

## 2021 Annual General Meeting of Shareholders of X5 Retail Group N.V.

The Supervisory Board and the Management Board of X5 Retail Group N.V. (the "Company" or "X5") invite the Company's shareholders (the "General Meeting") and holders of global depository receipts ("GDRs") to the Company's annual general meeting of shareholders to be held at Zuidplein 196, 1077 XV Amsterdam, The Netherlands at 11.00 am CET on **Wednesday 12 May 2021** (the "AGM").

### Agenda

1. Opening
2. Report of the Management Board for the financial year 2020
3. Financial Statements, result and dividend for the financial year 2020
  - A. Remuneration Report **(voting item)**
  - B. Explanation of the Dividend Policy
  - C. Proposal to adopt the 2020 Financial Statements **(voting item)**
  - D. Proposal to determine the dividend over the financial year 2020 **(voting item)**
4. Discharge
  - A. Proposal for discharge from liability of the members of the Management Board **(voting item)**
  - B. Proposal for discharge from liability of the members of the Supervisory Board **(voting item)**
5. Composition of the Management Board: re-appointment of Igor Shekhterman as member of the Management Board **(voting item)**
6. Remuneration of the Management Board: amendment of the remuneration policy for members of the Management Board (new long-term incentive programme) **(voting item)**
7. Composition of the Supervisory Board:
  - A. Re-appointment of Stephan DuCharme as member of the Supervisory Board **(voting item)**
  - B. Re-appointment of Mikhail Fridman as member of the Supervisory Board **(voting item)**
  - C. Appointment of Richard Brasher as member of the Supervisory Board **(voting item)**
  - D. Appointment of Alexander Tynkovan as member of the Supervisory Board **(voting item)**
8. Shares:
  - A. Authorisation of the Management Board to issue new shares or grant rights to subscribe for shares, subject to the approval of the Supervisory Board **(voting item)**
  - B. Authorisation of the Management Board to restrict or exclude the pre-emptive rights upon issue of new shares or granting of rights to subscribe for shares, subject to the approval of the Supervisory Board **(voting item)**
  - C. Authorisation of the Management Board to resolve that the Company may acquire its own shares or GDRs **(voting item)**
9. Appointment of the external auditor for the financial year 2021 **(voting item)**
10. Any other business and conclusion



#### Record date

Persons with the right to vote and/or the right to attend the AGM are considered to be those persons who on **14 April 2021** after processing of all debit and credit entries up to and including that day (the "**Record Date**") are registered as holders of global depositary receipts ("GDRs") in the register of GDR holders maintained by The Bank of New York Mellon (the "**Depositary**").

The Company's annual report for the financial year 2020 (the "**2020 Annual Report**"), which includes the Company's balance sheet and profit and loss account with the explanatory notes (the "**2020 Financial Statements**"), as well as a copy of the 2020 Remuneration Report and the Remuneration Policy of the Management Board, are available on the Company's website [www.x5.ru](http://www.x5.ru) and will also be deposited for inspection by the shareholders and other persons entitled to attend the AGM at the Company's offices in Amsterdam, The Netherlands and are available free of charge.

The register of GDR holders maintained by the Depositary indicates the persons entitled to GDRs on the Record Date and entitled to give voting instructions to the Depositary pursuant to the GDR Terms and Conditions. GDR holders may instruct the Depositary with regard to the exercise of voting rights with respect to Deposited Shares (as defined in the GDR Terms and Conditions) by completing, signing and returning to the Depositary the relevant voting documentation forwarded by the Depositary to the GDR holders. The deadline for providing instructions to the Depositary will be specified by the Depositary in the information provided to GDR holders. The Depositary will procure the exercise of voting instructions received from GDR holders by the relevant deadline in accordance with the GDR Terms and Conditions and the normal processes of the Depositary.

GDR holders who wish to vote in person at the AGM will, on request, be granted an exclusive proxy to do so by the Depositary. GDRs holder to whom such exclusive proxy have been granted must notify the Management Board of the Company of their intention to attend and vote at the AGM and must provide the Management Board with a copy of such proxy at least five (5) days prior to the AGM. GDR holders who intend to vote in this manner must provide sufficient proof of identification on admission to the AGM. In addition, if the exclusive proxy has been granted by the Depositary to a GDR holder which is a legal entity, the person who represents such legal entity at the AGM must provide sufficient proof that he is duly authorised to do so by means of a statement from a local lawyer or notary admitted to practice in the jurisdiction of the GDR holder, duly executed and legalised in accordance with the laws of such jurisdiction.

