

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 2020, 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 2020.

A turbulent year in review

2020 was a challenging year for X5 as COVID-19 impacted our customers, employees and their families. Their health and safety were key focuses in our oversight, and they continue to be so as the pandemic is ongoing. Meanwhile, like other food retailers around the globe, the Company experienced unprecedented changes in consumer demand with an impressive surge in online sales. Thanks to our strategy of accelerated digitalisation, as well as the engagement and strong execution of our teams, this translated into outstanding results. Against the backdrop of the pandemic, an increasingly competitive environment and challenging macroeconomic conditions, the Company continued to grow in 2020, and maintained profitability margins in line with our strategic targets. Despite severe pressure on top-line growth as consumers avoided visiting large stores and shopping malls during the pandemic, revenue rose by 14.1% year-on-year, while EBITDA margin for FY 2020 was 7.3% under pre-IFRS 16.

During the year we closely monitored the extent to which the pandemic impacted X5's business and financial performance and we discussed the potential impact of the pandemic on remuneration. Meanwhile, we continued to reflect on the remuneration policy for the Executive Board to ensure that it remains aligned to support the strategy and long-term growth of the Company.

The Committee performed its annual remuneration benchmark reviews and evaluated performance measures under the short- and long-term incentive programmes. Applying like-for-like sales, return on investment, net promoter score and staff turnover as key strategic imperatives to the short-term incentive programme in 2020, and sustained leadership in revenue and enterprise value multiples to the long-term incentive programme, we feel that our performance measures for the Executive Board adequately contribute to the Company's success in the short term, while also securing long-term sustainable leadership in customer, employee and shareholder recognition.

With the three-year cycle of the 2018-2020 long-term incentive programme coming to an end, the Committee extensively discussed the extension of this programme for the next cycle. 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, as the Company integrated sustainable development goals in its overall business strategy, the proposed LTI programme includes ESG targets supporting the Company's sustainability strategy. We will describe the new LTI programme in more detail in the revised remuneration policy that will be submitted to the 2021 Annual General Meeting of Shareholders.

Early in the year, we finalised the review of remuneration policies for the Management Board and Supervisory Board, introducing adjustments to create more transparency and to better reflect how these policies support the strategy of sustainable long-term value creation for all stakeholders. In preparing these policies, the Supervisory Board took into account the external environment in which X5 operates, the relevant provisions of the Dutch Corporate Governance Code, competitive market practice as well as input from X5's major shareholders. The adjusted remuneration policies were adopted by the Annual General Meeting of Shareholders in May 2020. At the same meeting, the remuneration report for the financial year 2019 was submitted for an advisory vote. The voting results and shareholder feedback on specific topics were taken into account in this remuneration report, which will be submitted to the 2021 Annual General Meeting of Shareholders for an advisory vote in line with Dutch law.

At the 2021 Annual General Meeting of Shareholders, the Supervisory Board will propose the re-appointment of Stephan DuCharme and Mikhail Fridman for another term of two and three years, respectively. Also, as announced in September 2020, we will propose the re-appointment of Igor Shekhterman as CEO and member of the Management Board for another two-year term. The individual remuneration package for Igor will be detailed in the AGM convocation that will be released in March.

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. 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.

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-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

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.

	2016	2017	2018	2019	2020
Company performance					
Revenue, RUB bln	1,034	1,295	1,533	1,734	1,978
Selling space, ths sqm	4,302	5,480	6,464	7,239	7,840
Number of stores	9,187	12,121	14,431	16,297	17,707
Net profit (pre-IFRS 16), RUB bln	22	31	29	26	39
Share price, \$ eop	32.5	37.8	24.8	34.5	36.1
Management board remuneration (RUB,mln)					
I. Shekhterman	455	344	347	259	275
F. Lhoëst	36	28	33	35	44
Q. Peer	-	-	-	10	38
Average employees' remuneration, RUB	665,257	659,344	701,192	754,990	782,079
Internal pay ratio (CEO vs. employee remuneration)*	195	174	209	211	198

* The pay ratio is calculated by dividing the total remuneration of the CEO (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 pages 228–232 divided by the number of employees on an FTE basis.

