

Remuneration Report

Statement from the Chairman of the Nomination and Remuneration Committee

On behalf of the Nomination and Remuneration Committee, I am pleased to present the Remuneration Report 2021, providing a summary of the remuneration policies for the Management Board and the Supervisory Board, and an account of the implementation of these policies in 2021.

At the 2021 Annual General Meeting of Shareholders, a positive advisory vote was cast for the Remuneration Report 2020. Meanwhile, we took into account feedback received from shareholders and improved our disclosures in this Remuneration Report, creating more transparency in the link between performance and payout. Going forward, we will continue to have an open dialogue with our shareholders and other stakeholders on remuneration principles and remuneration of the Management Board and Supervisory Board.

The year 2021 was another challenging one for X5, as COVID-19 continued to impact our customers, employees and their families. Their health and safety will remain a key focus of our oversight as long as the pandemic is ongoing. In these extraordinary circumstances, X5 continued to serve its vital role in society, as frontline employees did their utmost to meet customer needs and care for people in their communities.

Meanwhile, despite the pandemic and challenging macroeconomic conditions in Russia's food market, with strong competition and inflation putting pressure on consumers, the Company continued to grow in 2021, and maintained profitability margins in line with our strategic targets. Total revenue rose by 11.5% year-on-year, while EBITDA margin for FY 2021 was 7.3% under pre-IFRS 16. In addition, to meet consumer needs in line with e-grocery and ready-to-eat trends, X5 continued to invest in omnichannel solutions for customers, resulting in 140% net growth in online sales year-on-year.

Throughout the year, the Committee continued to reflect on the remuneration policy for the Executive Board to ensure that it continues to support the Company's strategy and long-term growth. The Committee performed its annual remuneration benchmark review and evaluated performance measures under the short- and long-term incentive programmes.

Apart from the Group's key financial measures applied for the 2021 short-term incentive programme, specific business priorities were reflected in additional short-term performance measures to drive business efficiencies and online performance. Furthermore, recognising the strategic importance of our new hard discounter format, Chizik, specific rollout targets were added as an additional performance measure for the CEO. We feel that these performance measures adequately contribute to the Company's success in the short term, while addressing strategic imperatives that contribute to long-term value creation for the Company.

In May, the Annual General Meeting of Shareholders approved the new 2021–2023 long-term incentive (LTI) programme as part of the remuneration policy for the Management Board. The LTI 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, as the Company has integrated sustainable development goals into its overall business strategy, the LTI programme includes ESG targets supporting the Company's sustainability strategy.

As part of our broader responsibility, we also discussed the remuneration principles for other key staff or divisions within the Group. As such, underlining our customer-centric business model, we reviewed new incentive programmes designed to reward a more entrepreneurial approach on the part of store managers. Also, as we continue to invest in our digital and omnichannel ambitions, we recognised the need for tailored incentive schemes for our new businesses, and various management initiatives in this respect have been reviewed.

Finally, with respect to remuneration of the Supervisory Board, certain technical adjustments and mandatory legal updates to the rules of the Restricted Stock Unit Plan were reviewed in 2021. Although these amendments do not change the remuneration policy for the Supervisory Board, an executive summary of the plan will be submitted to the upcoming 2022 Annual General Meeting of Shareholders.

Looking forward, the Supervisory Board will closely engage with management on a thorough re-assessment of both the short- and long term remuneration principles and targets, taking into account the impact of current developments on the Company's strategic priorities. In doing so, we will continue to collect feedback from shareholders and other stakeholders in order to achieve 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 serves as a 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 for the Management Board is aligned with the Company's strategy and supports the Company's long-term development, while aiming to be effective, transparent and simple. The objective of the remuneration policy is twofold:

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

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

Remuneration in context

The table below reflects the total remuneration of each member of the Management Board 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.

