

# X5 RETAIL GROUP N.V.

## RULES OF PROCEDURE OF THE MANAGEMENT BOARD

Adopted by the Supervisory Board  
by resolution dated 27 June, 2019  
and amended from time to time.  
Current version dated 27 June, 2019

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# 1. Introduction

- 1.1 X5 Retail Group N.V. ("the Company") is a public company under Dutch law, with a two-tier board structure comprised of a Supervisory Board and Management Board that are accountable to the general meeting of shareholders of the Company (the "General Meeting of Shareholders"). The Management Board is the statutory executive body of the Company with collective responsibility for the overall management of the Company and its group entities (the "Group" or "X5") and operates under the supervision of the Supervisory Board.
- 1.2 These Rules of Procedure for the Management Board are established pursuant to article 15.2 of the Company's Articles of Association (the "Articles of Association"), approved by the Supervisory Board and complementary to the rules and regulations applicable to the Management Board under Dutch Law, Dutch Corporate Governance Code (the "Code") and the Articles of Association. Where these Rules of Procedure are inconsistent with Dutch Law or the Articles of Association, the law or, as the case may be, the Articles of Association shall prevail.
- 1.3 In its resolution adopted on 27 June 2019, the Management Board unanimously declared that:
- a) it will comply with and be bound by the obligations arising from these Rules of Procedure;
  - b) it will cause newly appointed members of the Management Board to issue a declaration as referred to in subparagraph (a).
- 1.4 These Rules of Procedure are posted on the Company's website [www.x5.ru](http://www.x5.ru)

# 2. Composition, (re-)appointment, term and resignation

- 2.1 In accordance with article 12.1 of the Articles, the Management Board consists of two or more individual Management Board members. The number of the individual Management Board members shall be determined by the Supervisory Board, with due observance of the preceding sentence.
- 2.2 The Management Board shall be composed such that the requisite expertise, background and competencies are present for them to carry out their duties properly. The size of the Management Board should reflect these requirements. Each Management Board member shall have the specific expertise required for the fulfillment of his duties.
- 2.3 The members of the Management Board shall be appointed, suspended and dismissed in the manner as provided in the Articles of Association. Diversity objectives set out in the Company's Diversity Policy as drawn up by the Supervisory Board shall be considered in the preparation of the appointment or reappointment.
- 2.4 A member of the Management Board shall be appointed for a maximum period of four years. A member may be reappointed for a term of not more than four years at a time.
- 2.5 The Supervisory Board shall appoint one of the individual Management Board members as Chief Executive Officer (the CEO), who will also be the Chairman of the Management Board. One of the other individual Management Board members shall be appointed as Company Secretary. The Supervisory Board may determine the titles of the other individual Management Board members.

- 2.6 Members of the Management Board shall retire early in the event of inadequate performance, structural differences of opinion, incompatibility of interests and other instances where retirement is deemed necessary at the discretion of the Supervisory Board.