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 of all other employees.

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 39 companies in various sectors including:

- retail — 20%
- financial — 26%
- industrial — 23%
- digital and telecommunications — 23%
- transportation and logistics — 8%

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.

Summary of remuneration elements and implementation in 2020

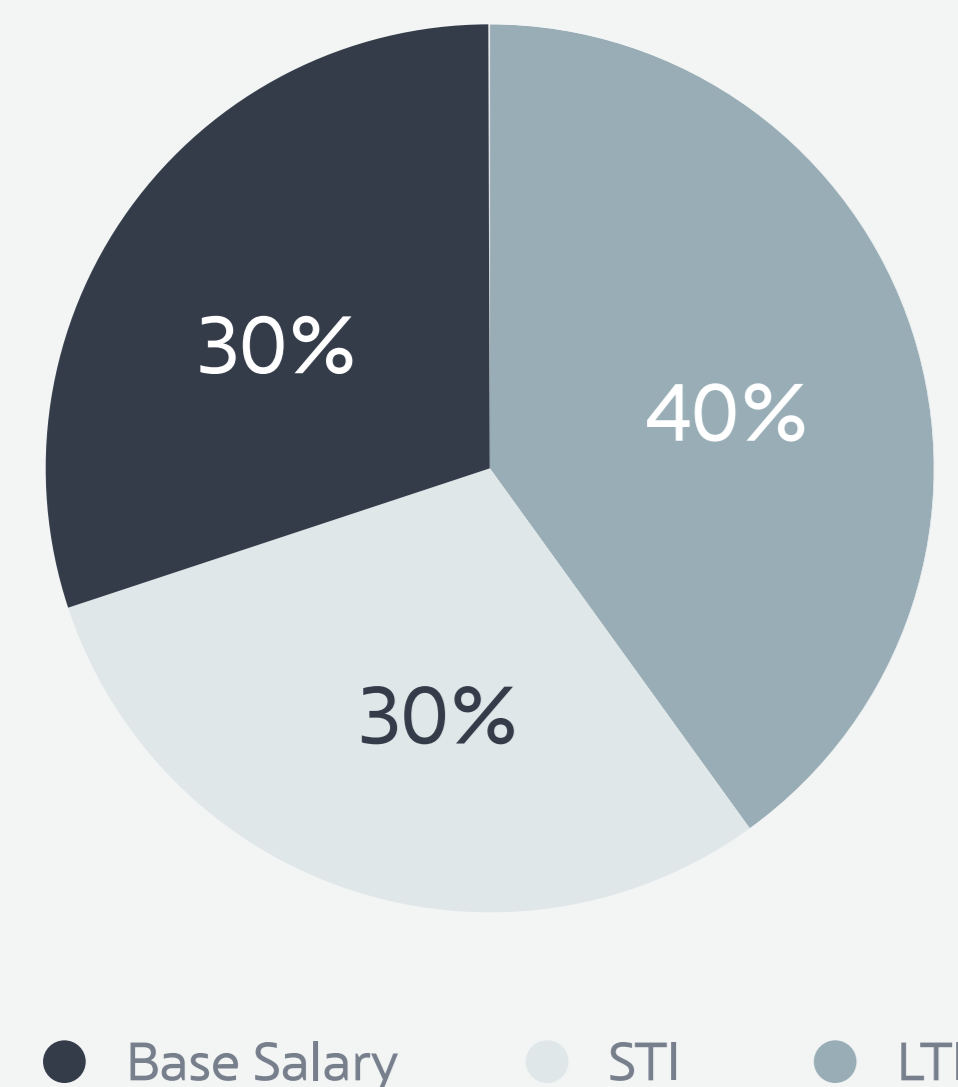
ROLE	POLICY SUMMARY	STRATEGIC ROLE	APPLICATION IN 2020 SUMMARY
BASE SALARY	<ul style="list-style-type: none"> Base salaries are in line with compensation levels in peer group companies based on the salary benchmarking survey conducted annually 	<ul style="list-style-type: none"> Attract and retain the best-qualified talent Reward performance of day-to-day activities 	<ul style="list-style-type: none"> Igor Shekhterman RUB 68,833,333¹ Frank Lhoëst EUR 315,000 Quinten Peer EUR 275,000
Short-Term Incentive	<ul style="list-style-type: none"> Annual cash bonus Target payout CEO: 100% Target payout Management Board members based in the Netherlands: 60% Maximum level: 140% of target payout per quantitative target (financial and non-financial), and 120% of target payout per qualitative target The total STI payout may be adjusted up- or downwards up to 20% of target payout by discretion of the Supervisory Board 	<ul style="list-style-type: none"> Create focus on short-term goals Align work with the overall success of the Company during a specific year Align Management Board with shareholder interest 	<ul style="list-style-type: none"> Igor Shekhterman: <ul style="list-style-type: none"> Group targets: 100% LFL sales 25% ROI 25% NPS 25% Staff turnover: 25% Actual payout: 85.3% of base salary Frank Lhoëst: <ul