	2017	2018	2019	2020	2021
Company performance					
Revenue, RUB bln	1,295	1,533	1,734	1,978	2,205
Selling space, ths sqm	5,480	6,464	7,239	7,840	8,410
Number of stores	12,121	14,431	16,297	17,707	19,121
Net profit (pre-IFRS 16), RUB bln	31	29	26	39	49
Share price, \$ eop	37.8	24.8	34.5	36.1	26.5
Management Board remuneration (RUB, mln)					
I. Shekhterman	344	347	259	275	358
F. Lhoëst	28	33	35	44	44
Q. Peer	–	–	–	38	40
Average employee remuneration, RUB	659,344	701,192	754,990	782,079	799,555
Internal pay ratio (CEO vs employee remuneration)¹	174	209	211	198	273

¹ The pay ratio is calculated by dividing the CEO's total remuneration (base salary and short-term incentive) 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 232 divided by the number of employees on an FTE basis. In 2021, the internal pay ratio increased due to the increase in the CEO's base salary upon his reappointment at the 2021 AGM.

Benchmarking

The remuneration of Executive Board members is benchmarked against the labour market peer group every year. As a company with operations mainly in Russia, the reference group created for the benchmarking is composed of Russian companies equivalent in terms of size of business and complexity of operations, 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 telecommunications (21%), industrial (19%), financial (10%), FMCG (9%), transportation and logistics (9%) and other (6%).

Although external market data provide useful context, it is ultimately the responsibility of the Supervisory Board to determine remuneration packages at an appropriate level that reflect the skills, level of responsibility and performance of each individual. As we aim to recruit and retain the most qualified talent available, the target Total Direct Compensation level for Management and Executive Board members is set between the 50th and the 75th percentile.

For the current CEO, the Supervisory Board resolved to make an exception in recognition of the size and complexity of X5. Following his re-appointment for a two-year term at the 2021 AGM, the CEO's total direct compensation was set, in case of on-target performance, at the 90th percentile.

Internal pay ratio

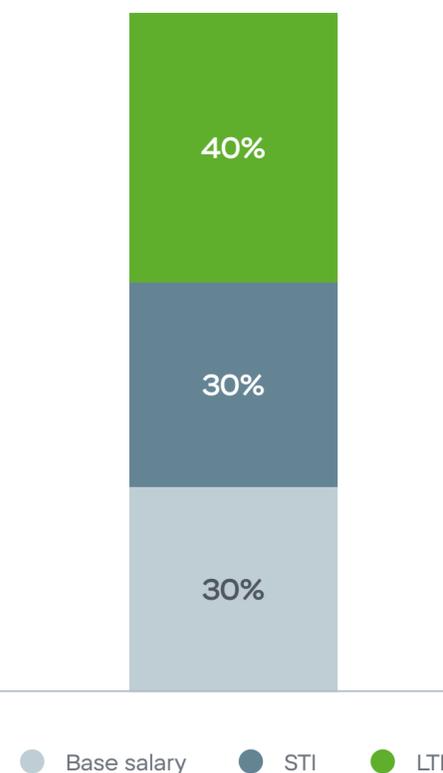
As is commonly understood, pay ratios are specific to the company's industry, geographical footprint and organisational model. As a major food retail company, the relatively small number of executive staff vs operational staff in stores and warehouses across seven federal districts in Russia adds to the variety of pay within the Company and substantially differentiates the average employee compensation with 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 2021

	POLICY SUMMARY	2021 SUMMARY	
Base Salary	Base salaries are in line with compensation levels in peer group companies based on the salary benchmarking survey conducted annually.	Igor Shekhterman RUB 120,000,000	Frank Lhoëst EUR 315,000
		Quinten Peer EUR 275,000	
Short-Term Incentive	<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 level: 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>Igor Shekhterman</p> <ul style="list-style-type: none"> Group targets: 100% Actual payout: 86.2% of base salary <p>Frank Lhoëst</p> <ul style="list-style-type: none"> Group targets: 50% Divisional targets: 25% Individual targets: 25% Actual payout: 61.2% of base salary <p>Quinten Peer:</p> <ul style="list-style-type: none"> Group targets: 50% Divisional targets: 25% Individual targets: 25% Actual payout: 63.2% of base salary 	
Long-Term Incentive	<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/EBITDA ratio to ensure business efficiency and retain focus on prudent financial and balance sheet management</p> <p>50% of the total award is paid in 2024 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>Igor Shekhterman</p> <p>Targets</p> <ul style="list-style-type: none"> Enterprise value / EBITDA multiple: 50% Market share: 45% Sustainability targets: 5% <p>Frank Lhoëst: N/A</p> <p>Quinten Peer: N/A</p>	