Amsterdam, 19 March 2021

Stephan DuCharme  
Chairman of the Supervisory Board

Igor Shekhterman  
Chief Executive Officer

## **Explanatory Notes to the Agenda**

### **2. Report of the Management Board for the financial year 2020**

This agenda item includes an account of the financial year 2020, including the report of the Supervisory Board.

### **3. Financial Statements, result and dividend for the financial year 2020**

#### **A. Remuneration Report (voting item)**

This item concerns an advisory vote on the Remuneration Report for the financial year 2020, which is set out on pages 167-175 of the 2020 Annual Report and also available as a stand-alone document on the Company's website. The Remuneration Report describes the 2020 implementation of the Remuneration Policies for the Management Board and the Supervisory Board. It is proposed to cast a favourable vote.

#### **B. Explanation of the Dividend Policy**

In accordance with the Dutch Corporate Governance Code the policy on additions to reserves and on dividends is dealt with and explained as a separate agenda item.

The Company approved its updated dividend policy in 2020, allowing for bi-annual dividend distributions going forward. The dividend policy is to target a payout ratio of at least 25% of the full year consolidated net profit in accordance with IFRS, provided the Company's financial position allows for it. When considering a proposal to pay dividends, the Supervisory Board shall be guided by a target consolidated net debt / EBITDA ratio of below 2.0x as per the end of the year for which the dividend is being proposed. For the year 2020, this policy has resulted in the proposal under agenda item 3D.

#### **C. Proposal to adopt the 2020 Financial Statements (voting item)**

It is proposed to the General Meeting to adopt the 2020 Financial Statements. The 2020 Financial Statements are included in the 2020 Annual Report which is deposited for inspection by the shareholders and other persons entitled to attend the AGM at the Company's offices in Amsterdam, The Netherlands. Copies of the 2020 Annual Report are available on-line on the Company's website, and will also be available for inspection at the AGM.

#### **D. Proposal to determine the dividend over the financial year 2020 (voting item)**

The Supervisory Board, in consultation with the Management Board, proposes which part of the profits will be added to the reserves. Within the scope of the dividend policy of the Company as discussed under agenda item 3B, the following proposal is made for the determination and distribution of dividend on global depositary receipts (GDRs).

It is proposed to the General Meeting to determine the dividend for the financial year 2020 at RUB 184.13 per GDR<sup>1</sup>, representing an increase of 66.7% versus 2019. An amount of RUB 73,64 per GDR was paid as interim dividend on 31 December 2020. The remaining amount of RUB 110,49 per GDR shall be paid to GDR holders within 45 days from the date of the AGM in accordance with the dividend policy. The ex-dividend date is 27 May 2021; the record date is set at 28 May 2021. The dividend shall be paid in USD, and the Depositary shall announce the final payment date for GDR holders upon the RUB/USD conversion date.

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<sup>1</sup> Gross amount subject to taxes and fees

#### **4. Discharge**

##### **A. Proposal for discharge from liability of the members of the Management Board (voting item)**

It is proposed to the General Meeting to discharge the members of the Management Board in office in 2020 from all liability in relation to the exercise of their duties in the financial year 2020, to the extent that such exercise is apparent from the 2020 Financial Statements or other public disclosures prior to the adoption of the 2020 Financial Statements.

##### **B. Proposal for discharge from liability of the members of the Supervisory Board (voting item)**

It is proposed to the General Meeting to discharge the members of the Supervisory Board in office in 2020 from all liability in relation to the exercise of their duties in the financial year 2020, to the extent that such exercise is apparent from the 2020 Financial Statements or other public disclosures prior to the adoption of the 2020 Financial Statements.

#### **5. Composition of the Management Board: Re-appointment of Igor Shekhterman as member of the Management Board (voting item)**

The Supervisory Board proposes to re-appoint Igor Shekhterman as member of the Management Board and CEO for a two-year period ending on the day of the annual general meeting of shareholders to be held in 2023.

