1</sup>	Gross settlement amount
<b>P. Demchenkov</b>	32,189	8,941 <sup>2</sup>	21.06	EUR 188,297.46

All other awards to Supervisory Board members were forfeited in accordance with the rules of the Restricted Stock Unit Plan.

Under the new Phantom Stock Unit Plan, each remunerated Supervisory Board member is entitled to an annual equity award in the form of phantom stock units (PSUs), for an award value equal to his/her annual cash allowance.

Supervisory Board members Peter Demchenkov, Olga Vysotskaya, Fedor Ovchinnikov, Dmitry Alekseev, and Vassilis Stavrou were each awarded a number of PSUs, calculated by dividing 100% of their fixed cash remuneration in 2022 by the volume-weighted average closing market price of one GDR over the thirty immediate calendar days preceding 19 May 2022, i.e. RUB 1,055.66. The PSUs awarded under tranche 1 will vest on 19 May 2025. Upon vesting, the eligible Supervisory Board members are entitled to a cash pay-out based on the market value of the awarded PSUs on the vesting date. The number of PSUs awarded and outstanding to the members of the Supervisory Board is shown below.

	Tranche	PSUs awarded in 2022	Year of vesting	PSUs outstanding as at 31/12/2022
<b>P. Demchenkov</b>	1	23,095	2025	23,095
<b>O. Vysotskaya</b>	1	7,849	2025	7,849
<b>F. Ovchinnikov</b>	1	4,489	2025	4,489
<b>D. Alekseev</b>	1	1,746	2025	1,746
<b>V. Stavrou</b>	1	1,746	2025	1,746
<b>Total</b>		<b>38,925</b>		<b>38,925</b>

## Ad (3) Total remuneration

No other remuneration has been granted or allocated by subsidiaries or other companies whose financials are consolidated by the Company to members of the Supervisory Board.

<sup>1</sup> MOEX value on vesting date in EUR is calculated as average GDR price on the MOEX on 22 September (RUB 1,268.00) divided by respective EUR exchange rate on 22 September, as set by the Central Bank of Russia (RUB 60.211 per EUR 1).

<sup>2</sup> The vesting of the 2020 (9,800 RSUs) and 2021 (13,448 RSUs) RSU awards will remain in line with the vesting schedule under the restricted stock plan, with the option to settle RSUs in cash upon vesting in 2023 and 2024, respectively, based on the X5 GDR value at the Moscow Exchange or another exchange where X5 GDRs are primarily traded at the time of vesting.

## Other policy information and contract terms

Supervisory Board members benefit from liability insurance coverage and reimbursement of expenses. The Company does not grant variable remuneration to Supervisory Board members; they do not accrue any pension rights and are not eligible for personal loans or guarantees.

Supervisory Board members do not receive any other benefits or entitlements and are not entitled to any severance payment or benefits upon termination of their appointment. Supervisory Board members are appointed and reappointed based on the provisions of the law and the Company's Articles of Association.

The table on the right reflects the total remuneration of each member of the Supervisory Board in the five most recent financial years (in millions of Russian roubles).

	2018	2019	2020	2021	2022
Peter Demchenkov	24	31	35	52	55
Olga Vysotskaya (appointed on 30 June 2022)	-	-	-	-	10
Fedor Ovchinnikov (appointed on 30 June 2022, stepped down on 8 March 2023)	-	-	-	-	5
Vadim Zingman <sup>1</sup> (appointed on 30 June 2022)	-	-	-	-	-
Dmitry Alekseev (appointed on 30 November 2022)	-	-	-	-	2
Vassilis Stavrou (appointed on 30 November 2022)	-	-	-	-	2
Leonid Afendikov <sup>1</sup> (appointed on 30 November 2022)	-	-	-	-	-
Geoff King (stepped down on 11 March 2022)	35	36	34	43	(26)
Michael Kuchment (stepped down on 25 March 2022)	13	15	16	20	(11)
Nadia Shouraboura (term expired in 2022)	4	12	18	28	16
Marat Atnashev <sup>1</sup> (stepped down on 22 July 2022)	-	-	-	-	-
Alexander Tynkovan (stepped down on 25 May 2022)	-	-	-	10	1
Mikhail Fridman <sup>1</sup> (stepped down on 1 March 2022)	-	-	-	-	-
Stephan DuCharme (stepped down on 1 March 2022)	39	40	41	31	112 <sup>2</sup>
Richard Brasher (stepped down on 4 March 2022)	-	-	-	9	(0)
Karl-Heinz Holland (stepped down on 12 May 2021)	4	11	13	5	-
Andrei Elinson <sup>1</sup> (stepped down on 12 May 2020)	-	-	-	-	-
Alexander Torbakhov (stepped down on 3 July 2020)	-	17	5	-	-
Pawel Musial (stepped down on 22 June 2018)	14	-	-	-	-
Christian Couvreur (stepped down on 10 May 2018)	45	-	-	-	-

<sup>1</sup> Vadim Zingman, Leonid Afendikov, Mikhail Fridman, and Marat Atnashev, in their role as representatives of CTF Holdings S.A., have waived any entitlement to Supervisory Board remuneration, whether in cash or restricted stock units.

<sup>2</sup> On 30 November 2022, the General Meeting of Shareholders approved to substitute 75% of Igor Shekhterman's termination bonus for a contract extension bonus, whereby the remaining part (25%) was allocated to Stephan DuCharme in recognition of his contribution to the Company since 2008, both as member and later Chairman of the Supervisory Board, and CEO from 2012 to 2015.

## Other information

### Total remuneration

The annual remuneration for Management Board and Supervisory Board members during 2022 amounted to RUB 990 million (2021: RUB 640 million).

### Other arrangements

No (personal) loans were granted to the members of the Management Board or of the Supervisory Board, and no guarantees or the like were granted in favour of any of the members of the Management Board or of the Supervisory Board. No severance payments were granted to members of the Management Board or of the Supervisory Board in 2022, and no variable remuneration was clawed back.

### Shareholder voting

This Remuneration Report will be submitted to the 2023 Annual General Meeting of Shareholders for an advisory vote.

### The Supervisory Board

31 May 2023