Elements of remuneration

Total Direct Compensation



The remuneration provided to Executive Board members consists of the following fixed and variable components (the “Total Direct Compensation”): a base salary, an annual cash incentive (STI) and a long-term cash incentive (LTI). Both the STI and LTI are built around performance measures, both financial and non-financial, to support the Company’s strategic objective of achieving 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 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 case of on-target performance.

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

2021 Management Board remuneration

The following table provides an overview of the Management Board's remuneration in 2021 (in millions of Russian roubles).

NAME	YEAR	BASE SALARY ¹	SHORT-TERM INCENTIVE ²	LONG-TERM INCENTIVE ³	SOCIAL SECURITY COST ⁴	FIXED VS VARIABLE REMUNERATION	TOTAL
I. Shekhterman	2021	104	88	122	44	33%–67%	358
	2020	74	59	108	34	31%–69%	275
F. Lhoëst	2021	27	16	–	1	63%–37%	44
	2020	27	17	–	–	61%–39%	44
Q. Peer	2021	24	15	–	1	62%–38%	40
	2020	23	15	–	–	61%–39%	38
Total	2021	155	119	122	46	–	442
	2020	124	91	108	34	–	357

Ad (1) Base salary

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

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

Following his re-appointment for a two-year term at the 2021 Annual General Meeting, the CEO's total direct compensation was set, in case of on target performance, at the 90th percentile. The total contractual annual base salary for Igor Shekhterman was increased to RUB 120,000,000 (2020: RUB 70,000,000), in recognition of the rapidly increasing size and complexity of X5. In accordance with Russian labour law, the base salary is adjusted based on the number of days spent on vacation. The amount also includes other fixed benefits not exceeding 2% of the total contractual annual base salary.

The base salaries of Frank Lhoëst and Quinten Peer are set at, respectively, EUR 315,000 and EUR 275,000.

Ad (2) Short-term incentive (STI)

The short-term incentive is an annual cash bonus ensuring focus on the achievement of performance targets over the financial year. It drives behaviour and reflects the key priorities for the year. At the beginning of each financial year, the Supervisory Board determines the performance measures and their relative weight, and the targets to be achieved for each performance measure, based on X5's business priorities for that year. For each measure, performance ranges are set, i.e. the value below which no 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 of expanding market share while focusing on margins to increase profitability and prudently managing capital spending and expenses
- Measures that reflect specific strategic and key business priorities of the Company. In 2021, these measures consisted of e-commerce performance, the level of digitalisation to achieve business efficiencies, as well as the expansion of the hard discounter format Chizhik launched in 2020

Furthermore, divisional and individual targets may be set for other members of the Management Board and Executive Board. 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.

The following table reflects the STI achievement and payout for 2021.

Ad (2) Short-term incentive (STI)