Igor Shekhterman (1970), a Russian citizen, was appointed as member of the Management Board and CEO in 2015, and re-appointed in 2019 for a two year term until the AGM in 2021. The Supervisory Board proposes to re-appoint Igor Shekhterman for another 2-year term in view of his experience, his leadership skills and the way he fulfills his role as CEO.

Agreed Package for Igor Shekhterman:

- Base salary RUB 120.000.000
- Short term annual cash incentive based on overall performance of the Company (financial indicators), including financial and non-financial indicators, set by the Supervisory Board. The on-target payout as a percentage of base salary is 100%, contingent on full achievement of the objectives, with a cap at 140% in case of exceptional performance.
- Long term cash incentive under the 2021-2023 long-term incentive plan for members of the Executive Board, as described in the remuneration policy. On-target payout is 300% of base salary, calculated pro rata till date of contract termination (AGM 2023).

Other relevant components:

- Mr. Shekhterman will be entitled to a minimum annual compensation package of USD 4,000,000. Should the minimum annual compensation exceed the total annual remuneration based on fixed and variable components, Mr. Shekhterman will be entitled to the difference payout for the period from starting of his new contract in 2021 till the contract ends.
- Mr. Shekhterman is eligible to a termination compensation of up to USD 5,000,000 at the discretion of the Supervisory Board;
- Subject to compliance with a 12 months non-competition obligation, Mr. Shekhterman shall be entitled to the net sum of RUR 91,750,000.

#### **6. Remuneration of the Management Board: amendment of the remuneration policy for members of the Management Board (voting item)**

In May 2020 the General Meeting approved the remuneration policy for the Management Board, adjusted to ensure compliance with the revised EU Shareholders Rights Directive, following its implementation in Dutch law on December 1, 2019. This year, as described in the Remuneration Report on pages 167-175 of the 2020 Annual Report, the Supervisory Board proposes to extend the 2018-2020 long-term incentive programme and amend the remuneration policy for the Executive Board accordingly.

Similar to the 2018-2020 long-term incentive programme, performance under the new programme is calculated and cash awards are paid after a three year performance period, with a 50% deferred payout subject to maintaining achieved targets in the fourth year. This creates a focus on long-term goals throughout the program and provides an effective mechanism for motivating and retaining members of management who are critical to the ongoing success of the Company. Performance indicators under the program have one or three year vesting periods.

The new programme is designed to support the Company's goal of strengthening its leadership by enterprise value multiples and market share while focusing on revenue as well as margins to increase profitability and prudently managing capital spending and expenses. In addition, the proposed long-term incentive programme includes clearly defined ESG targets supporting the Company's sustainability strategy.

The entire remuneration policy with the proposed adjustments is part of the AGM convocation materials on the Company's website.

## **7. Composition of the Supervisory Board**

### **A. Re-appointment of Stephan DuCharme as member of the Supervisory Board (voting item)**

Under the rotation schedule of the Supervisory Board, Stephan DuCharme reaches his end of term as Supervisory Board member this year. The Supervisory Board proposes to appoint Stephan DuCharme for a new term ending on the day of the annual general meeting of shareholders to be held in 2023, which is the second year after the year of the re-appointment. This term is in line with the re-appointment terms as set in the Dutch Corporate Governance Code.

Stephan DuCharme, a dual US/German citizen (1964), is Managing Partner of L1 Retail, part of the LetterOne investment group. Stephan currently serves as Executive Chairman on the Board of Directors of Distribuidora Internacional de Alimentación (DIA) and also is a Board member of Holland & Barrett. Stephan has been Chairman of X5 Retail Group since the beginning of 2016, having previously served as Chief Executive Officer from July 2012 until November 2015 and as a non-executive member of X5's Supervisory Board beginning in 2008. Prior to X5, Stephan held senior management positions with Alfa Group, the European Bank for Reconstruction and Development and Salomon Brothers Inc. He graduated with distinction from the University of California at Berkeley and received an MBA from INSEAD.

Whilst Stephan DuCharme announced that, after more than 5 years, he steps down as Chairman, the Supervisory Board has taken the view that the interests of the Company and its shareholders are best served by retaining Stephan's experience for two additional years. Stephan DuCharme shall be succeeded as Chairman by Petr Demchenkov, currently Vice-Chairman of the Board.

Stephan DuCharme holds 133.852 GDRs in the Company.