### 3. Responsibilities

- 3.1 The members of the Management Board shall be collectively responsible for the Company's management, the general affairs of the Company's business and the general affairs of the group companies affiliated with the Company. The Management Board shall serve the best interest of the Company while carrying out its responsibilities and will take into account the interests of all persons involved in the Company, including those of the Company's shareholders.
- 3.2 Together with the Supervisory Board, the Management Board is responsible for stimulating openness and accountability among its members and vis-à-vis the Supervisory Board, based on values that contribute to a culture of integrity and long-term value creation.
- 3.3 Individual members of the Management Board may be charged with specific parts of the managerial tasks, without prejudice to the collective responsibility of the Management Board as a whole. The Management Board remains collectively responsible for decisions, even if they are prepared by individual members of the Management Board. An individual member of the Management Board may only exercise such powers as are explicitly attributed or delegated to him and he may never exercise powers beyond those exercisable by the Management Board as a whole.
- 3.4 The division of tasks within the Management Board is determined (and amended, if necessary) by the Management Board, subject to the approval of the Supervisory Board. Management Board members especially charged with particular managerial tasks are primarily responsible for the risk control and monitoring of the managerial tasks concerned.
- 3.5 Each member of the Management Board must inform the other members of the Management Board in a clear and timely manner about the way in which he has used delegated powers and about major developments in the area of his responsibilities.
- 3.6 The responsibilities of the Management Board include:
- a) the achievement of the Company's objectives, the strategy and associated risk profile, the development of results and corporate social responsibility issues that are relevant to the Company;
  - b) ensuring that internal procedures are established and maintained which safeguard that all relevant information is known to the Management Board and the Supervisory Board in a timely fashion;
  - c) managing the risks associated with the Company's activities;
  - d) ensuring that effective internal risk management and control systems are in place and discussing this with the Audit Committee and the Supervisory Board;
  - e) maintaining and preparing the financial reporting process;
  - f) compliance with all relevant primary and secondary legislation;
  - g) financing the Company;
  - h) compliance with and maintaining the corporate governance structure of the Company;
  - i) publishing the corporate structure of the Company and any other information required under the Code, through the annual report, the Company's website and otherwise;
  - j) preparing the annual accounts and drawing up the annual budget and important capital investments of the Company;

- k) giving advice in connection with the nomination of the external auditor of the Company;
- l) ensuring that the external auditor will receive all information that is necessary for the performance of his work in a timely manner.

3.7 The Management Board requires prior approval from the Supervisory Board concerning the following matters:

- a) decisions on the (strategic) priorities of the Company, confirmation of the strategy of the Company, deciding on the indication for the achievement of strategic priorities and the adoption of a finance and production plan for the Company and any changes thereto;
- b) the establishment of branch offices and representative offices of the Company and the discontinuation of such activities;
- c) any agreements between the Company on the one side and a Managing Director or his management company on the other side;
- d) the entering into any transaction or a number of related transactions with a value in excess of one hundred and twenty five million Euro (EUR 125,000,000), which also includes undervalue transactions whereby the underlying value of the assets exceeds one hundred and twenty five million Euro (EUR 125,000,000), provided that no approval of the Supervisory Board shall be required:
  - i. if the company enters into any transaction or a number of related transactions with any of its direct or indirect wholly owned subsidiaries;
  - ii. in case of any transaction between two or more direct or indirect wholly owned subsidiaries of the company; and
  - iii. in the case of an acquisition or disposal of shares in the share capital of the Company or of Depositary Receipts as referred to in article 9 of the Company's Articles of Association; and
  - iv. as resolved by the Supervisory Board, in case of ordinary commercial contracts with suppliers with a value in excess of EUR 125,000,000;
- e) the approval of internal documents regulating the activities of the Company's corporate bodies;
- f) the decision on the price (valuation) of assets and securities (other than shares in the capital of the Company) issued or acquired if such valuation is required by law;
- g) decisions to grant share schemes or option schemes to persons other than the Managing Directors.

3.8 The Chairman of the Management Board is, amongst other things, responsible for:

- a) coordinating the management policy of the Company;
- b) ensuring the effective and collective functioning of the Management Board;
- c) the financial reporting of the Company;
- d) drafting the agenda -with input from the other Managing Directors- and chairing meetings of the Management Board;
- e) maintaining intensive and frequent contacts with the Supervisory Board and in particular with its chairman, and informing the other members of the Management Board in a timely and careful manner about the results of those contacts;
- f) maintaining good contacts with the shareholders of the Company; and
- g) receiving and deciding on reports by employees of the Company of irregularities in the Company of a general, operational and financial nature, unless the Company's rules on whistleblowers provide that those employees report such irregularities to the chairman of the Supervisory Board.

- 3.9 The Company Secretary shall, beside his general duties and responsibilities as member of the Management Board, be responsible for:
- a) coordinating the Company's formal decision making process and public disclosure and reporting requirements;
  - b) monitoring and ensuring compliance with Dutch and other applicable rules and regulations;
  - c) ensuring that the Supervisory Board acts in accordance with Dutch law, the Articles of Association and the Rules of the Supervisory Board; and
  - d) Assist the Supervisory Board as described in the Rules of the Supervisory Board.