	PERFORMANCE MEASURE *	WEIGHT	REALISED PERFORMANCE	RESULTING PAYOUT AS % OF TARGET	ACTUAL BONUS (% OF PAYOUT *WEIGHT)	TOTAL BONUS PAYOUT OF BASE SALARY
Igor Shekhterman	Revenue X5	20%	97.1%	88.6%	17.72%	
Chief Executive Officer	X5 LFL sales	15%	Below threshold	0.0%	0.0%	
	X5 ROI	25%	107.3%	114.7%	28.67%	
	X5 digital channels revenue	10%	87.7%	75.4%	7.54%	
	Digitalisation index	20%	105.6%	111.2%	22.24%	
	Rollout of Chizhik	10%	Achieved	100%	10.00%	
	Total	100%			86.2%	86.20%
Frank Lhoëst	X5 revenue	12.5%	97.1%	88.6%	11.08%	
Company Secretary	X5 LFL sales	10%	Below threshold	0.0%	0.0%	
	X5 ROI	12.5%	107.3%	114.7%	14.34%	
	X5 digital channels revenue	5%	87.7%	75.4%	3.77%	
	Digitalisation index	10%	105.6%	111.2%	11.12%	
	Divisional KPI	25%	118.4%	136.8%	34.21%	
	Individual KPI	25%	110%	110%	27.50%	
Total	100%			102.0%	61.20%	
Quinten Peer	X5 revenue	12.5%	97.1%	88.6%	11.08%	
Chief Operating Officer (X5 Retail Group N.V.)	X5 LFL sales	10%	Below threshold	0.0%	0.0%	
	X5 ROI	12.5%	107.3%	114.7%	14.34%	
	X5 digital channels revenue	5%	87.7%	75.4%	3.77%	
	Digitalisation index	10%	105.6%	111.2%	11.12%	
	Divisional KPI	25%	120%	140%	35.00%	
	Individual KPI	25%	120%	120%	30.00%	
Total	100%			105.3%	63.20%	

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, contingent on the targets being fully achieved.

For the reporting year 2021, the achievement of performance targets was assessed and determined by the Supervisory Board for each Management Board member individually.

For Igor Shekhterman, the STI opportunities are weighted 100% based on the Group's financial and non-financial performance measures. For 2021, it results in a total payout of 86.2% of the target payout (or base salary).

For Frank Lhoëst and Quinten Peer, the STI targets are weighted at 50% for the Group's financial and non-financial performance measures, 25% for division-related targets and 25% for individual, function-related performance measures, also with revenue and profitability thresholds as a condition for STI payout. For 2021, it results in an aggregate cash payout of 102.0% of the target payout, or 61,2% of the base salary for Frank Lhoëst and 105.3% of the target payout or 63.2% of the base salary for Quinten Peer consequently.

* 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 and reflects the level of ambition to achieve it
- Target performance: 100% of target payout
- Maximum performance: 140% of target payout (per quantitative target) and 120% of target payout (per qualitative target)

For each measure, payout in between these performance levels is on a straight-line basis; below threshold performance the payout is zero, whereas beyond maximum performance it is capped at 140% of payout at target.

Ad (3) Long-term incentive (LTI)

The CEO and other members of the Executive Board participate in the Company’s long-term incentive programme. Under the LTI programme, performance is calculated 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, with 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 ongoing success of the Company.

For the CEO, the long-term incentive amount in 2020 represents an accrual-based amount in line with IFRS requirements (see note 28, “Staff costs”, on pages 232-237). On 31 December 2020, the 2018–2020 LTI programme came to an end, with targets and thresholds achieved. In recognition of exceptional results and efforts during the period, the LTI reward includes an additional one-off amount of RUB 30,000,000 awarded at the discretion of the Supervisory Board. This additional reward represents a deviation from the remuneration policy and increases the weight of the LTI in the Total Direct Compensation.

The 2021 Annual General Meeting approved the 2021–2023 LTI programme. Performance indicators under the programme have a one- or three-year vesting period.

Targets under the LTI reflect the Company’s strategy to achieve leadership in customer recognition through continuously evolving value propositions in the food market, while setting the industry standard in digital transformation and omnichannel growth. Long-term performance measures to support this strategy are sustained leadership in terms of enterprise value multiple and market share, with profitability and net debt/EBITDA thresholds to remain focused on margins, business efficiency and prudent financial and balance sheet management. In addition, the LTI programme includes a non-financial target to support the Company’s ESG strategy.

The following table reflects the LTI performance and payout for the CEO (in millions of Russian roubles) for the 2018–2020 LTI programme:

LTI 2018–2020	PERFORMANCE MEASURE	WEIGHT	TARGET PAYOUT %	ACHIEVEMENT	CASH REWARD ¹	50% PAYOUT IN 2021	50% PAYOUT IN 2022 ²
	Revenue	50%	100%	100%	155	77.5	80.3
	EV/EBITDA multiple	50%	100%	100%	155	77.5	80.3

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 as well as his/her contribution to meeting the LTI targets at both the individual and team levels, with a maximum of 133% per year of the participant’s base salary during the three-year programme.