### **B. Re-appointment of Mikhail Fridman as member of the Supervisory Board (voting item)**

Under the rotation schedule of the Supervisory Board, Mr. Fridman reaches his end of term as Supervisory Board member this year. Mr. Fridman is eligible for re-appointment. The Supervisory Board proposes to

appoint Mr. Fridman for a new term ending on the day of the annual general meeting of shareholders to be held in 2024, which is the third year after the year of the re-appointment.

Mikhail Fridman, a dual Russian/Israeli citizen (1964), one of the original founders of Alfa Group Consortium, is Chairman of the Supervisory Board of Alfa Group Consortium, one of Russia's largest privately owned financial-industrial conglomerates. Mr. Fridman is also a member of the Supervisory Board of VEON, a member of the Board of Directors of Alfa Bank and a member of the Board of Directors at ABH Holdings. Mr Fridman is co-founder of LetterOne, an international investment business headquartered in Luxembourg. Mr Fridman is a member of the Board of the Russian Union of Industrialists and Entrepreneurs and of the International Advisory Board of the Council on Foreign Relations (USA). He graduated from the Moscow Institute of Steel and Alloys in 1986.

Mr. Fridman was appointed to the Supervisory Board of the Company in 2006, and re-appointed for a second, third and fourth term in, respectively, 2009, 2013 and 2017, in accordance with the Company's rotation schedule for members of the Supervisory Board. Subject to his reappointment for a fifth term, Mr. Fridman thus exceeds the maximum twelve year appointment term set out in the Dutch Corporate Governance Code.

Mr. Fridman is founder and chairman of the Alfa Group Consortium, which is currently the largest shareholder in X5 with a holding interest of 47.86%. X5 is committed to long-term value creation for all shareholders. The Company believes that it benefits from the long-term commitment of its large shareholders. The interests of Supervisory Board members who hold more than 10% of the shares are substantially aligned with those of X5 and the broad shareholder base. These Supervisory Board members generally have an involvement with the Company over the longer period and this in turn contributes to long-term value creation for X5 and all its shareholders.

### **C. Appointment of Richard Brasher as member of the Supervisory Board (voting item)**

The Supervisory Board proposes to appoint Richard Brasher as member of the Supervisory Board for a term ending on the day of the annual general meeting of shareholders to be held in 2024, which is the third year after the year of the appointment.

Richard Brasher, a British national (1961), has an outstanding track record spanning 35 years in international retail, having joined Tesco in 1986 and having served as a director on the Tesco main board from 2004 to 2012. Richard subsequently joined Pick n Pay South Africa where he, as its CEO since 2013, has led the plan to restore the business to sustainable long-term growth. Richard has a BSc Hons degree in Food Technology at Reading University.

The Supervisory Board recommends to appoint Richard Brasher in view of his proven track record and leadership experience in the food retail industry, and his strong operational background with functional experience in different roles, including store operations, supply chain, category management, buying and private label, coupled with the ability to think strategically and take a long-term view. Richard Brasher has no shareholding in the Company.

### **D. Appointment of Alexander Tynkovan as member of the Supervisory Board (voting item)**

The Supervisory Board proposes to appoint Alexander Tynkovan as member of the Supervisory Board for a term ending on the day of the annual general meeting of shareholders to be held in 2024, which is the third year after the year of the appointment.



Alexander Tynkovan, a Russian national (1967), has a strong track record in the Russian retail industry. As one of the founding partners of M.Video (currently M.Video-Eldorado Group), the leading consumer electronics and home appliance retailer in the Russian Federation, Alexander currently serves as member of its Board and Head of its Strategy Committee, fostering digitalization and growing online presence. Furthermore, Alexander was recently appointed as non-executive Deputy Chairman of the Board of Fix Price Group Ltd., a Russia-based retail chain of discount variety value stores. Alexander previously served as member of the Supervisory Board of X5 Retail Group N.V., from 2008 to 2015. Alexander Tynkovan graduated summa cum laude from the Moscow Energy Institute, majoring in Aircraft Electric Equipment.

The Supervisory Board recommends to appoint Alexander Tynkovan in view of his proven track record and leadership experience in the Russian retail industry, his in-depth knowledge and experience in the fields of digitalization and e-commerce, and his knowledge of X5 having previously served as Supervisory Board member of the Company. Alexander Tynkovan has no shareholding in the Company.