style="list-style-type: none"> Group targets: 50% LFL sales 12.5% ROI 12.5% NPS 12.5% Staff turnover: 12.5% Individual targets: 25% Divisional targets: 25% Actual payout: 61.08% of base salary Quinten Peer: <ul style="list-style-type: none"> Group targets: 50% LFL sales 12.5% ROI 12.5% NPS 12.5% Staff turnover: 12.5% Individual targets: 25% Divisional targets: 25% Actual payout: 61.08% of base salary
Long-Term Incentive	<ul style="list-style-type: none"> Cash incentive programme over a three-year period from 1 January 2018 until 31 December 2020, with an extension component of deferred, conditional payouts Payout thresholds: EBITDA margin and net debt/EBITDA ratio to ensure business efficiency and retain focus on prudent financial and balance sheet management 50% of the total award is paid in 2021 subject to maintaining achieved targets by the end of 2020, while the other 50% is deferred to 2022 with a profitability threshold as a condition for deferred payout. The second part is increased by the size of the average deposit rate of Sberbank 	<ul style="list-style-type: none"> Align the long-term interests of shareholders and management, with a focus on maintaining leadership in terms of revenue and enterprise value multiple relative to competition Effective mechanism for motivating and retaining members of management who are critical to the ongoing success of the Company Enhanced focus on sustainability and strategic objectives that contribute to long-term value creation for the Company 	<ul style="list-style-type: none"> Igor Shekhterman: <ul style="list-style-type: none"> Targets <ul style="list-style-type: none"> Revenue Enterprise value / EBITDA multiple Actual payout: RUB 155,000,000 Deferred payout: RUB 155,000,000 Frank Lhoëst: N/A Quinten Peer: N/A