PERFORMANCE MEASURE	WEIGHT	DEFINITION	THRESHOLDS	LINK TO STRATEGY	PAYOUT
EV/EBITDA multiple	50%	Multiple calculated and accrued on an annual basis.	Net debt/EBITDA EBITDA margin	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 the end of 2023.	In 2024 (50%) and 2025 (50%, subject to EBITDA threshold)
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 a specific year, one-third of the target payout is not accrued. The minimum payout level is 60%, and the maximum is 140%, depending on achievement level.	Net debt/EBITDA EBITDA margin	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 the end of 2023.	In 2024 (50%) and 2025 (50%, subject to EBITDA threshold)
Sustainability	5%	To achieve by the end of 2023: <ol style="list-style-type: none"> Reduce CO₂ emissions by 10% Increase the share of recycled solid waste to 95% Increase the share of private label goods in sustainable packaging to >50% 	Net debt/EBITDA EBITDA margin	Achievement of ESG targets under X5’s “30×30” Sustainability Plan.	In 2024 (50%) and 2025 (50%, subject to EBITDA threshold)

¹ Including an additional one-off amount of RUB 30,000,000 awarded at the discretion of the Supervisory Board.

² The EBITDA threshold as a condition for payout of the deferred LTI component was achieved throughout 2021. According to the LTI programme rules, the deferred payout in 2022 equals 50% of the cash reward increased with 12 months’ interest at the Sberbank deposit rate of 3.65% on 31 December 2020.

Ad (4) Social security cost

For the year ended 31 December 2021, the social security costs include statutory pension contributions in the amount of RUB 29 (2020: RUB 22).

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. The Company's 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.

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 based on 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 for termination compensation of up to USD 5,000,000 at the discretion of the Supervisory Board, repayable in case of breach of the non-competition obligations as described herein under "Contractual arrangements".

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, as a Russia-based member of the Management Board, also has 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 in the Netherlands and in Russia.

The 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 and other members of the Executive Board, the severance pay is structured as a non-competition reward payable in quarterly instalments following contract termination, subject to compliance with non-competition conditions. 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 Management or 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.

Clawback

The Supervisory Board may recover from the 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 the conditions of the bonus. Furthermore, the Supervisory Board has the discretionary authority to adjust an unpaid bonus to an appropriate amount if payment of the bonus is considered unreasonable or unfair.

Insurance and indemnity arrangements

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

Although the insurance policy provides broad coverage, X5's directors and officers may incur uninsured liabilities. Under the Company's Articles of Association, members of the Management Board are indemnified by the Company against any claims arising out of or in connection with the general performance of their duties, provided that such claim is not attributable to gross negligence, wilful misconduct or intentional misrepresentation by the director 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 fulfil 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 fees, 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 retail 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 to strengthen their commitment to the future of the Company. The equity-based awards paid to members of the Supervisory Board are computed 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 the Supervisory Board members safeguard their independence of judgement and thought, and adequately reflect the time spent and the responsibilities of their role.

2021 Supervisory Board remuneration

In 2021, the remuneration policy for members of the Supervisory Board was applied.

The following table provides an overview of the Supervisory Board's remuneration that became unconditional in 2021 or at year end (in millions of Russian roubles).

NAME	POSITION	BASE REMUNERATION ¹		SHARE-BASED COMPENSATION ²		TOTAL REMUNERATION ³	
		2021	2020	2021	2020	2021	2020
Peter Demchenkov	Chairman, Nomination and Remuneration Committee	30	22	22	13	52	35
Geoff King ³	Chairman, Audit and Risk Committee	22	21	21	13	43	34
Michael Kuchment ³		10	10	10	6	20	16
Nadia Shouraboura	Chair, Sustainable Development and Innovation Committee	17	12	11	6	28	18
Marat Atnashev ¹		-	-	-	-	-	-
Alexander Tynkovan ²		8	-	2	-	10	-
Karl-Heinz Holland ³		3	8	2	5	5	13
Mikhail Fridman ^{1,3}		-	-	-	-	-	-
Stephan DuCharme ³		12	21	19	20	31	41
Richard Brasher ^{2,3}		7	-	2	-	9	-

¹ 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 Richard Brasher and Alexander Tynkovan were appointed on 12 May 2021.

