



## Extraordinary General Meeting of Shareholders of X5 Retail Group N.V.

The Supervisory Board of X5 Retail Group N.V. (the "Company" or "X5") invites the Company's shareholders (the "General Meeting") and holders of global depository receipts ("GDRs") to the Company's extraordinary general meeting of shareholders to be held at Parkstraat 20, 2514 JK The Hague, The Netherlands at 11.00 am CET on **12 November 2015** (the "EGM").

### Agenda

1. Opening
2. Appointment of members of the Supervisory Board
  - A. Appointment of Stephan DuCharme (**voting item**)
  - B. Appointment of Michael Kuchment (**voting item**)
3. Appointment of Igor Shekhterman as Chief Executive Officer and member of the Management Board (**voting item**)
4. Appointment of EY as the new external auditor of the Company starting 1 January 2016 (**voting item**)
5. Any other business and conclusion

### Record date

Persons with the right to vote and/or the right to attend the EGM are considered to be those persons who on **15 October 2015** after processing of all debit and credit entries up to and including that day (the "Record Date") are registered in one of the registers mentioned hereafter.

The shareholders' register of the Company in Amsterdam, The Netherlands, has been designated as register to certify the shareholders entitled to vote on the shares. The shareholders identified as entitled to vote on the basis of the shareholders' register of the Company on the Record Date may exercise their rights to vote and attend the EGM. Shareholders may also exercise their rights to vote and/or attend the EGM by a written proxy, in the English language, duly executed and legalised in accordance with the laws of the country where the proxy is issued. Proxy holders must present their written proxy at the EGM.

The register of GDR holders maintained by The Bank of New York Mellon (the "Depositary") indicates the persons entitled to GDRs on the Record Date and entitled to give voting instructions to the Depositary pursuant to Article 12 of 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.

Alternatively, GDR holders who wish to vote in person at the EGM will, on request, be granted an exclusive proxy to do so by the Depositary. A GDR holder to whom such exclusive proxy has been granted must notify the Management Board of the Company of their intention to attend and vote at the EGM and must provide the Management Board with a copy of such proxy at least five (5) days prior to the EGM. GDR holders who intend to vote in this manner must provide sufficient proof of identification on admission to the EGM. 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 EGM 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, 1 October 2015

The Supervisory Board



## **Explanatory Notes to the Agenda**

### **2A. Appointment of Stephan DuCharme as member of the Supervisory Board (voting item)**

The Supervisory Board proposes to appoint Stephan DuCharme as member of the Supervisory Board (the Board) in accordance with article 20.1 of the Company's Articles of Association. It is proposed to appoint Stephan DuCharme for a term ending on the day of the annual general meeting of shareholders to be held in 2019, which is the fourth year after the year of the appointment.

Stephan DuCharme (20 April 1964), a U.S./German citizen, served as CEO and Chairman of the Management Board of X5 from July 2012, after having previously served on X5's Supervisory Board from 2008. Prior to X5 he held senior management positions with SUN Group and Alfa Group, preceded by senior banking positions with the European Bank for Reconstruction and Development (EBRD) and Salomon Brothers Inc. Stephan has served on the Boards of Directors of CSA Czech Airlines, Alfa Bank, SUN-Interbrew Ltd. and JSC SUEK. He graduated with distinction from the University of California at Berkeley and was awarded an MBA from INSEAD.

The Board respects Stephan's decision to step down as CEO, and welcomes the fact that he is committed to remain closely associated with X5, guiding the next phase of the company's development and sustainable growth. Therefore, subject to his nomination being approved at the EGM, the Supervisory Board intends to appoint Stephan as Chairman of the Supervisory Board.

The Supervisory Board acknowledges that, upon his appointment to the Supervisory Board, Stephan does not meet the independence criteria set out in best practice provision III.2.2 of the Dutch Corporate Governance Code (the "Code"). Moreover, the Supervisory Board acknowledges the Code's best practice provision III.4.2 that the Chairman of the Supervisory Board should not be a former member of the Management Board of the Company.

Having carefully considered the interests of the Company and its shareholders, the Supervisory Board has taken the view that these interests are best served by retaining Stephan's experience and leadership for X5 in a renewed capacity as Chairman of the Supervisory Board. This offers shareholders and other stakeholders the greatest continuity and ensures that the Chairman, who is entrusted with taking X5 forward to the next phase of its development, has a proven track record. Having successfully served as CEO during the past three years, and previously as member of the Supervisory Board from 2008 to 2012, Stephan's contribution as Chairman will also be enhanced by his prior finance and banking experience. As part of his remit as Chairman, Stephan will play an active role in relations with shareholders, supporting the new CEO and the CFO.