1. Due to the COVID-19 pandemic, the Executive Board decided to deduct 20% of their base salary in May to support X5 employees most affected by the pandemic. The contractual annual base salary for Igor Shekhterman is RUB 70,000,000.

Elements of remuneration

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 STI and LTI 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 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".

2020 Management Board remuneration

The following table provides an overview of the Management Board's remuneration in 2020 (in millions of Russian roubles).

NAME	YEAR	BASE SALARY*	SHORT TERM INCENTIVE**	LONG TERM INCENTIVE***	SOCIAL SECURITY COST****	FIXED VS. VARIABLE REMUNERATION	TOTAL
I. Shekhterman	2020	74	59	108	34	31%-69%	275
	2019	76	53	97	33	34%-66%	259
F. Lhoëst	2020	27	17	-	-	61%-39%	44
	2019	22	13	-	-	63%-37%	35
Q. Peer	2020	23	15	-	-	61%-39%	38
	2019	6	4	-	-	60%-40%	10
Total	2020	124	91	108	34		357
	2019	104	70	97	33		304

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.

In 2020 the total contractual annual base salary for Igor Shekhterman is RUB 70,000,000. The table reflects the adjustments made in relation to the COVID-19 pandemic, whereby the Executive Board decided to deduct 20% of their base salary in May to support X5 employees most affected by the pandemic. Furthermore the base salary is adjusted based on number of days spent on vacation, in accordance with Russian labour law. The amount also includes other fixed benefits not exceeding 2% of Igor's 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.

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Short-term incentive (STI)

The short-term incentive is an annual cash bonus ensuring focus on the delivery of performance targets over the financial year. It drives behaviour and reflects the key priorities for the year.

Performance measures are aligned with the Company's strategic objective to deliver sustainable value to shareholders and other stakeholders, and include both financial and non-financial measures at group level, as well as divisional and individual measures. At the beginning of each financial year, the Supervisory Board sets performance thresholds as key conditions for STI payout and 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.

Ad 2

Short-term incentive (STI)

Financial performance measures comprise components related to the Company's operational performance, as defined by sales growth and return on investment (ROI). Revenue and profitability targets serve as thresholds. These metrics typically reflect X5's goal to expand market share while focusing on margins to increase profitability and prudently managing capital spending and expenses. In addition to the financial metrics, the short-term incentive includes specific goals for key strategic imperatives that reflect and support the Company's strategic objectives. For 2020, non-financial performance measures are a mix of quantitative and qualitative measures that reflect and support the Company's strategic goals, and include staff turnover as a measure to stay focused on staff engagement, as well as net promoter score (NPS) as a qualitative strategic imperative to achieve leadership in customer recognition. Both financial and non-financial performance measures contribute to the Company's success in the short term, while also securing the long-term objectives of the Company. X5 does not disclose the actual targets per performance measure, as this is considered commercially sensitive information.

For each performance measure a 80% threshold and 100% target performance level is set as percentage of target payout. In the event of above-target performance, the maximum payout level is 140% of target payout per quantitative target (financial and non-financial) and 120% of target payout per qualitative target. The total STI payout may be adjusted up- or downwards up to 20% of target payout by 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 the targets being fully achieved.

For the reporting year 2020 the achievement of performance targets was assessed and determined by the Supervisory Board for each Management Board member individually. The revenue and profitability thresholds as a condition for payout were met, and the achievement levels of financial performance targets were as follows: like-for-like sales, 72%; and ROI, 110.6%. The achievement levels of NPS and staff turnover (non-financial targets) were, respectively, 82.1% and 146.7%. Performance targets like-for-like sales and NPS were achieved below target thresholds; taking into consideration the exceptional impact of COVID-19 on these specific performance measures and the Company's overall performance in 2020, the Supervisory Board decided to apply its discretionary authority under the remuneration policy to increase the payout with 20% of target payout.

For Igor Shekhterman the STI opportunities are weighted 100% based on the group financial and non-financial performance measures, each measure having a weight of 25%. Due to the achievement of like-for-like sales and NPS performance targets below threshold level, and taking into account 121.2% and 140% payout for ROI and staff turnover respectively, this leads to a payout level of 65.3% of the target payout (or base salary) for Igor Shekhterman. Taking into account the discretionary adjustment applied by the Supervisory Board this results in a total payout of 85.3% of target payout (or base salary) for Igor Shekhterman.

For Frank Lhoest and Quinten Peer, the STI targets are weighted at 50% for the group 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. Division-related targets achievement resulted in a weight-adjusted payout of 35.0% of target payout, and individual targets achievement resulted in a weight-adjusted payout of 27.5% of target payout. The achievement of group financial and non-financial performance measures resulted in a weight-adjusted payout amount of 39.3% of target payout, which results in an aggregate cash payout of 101.8% of target payout, or 61.1% of base salary for both Frank Lhoest and Quinten Peer.