³ Karl-Heinz Holland stepped down as of 12 May 2021. Stephan DuCharme and Mikhail Fridman stepped down as of 1 March 2022. Richard Brasher stepped down as of 4 March 2022. Geoff King stepped down as of 11 March 2022. Michael Kuchment stepped down as of 25 March 2022.

Ad (1) Base remuneration

In 2020, the General Meeting of Shareholders approved the remuneration policy for the Supervisory Board. Annual fees are as follows:

ROLE	FEE (EUR)
Supervisory Board Chair	250,000
Supervisory Board Member	100,000
Additional allowance for:	
Supervisory Board Vice Chair	50,000
Committee Chair	100,000
Committee Member	16,000

Ad (2) Share-based compensation

The share-based compensation reflects the accrued amounts related to the Restricted Stock Unit Plan (see table to the right).

Each remunerated Supervisory Board member is entitled to an annual equity award in the form of restricted stock units (RSUs), for an award value equal to his/her annual cash allowance.

In accordance with the remuneration policy, Supervisory Board members Stephan DuCharme, Peter Demchenkov, Geoff King, Michael Kuchment, Nadia Shouraboura, Richard Brasher and Alexander Tynkovan were awarded a number of RSUs equal to 100% of their gross annual cash allowance in 2021 divided by USD 31.36, the average market value of one GDR as of 20 May 2021¹, the award date. The RSUs awarded in 2021 will vest in 2024, followed by a lock-in period ending in 2026.

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.

Restricted stock units awarded and outstanding to members of the Supervisory Board

NAME	TRANCHE	RSUs AWARDED IN 2017	RSUs AWARDED IN 2018 ⁴	RSUs AWARDED IN 2019 ⁵	RSUs AWARDED IN 2020	RSUs AWARDED IN 2021	YEAR OF VESTING	RSUs VESTED	VALUE ON VESTING DATE ²	VESTED GDRs AFTER TAX	GDRs LOCKED UP AS OF 31/12/2021 ³	END OF LOCK-UP PERIOD	RSUs OUTSTANDING AS OF 31/12/2021	RSUs OUTSTANDING AS OF 31/12/2020
S. DuCharme	8	9,631					2020	9,631	21	9,631	9,631	2022		
	9		9,977				2021	9,977	23	9,977	9,977	2023		9,977
	10			9,722			2022					2024	9,722	9,722
	11				9,335		2023					2025	9,335	9,335
G. King	12					5,133	2024					2026	5,133	
	8	8,026					2020	8,026	18	5,433	5,433	2022		
	9		9,977				2021	9,977	23	5,300	5,300	2023		9,977
	10			9,373			2022					2024	9,373	9,373
P. Demchenkov	11				9,211		2023					2025	9,211	9,211
	12					9,747	2024					2026	9,747	
	8	5,618					2020	5,618	12	3,803	3,803	2022		
	9		7,982				2021	7,982	18	4,240	4,240	2023		7,982
M. Kuchment	10			8,942			2022					2024	8,942	8,942
	11				9,800		2023					2025	9,800	9,800
	12					13,448	2024					2026	13,448	
	8	3,210					2020	3,210	7	2,173	2,173	2022		
K.-H. Holland ⁵	9		1,995				2021	1,995	5	1,304		2023		1,995
	10			3,749			2022	2,498	-	1,633		2024		3,749
	11				3,684		2023	1,228	-	802		2025		3,684
N. Shouraboura	9		1,995				2021	1,995	5	1,502	1,502	2023		1,995
	10			4,099			2022					2024	4,099	4,099
	11				4,274		2023					2025	4,274	4,274
	12					7,798	2024					2026	7,798	
R. Brasher ⁶	12					2024					2026	3,245		
A. Tynkovan ⁶	12					2024					2026	3,425		

1 Under the rules of the RSU Plan, the average market value is defined as the volume-weighted average price of a GDR over the 30 calendar days immediately preceding 19 May 2019. The volume-weighted average price is calculated using the closing price of a GDR taken from the Official List of the London Stock Exchange.