Stephan DuCharme holds 100,334 GDRs in the Company.

In accordance with best practice, the Company has consulted with its major shareholders to provide additional background information on this proposal, and on the proposal in agenda item 3 (below). These consultations have resulted in positive feedback from major shareholders who have expressed their support for the continuity of strategy, operating model and leadership at X5, as outlined in these explanatory notes.

### **2B. Appointment of Michael Kuchment as member of the Supervisory Board (voting item)**

To increase the number of independent Board members with a strong track record in the retail industry, the Supervisory Board proposes to appoint Michael Kuchment as additional member of the Supervisory Board, in accordance with article 20.1 of the Company's Articles of Association. Subject to this appointment by the General Meeting of Shareholders, the Supervisory Board will be composed of eight members, with a majority of five independent members. It is proposed to appoint Michael Kuchment for a term ending on the day of the annual general meeting of shareholders to be held in 2019, which is the fourth year after the year of the appointment.

Michael Kuchment (28 August 1973), a Russian citizen, is co-founder and vice-president of Hoff, one of the leading home furnishing retailers in Russia. Currently Michael is also Chairman of the Supervisory Board of Sovcombank, one of the



leading Russian consumer banks. From 2008 till 2015 Michael was a board member of M.Video, the largest electronic chain in Russia and the first public non-food retailer. Previously, from 2002 till 2008 Michael worked in M.Video as a Commercial Director. Michael graduated from the Moscow Institute of Physics and Technology with a qualification of physics researcher and holds an Executive MBA degree from the Moscow School of Management Skolkovo.

The Supervisory Board recommends appointing Mr. Kuchment in view of his in-depth knowledge and experience of the retail industry in Russia. Michael Kuchment has no shareholding in the Company.

### **3. Appointment of Igor Shekhterman as Chief Executive Officer and member of the Management Board (voting item)**

The Supervisory Board proposes to appoint Igor Shekhterman as member of the Management Board and Chief Executive Officer, in accordance with article 12.2 and 12.5 of the Company's Articles of Association. It is proposed to appoint Igor Shekhterman for a term ending on the day of the annual general meeting of shareholders to be held in 2019, which is the fourth year after the year of the appointment.

Igor Shekhterman (9 November 1970), a Russian citizen, served on X5's Supervisory Board since 2013. He has been Managing Partner and CEO in RosExpert, which he co-founded in 1996 and has subsequently successfully developed into the Russian alliance partner of Korn/Ferry International. Igor started his career as finance manager at the Russian branch of Beoluna, the Japanese jewelry producer. Igor holds a degree in economics from the Kaliningrad Technical Institute (1992), and degrees in business administration from the Institute d'Administration des Entreprises (France, 1994) and the Danish Management School (1995).

Igor Shekhterman possesses a strong background in leadership development, talent management and organisational design. This includes assessing, building, and developing executive teams - skills which are now critically important for the X5 CEO. As a member of the Supervisory Board and Chairman of its Nomination and Remuneration Committee for more than two years, Igor played an active role in the formation of X5's senior management team, based on a deep understanding of X5 and its business needs. Against this background, Igor is committed to the current operating and governance model, ensuring continuity for investors, employees and other stakeholders. The Supervisory Board is confident that the next phase of X5's development will benefit from Igor's leadership, broad knowledge of X5, as well as his strong organizational and people skills.

In accordance with provision II.2.14 of the Dutch Corporate Governance Code the main elements of Mr. Shekhterman's contract with the Company are available on the Company's website.

### **4. Appointment of EY as the new external auditor of the Company starting 1 January 2016 (voting item)**

This proposal concerns the mandate to be provided to a new external audit firm to audit the annual financial statements (as meant in article 2:393 of the Dutch Civil Code). Pursuant to the Dutch Audit Profession Act, the audit firm of a so called public interest entity (such as a listed company) will have to be replaced if the audit firm performed the statutory audits of the company for a period of eight consecutive years (whereas it is noted that this rule is likely to be withdrawn by Dutch parliament later this year). For the Company this meant that it had to change its external auditor starting 1 January 2016, it being noted that the Company's current external audit firm can finalize its audit in respect of the financial year 2015. A tender and selection process for a new external auditor was concluded in 2015. As a result it is proposed to mandate EY as external audit firm to audit the annual financial statements effective 1 January 2016.