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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.

Targets under the LTI programme are structured to align the long-term interests of shareholders and management, with a focus on maintaining leadership in terms of revenue and enterprise value multiple relative to the competition. Additionally, the LTI programme includes thresholds relating to the EBITDA margin and the net debt/EBITDA ratio to retain focus on business efficiency and prudent financial and balance sheet management.

Under the programme, 50% of the total award is paid in 2021 subject to maintaining achieved targets until the end of 2020, while the other 50% is deferred to 2022 with a profitability threshold as a condition for deferred payout. X5 does not disclose the actual targets per performance measure, as this is considered commercially sensitive information.

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 to meeting the LTI targets at both individual and team level, with an on-target payout level of 133% per year of the participant's base salary during the three-year programme.

Members of the Management Board based in the Netherlands do not participate in the LTI programme.

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 228–232). 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 by discretion of the Supervisory Board. This additional reward represents a deviation from the remuneration policy and results in an increased weight of the LTI in the Total Direct Compensation.

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

	Performance measure	Weight	Target payout %	Achievement	Actual bonus (CEO)	50% actual payout in 2021	50% deferred payout in 2022
LTI 2018-2020	Revenue	50%	100%	100%	155	77.5	77.5
	EV/EBITDA multiple	50%	100%	100%	155	77.5	77.5

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Social security cost

For the year ended 31 December 2020 the social security costs include statutory pension contributions in the amount of RUB 28.024 mln (2019: RUB 24.253 mln).

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.

Contractual arrangements

Members of the Management Board are engaged on the basis of a Management Services Agreement with a 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 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 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 to a 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".

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 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 consists 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 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 Supervisory Board members chairing a committee, X5 believes that the level and structure of the remuneration of the Supervisory Board members safeguard their independence of judgment and thought, and adequately reflect the time spent and the responsibilities of their role.

2020 Supervisory Board remuneration

In 2020, 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 2020 or at year end (in millions of Russian roubles).

Name	Position	Base remuneration		Share-based compensation		Total remuneration	
		2020	2019	2020	2019	2020	2019
Stephan Ducharme	Chairman	21	19	20	21	41	40
Andrei Elinson ²		-	-	-	-	-	-
Mikhail Fridman ¹		-	-	-	-	-	-
Geoff King	Chairman Audit and Risk Committee	21	18	13	18	34	36
Peter Demchenkov	Chairman Nomination and Remuneration Committee	22	17	13	14	35	31
Michael Kuchment		10	8	6	7	16	15
Karl-Heinz Holland		8	7	5	4	13	11
Nadia Shouraboura	Chairman Innovation and Technology Committee	12	8	6	4	18	12
Alexander Torbakhov ³		8	14	(3)	3	5	17
Marat Atnashev ⁴		-	-	-	-	-	-

1. Mikhail Fridman, Andrei Elinson 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. Andrei Elinson stepped down as of 12 May 2020.

3. Alexander Torbakhov stepped down as of 3 July 2020.

4. Marat Atnashev was appointed on 12 May 2020.

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

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Share-based compensation

The share-based compensation reflects the accrued amounts related to the Restricted Stock Unit Plan (see table below). 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, Karl-Heinz Holland, Nadia Shouraboura and Alexander Torbakhov were awarded a number of RSUs equal to 100% of their gross annual cash allowance in 2020 divided by USD 29.82, the average market value of one GDR as of 20 May 2020, the award date.¹ The RSUs awarded in 2020 will vest in 2023, followed by a lock-in period ending in 2025.

Following the resignation of Alexander Torbakhov, the RSU Plan rules on forfeiture and accelerated vesting of RSUs, and accelerated release of GDRs, were applied as described in Note 6 to the table below.