2 The vesting date is 19 May of each respective year of vesting. If 19 May falls on a weekend, the vesting date is the immediately following business day (in 2018: 21 May; in 2019: 20 May).

3 The number of GDRs held during the lock-up period is equal to the number of vested RSUs minus GDRs sold to cover taxes, if any.

4 The 2018 RSUs for Karl-Heinz Holland and Nadia Shouraboura were effectively awarded in 2019, as both were appointed as Supervisory Board members after the award date in 2018. The awards were based on a 6/12 pro rata factor.

5 Karl-Heinz Holland stepped down from the Supervisory Board on 12 May 2021. As per the RSU Plan, all of the RSUs awarded in 2019 under tranche 9 (i.e. 1,995 RSUs), two-thirds of the RSUs awarded in 2019 under tranche 10 (i.e. 2,499 RSUs) and one-third of the RSUs awarded in 2020 under tranche 11 (i.e. 1,228 RSUs) vested on 12 May 2021. The lock-up on vested GDRs (i.e. 5,722 RSUs) under tranches 9, 10 and 11 was lifted as of 12 May 2021. After tax, Mr Holland was entitled to the immediate release of 3,739 GDRs relating to awards under tranches 9-11.

6 The awards made under tranche 12 are based on a 9/12 pro rata factor, as both Richard Brasher and Alexander Tynkovan were appointed as Supervisory Board members during 2021.

Other policy information and contract terms

Other items

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 Articles of Association of the Company.

No clawback or change-in-control arrangements are in place for Supervisory Board members.

Legacy arrangements

Mr King was appointed as a member of the Supervisory Board by the General Meeting of Shareholders on 7 May 2015 and, as of the same date, he was appointed by the Board as Chairman of both the Audit and Risk Committee and the Related Party Committee, with an annual base fee of EUR 250,000. In December 2019, the Board resolved to dissolve the Related Party Committee as of 1 January 2020, integrating its responsibilities into the overall remit of the Audit and Risk Committee. In view of the additional tasks assumed by Mr King as Chairman of the Audit and Risk Committee, and his membership of the Nomination and Remuneration Committee as of 18 March 2020, Mr King's annual fee remained unchanged.

The table to 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).

NAME	2017	2018	2019	2020	2021
Peter Demchenkov	20	24	31	35	52
Mikhail Fridman ^{1, 2}	-	-	-	-	-
Geoff King ²	34	35	36	34	43
Stephan DuCharme ²	34	39	40	41	31
Michael Kuchment ²	24	13	15	16	20
Karl-Heinz Holland ²	-	4	11	13	5
Nadia Shouraboura	-	4	12	18	28
Marat Atnashev ¹	-	-	-	-	-
Richard Brasher ^{2, 3}	-	-	-	-	9
Alexander Tynkovan ³	-	-	-	-	10

¹ 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 Karl-Heinz Holland stepped down as of 12 May 2021. Stephan DuCharme and Mikhail Fridman stepped down as of 1 March 2022. Richard Brasher stepped down as of 4 March 2022. Geoff King stepped down as of 11 March 2022. Michael Kuchment stepped down as of 25 March 2022.

³ Richard Brasher and Alexander Tynkovan were appointed on 12 May 2021.

Other information

Total remuneration

The annual remuneration for Management Board and Supervisory Board members during 2021 amounted to RUB 640 mln (2020: RUB 519 mln).

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 2021, and no variable remuneration was clawed back.

Shareholder voting

This Remuneration Report will be submitted to the 2022 Annual General Meeting of Shareholders for an advisory vote.

**The Supervisory Board
19 May 2022**