## **8. Shares**

### **A. Authorisation of the Management Board to issue new shares or grant rights to subscribe for shares, subject to the approval of the Supervisory Board (voting item)**

It is proposed to the General Meeting to authorize the Management Board for a period of 18 months from the date of this AGM, i.e. until and including 12 November 2022, to issue shares or grant rights to subscribe for shares, subject to the approval of the Supervisory Board. The authority to issue shares or to grant rights to acquire shares is intended for the issue of shares or the granting of rights to subscribe for shares in respect of the Company's share-based compensation plans and to provide the possibility to react in a timely and flexible manner in respect of the financing of the Company. Resolutions to issue shares or grant rights to subscribe for shares are subject to Supervisory Board approval. This proposal is made in accordance with article 6 paragraph 1 of the Articles of Association and article 2:96 of the Dutch Civil Code. In accordance with current corporate governance practices the proposal is limited to a period of 18 months from the date of this AGM, i.e. until and including 12 November 2022, and to a maximum of 10% of the issued share capital. This authorisation also applies to the issue of new GDRs, or rights to subscribe for new GDRs. One GDR represents 0.25 share of the Company. When this authorization shall be approved, the current authorization shall no longer be utilized.

### **B. Authorisation of the Management Board to restrict or exclude the pre-emptive rights upon issue of new shares or granting of rights to subscribe for shares, subject to the approval of the Supervisory Board (voting item)**

It is proposed to the General Meeting to authorize the Management Board for a period of 18 months from the date of this AGM, i.e. until and including 12 November 2022, to restrict or exclude, subject to the approval of the Supervisory Board, pre-emptive rights in relation to the issue of shares or the granting of rights to subscribe for shares. This proposal is made in accordance with article 7 paragraph 3 of the Articles of Association and article 2:96a of the Dutch Civil Code. In accordance with the proposal under agenda item 9, this proposal is limited to a period of 18 months from the date of this AGM and until and including 12 November 2022. Pursuant to the Articles of Association, if less than 50% of the issued and outstanding capital is represented, this proposal can only be adopted by a majority of at least two-thirds of the votes cast. If 50% or more of the issued and outstanding capital is represented, a simple majority is sufficient to adopt this proposal. When this authorization shall be approved, the current authorization shall no longer be utilized.

### **C. Authorisation of the Management Board to resolve that the Company may acquire its own shares or GDRs (voting item)**

The General Meeting is requested, in accordance with article 9 paragraph 3 of the Articles of Association, to authorise the Management Board for a period of 18 months as of the date of the AGM, i.e. until and including

12 November 2022, to cause the Company to purchase, for general corporate purposes and/or to cover obligations under the Company's restricted stock unit plan, shares or GDRs in the Company's own capital, representing up to 10% of the issued share capital of the Company as at the date of the AGM (for the avoidance of doubt, the 'issued share capital of the Company' includes issued shares and/or GDRs yet owned by the Company (directly or indirectly) in its own capital). GDRs may be acquired at the stock exchange or otherwise, at a price not exceeding 110% of the average closing price of the GDRs on the LSE for the 5 business days prior to the day the purchase is made.

The Supervisory Board has resolved, in accordance with article 17 paragraph 3 of the Articles of Association and subject to the above authorisation by the General Meeting to the Management Board, that in case the amount of Company's own issued share capital or GDRs being purchased reaches a level of more than 5% of the Company's own issued share capital as at the date of the AGM (for the avoidance of doubt, the 'issued share capital of the Company' includes issued shares and/or GDRs yet owned by the Company (directly or indirectly) in its own capital), the Management Board shall obtain Supervisory Board approval before proceeding with such purchase.

The Company may only acquire its own fully paid up shares or GDRs, provided that the part of the Company's net assets which exceeds the aggregate of the issued share capital and the reserves which must be maintained by virtue of the law, is at least equal to the purchase price for the Company's own shares.

#### **9. Appointment of the external auditor for the financial year 2021 (voting item)**

In 2020 the Audit and Risk Committee conducted its annual assessment of the functioning and independence of the external auditor. The Supervisory Board, as per the recommendation of the Audit and Risk Committee following the assessment, proposes to re-appoint Ernst & Young Accountants LLP as the Company's external auditor for the financial year 2021.