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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

	Tranche	RSUs awarded in 2016	RSUs awarded in 2017	RSUs awarded in 2018 ⁴	RSUs awarded in 2019 ⁵	RSUs awarded in 2020	Year of vesting	RSUs vested	Value on vesting date ²	Vested GDRs after tax	GDRs locked up as per 31/12/2020 ³	End of lock-up period	RSUs outstanding as per 31/12/2020	RSUs outstanding as per 31/12/2019
S. DuCharme	7	25,703					2019	25,703	53	13,257	13,257	2021		
	8		9,631				2020	9,631	21	9,631	9,631	2022		9,631
	9			9,977			2021					2023	9,977	9,977
	10				9,722		2022					2024	9,722	9,722
	11					9,335	2023					2025	9,335	
G. King	7	14,280					2019	14,280	29	9,449	9,449	2021		
	8		8,026				2020	8,026	18	5,433	5,433	2022		8,026
	9			9,977			2021					2023	9,977	9,977
	10				9,373		2022					2024	9,373	9,373
	11					9,211	2023					2025	9,211	
P. Demchenkov	7	5,712					2019	5,712	12	3,779	3,779	2021		
	8		5,618				2020	5,618	12	3,803	3,803	2022		5,618
	9			7,982			2021					2023	7,982	7,982
	10				8,942		2022					2024	8,942	8,942
	11					9,800	2023					2025	9,800	
M. Kuchment	7	5,712					2019	5,712	12	3,779	3,779	2021		
	8		3,210				2020	3,210	7	2,173	2,173	2022		3,210
	9			3,991			2021					2023	3,991	3,991
	10				4,099		2022					2024	4,099	4,099
	11					4,274	2023					2025	4,274	
K.-H. Holland	9			1,995			2021					2023	1,995	1,995
	10				3,749		2022					2024	3,749	3,749
	11					3,684	2023					2025	3,684	
N. Shouraboura	9			1,995			2021					2023	1,995	1,995
	10				4,099		2022					2024	4,099	4,099
	11					4,274	2023					2025	4,274	
A. Torbakhov⁶	10				7,365		2022	2,455	6	1,604		2024		7,365
	11					7,958	2023					2025		

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 2021. 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 in 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. 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. For Alexander Torbakhov, a pro rata factor of 11/12 was applied for the 2019 RSU award, in view of his nomination on 25 January 2019.

6. Alexander Torbakhov stepped down from the Supervisory Board on 3 July 2020. As per the RSU Plan rules, 7,958 RSUs awarded under tranche 11 were forfeited and 4,910 RSUs awarded under tranche 10 were forfeited as of 3 July 2020, and consequently a total of 2,455 RSUs were awarded under tranche 10 vested in 2020. After tax, Mr. Torbakhov was entitled to immediate release of 1,604 GDRs relating to awards under tranches 10 and 11.

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

	2016	2017	2018	2019	2020
Stephan DuCharme	42	34	39	40	41
Mikhail Fridman ¹	-	-	-	-	-
Geoff King	36	34	35	36	34
Peter Demchenkov	11	20	24	31	35
Michael Kuchment	9	24	13	15	16
Andrei Elinson ¹²	-	-	-	-	-
Karl-Heinz Holland	-	-	4	11	13
Nadia Shouraboura	-	-	4	12	18
Alexander Torbakhov ³	-	-	-	17	5
Marat Atnashev ¹⁴	-	-	-	-	-

1. Mikhail Fridman, Andrei Elinson 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. Andrei Elinson stepped down as of 12 May 2020.

3. Alexander Torbakhov stepped down as of 3 July 2020.

4. Marat Atnashev was appointed by the General Meeting of Shareholders on 12 May 2020.

Other information

Total remuneration

The annual remuneration for Management Board and Supervisory Board members during 2020 amounts to RUB 519 mln (2019: RUB 466 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 2020, and no variable remuneration was clawed back.

Shareholder voting

This Remuneration Report will be submitted to the 2021 Annual General Meeting of Shareholders for an advisory vote in line with Dutch law.

The Supervisory Board
18 MARCH 2021