

## **Remuneration Policy**

### **1. Remuneration Policy in general**

This remuneration policy is applicable to members of the Management Board of X5 RETAIL GROUP N.V. The objective of the remuneration policy is twofold:

- a. to create a remuneration structure that will allow X5 RETAIL GROUP N.V. to attract, reward and retain qualified executives who will lead X5 RETAIL GROUP N.V. in achieving its strategic objectives and
- b. to provide and motivate these executives with a balanced and competitive remuneration.

The remuneration structure includes four elements: base salary, annual incentive (cash bonus), long term incentive (stock options and/or equity linked instruments), and other arrangements. The remuneration structure mirrors short-term and long-term elements of the responsibilities of members of the Management Board. The annual incentive (cash bonus) will be up to a maximum of 150% of the base salary. In the event the maximum bonus is achieved, this results in a fixed compensation amounting to 40% of the total cash remuneration. The size of the additional long term incentive will be sufficient to achieve the above mentioned objectives of this remuneration policy.

The Remuneration Committee ensures that a competitive remuneration structure is provided by benchmarking with other multinational companies of comparable size and complexity operating in comparable geographical and industrial markets. Benchmark research is carried out on an annual basis.

At the discretion of the Remuneration Committee, and in the interest of X5 RETAIL GROUP N.V., the Committee may deviate from the Remuneration Policy when offering a remuneration structure to a newly appointed member of the Management Board or when amending the remuneration structure of a current member of the Management Board in the event of exceptional circumstances, the Supervisory Board holds the discretionary right to deviate from the remuneration policy if deemed appropriate.

### **2. Base salary**

Base salaries are specified in the individual contracts with MB members and reflect requirements, responsibilities and risk profile of a member of the Management Board, the relevant experience of a member of the Management Board, and other factors. The levels of base salaries are determined by benchmarking with other multinational companies of comparable size and complexity, operating in comparable geographical and industrial markets. The annual review date for the base salary is December 31.

### **3. Annual incentive (cash bonus)**

The annual incentive varies between 0% and a maximum of 150% of the base salary and is based on the achievement of performance criteria specified in advance per Management Board member. Performance criteria mainly consist of quantitative criteria related to the performance of X5 RETAIL GROUP N.V. which are determined from time to time by the Supervisory Board and include, among others, net revenues and EBITDA. These performance measures are considered success factors for X5 RETAIL GROUP N.V. in the short term. The specific targets related to the financial performance measures can not be disclosed as these qualify as commercially sensitive information. Performance criteria also include qualitative targets that are relevant to the responsibilities of an individual Management Board member. Performance criteria for the Chief Executive Officer are proposed by the Remuneration Committee and approved by the Supervisory Board. Performance criteria for all other Management Board members are proposed by the Chief Executive Officer.

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### **4. Long term incentive (stock options or other equity linked instruments)**

In December, 2006 the Supervisory Board of X5 RETAIL GROUP N.V. adopted the Stock Option Program which specifies the principles of granting stock options to the company's employees. X5 RETAIL GROUP N.V. is currently developing rules which will be used when in the future granting stock options or other employees as a long term incentive. The requirements of the Dutch Corporate Governance Code will be taken into account when determining the rules. The share option program's incentives will be linked to predetermined, measurable and influenceable targets.

X5 RETAIL GROUP N.V. will complete this process during the second quarter of 2007 and present the Stock Option Plan to the Supervisory Board for approval.

### **5. Other arrangements**

A number of other arrangements are offered to members of the Management Board, such as expense and relocation allowance, medical insurance, accident insurance and a company car. The company's policy does not allow personal loans and guarantees to members of the Management Board.

### **6. Contracts of employment**

Members of the Management Board have a written contract of employment with X5 RETAIL GROUP N.V. The current members of the Management Board are employed and appointed for a four year period, in accordance with the Dutch Corporate Governance Code. For future new appointments to the Management Board, the term of the contract is also set at four years.

In most circumstances a maximum severance payment of up to one annual base salary for Management Board members is appropriate. However the Supervisory Board reserves the right to agree to a different amount should individual circumstances require this.

### **Status**

The remuneration Committee recommends a Remuneration Policy to the Supervisory Board for adoption. Amendments to the Policy can be proposed by the Remuneration Committee to the Supervisory Board at any time. Every material change in the Remuneration Policy will be submitted to the Annual General Meeting of shareholders for approval.

March 15<sup>th</sup>, 2007