## 4. Meetings and decision-making

- 4.1 Management Board meetings are held in accordance with a meeting schedule to be annually set by the Management Board. Additional meetings are convened at the request of any individual Management Board member. The meetings shall generally be held at the offices of the Company in the Netherlands, but may also take place elsewhere. Meetings may be held by telephone or videoconference provided that all participants can hear each other simultaneously.
- 4.2 The meetings will be chaired by the Chairman. In the absence of the CEO, the Management Board shall appoint one of the Managing Directors as the chairman for that meeting.
- 4.3 The Company Secretary will act as the secretary of the meetings of the Management Board. In the absence of the Company Secretary, the Management Board shall appoint one of the Managing Directors as the secretary for that meeting.
- 4.4 The secretary shall keep minutes of the proceedings at meetings of the Management Board. The minutes shall be adopted in the same meeting or in a following meeting of the Management Board and shall be signed by the Chairman and the secretary as evidence thereof.
- 4.5 Each Managing Director shall have the right to cast one vote.
- 4.6 The Management Board shall adopt resolutions with a simple majority of the votes cast in a meeting in which more than fifty (50) percent of all the Managing Directors in office are present or represented provided that any Managing Director with a conflict of interest as referred to in clause 5 of these Rules, is not taken into account when establishing this quorum. If there is a tie vote, the Supervisory Board shall decide.
- 4.7 If within half an hour of the time appointed for a meeting the quorum set out in the previous paragraph is not present or represented a new meeting will be convened.
- 4.8 A Managing Director may be represented by another Managing Director authorised in writing. The expression: "in writing" shall include any message transmitted by current means of communication and received in writing. A Managing Director may not act as representative for more than one Managing Director.
- 4.9 Resolutions of the Management Board may also be adopted in writing without recourse to a Management Board meeting.

## 5. Conflict of interests

- 5.1 Any form of conflict of interest between the Company and the members of its Management Board shall be prevented. To avoid conflicts of interest, adequate measures shall be taken. The

Supervisory Board is responsible for the decision-making on dealing with conflicts of interest regarding Management Board members.

- 5.2 A (potential) conflict of interest for the purpose of this clause 5 means:
- a) a direct or indirect personal conflict of interest within the meaning of article 2:129(6) Dutch Civil Code; and
  - b) any other situation which causes reasonable doubt about whether the Management Board member concerned is primarily guided in the decision-making process by the interests of the Company and its business.
  - c) A Management Board member shall in any event have a potential conflict of interest if the Company intends to enter into a transaction with a legal entity:
    - i. in which that Management Board member has a material financial interest, being a direct or indirect shareholding of at least 10% of the share capital;
    - ii. whose management or supervisory board includes a member who has a family law relationship with that Management Board member; or
    - iii. in which that Management Board member has a management or supervisory position.
- 5.3 A Management Board member must be alert to conflicts of interest and may not:
- a) compete with the Company;
  - b) demand or accept substantial gifts from the Company for themselves or their spouse, registered partner or other life companion, foster child or relative by blood or marriage up to the second degree;
  - c) provide unjustified advantages to third parties at the Company's expense;
  - d) take advantage of business opportunities that the Company is entitled to, for themselves or for their spouse, registered partner or other life companion, foster child or relative by blood or marriage up to the second degree.
- 5.4 A Management Board member shall not take part in any deliberation and decision-making that involves a subject or transaction in relation to which he has a conflict of interest with the Company. If, as a result, no Management Board resolution can be adopted, the resolution will be adopted by the Supervisory Board
- 5.5 A Managing Director must without delay report any conflict of interest or potential conflict of interest to the chairman of the Supervisory Board and to the other Managing Directors. The Managing Director must provide all relevant information, including any relevant information concerning his or her spouse, registered partner or other life companion, foster child and relatives by blood or marriage up to the second degree.
- 5.6 In case a (potential) conflict of interest is reported in respect of any member of the Management Board, the Supervisory Board, herein assisted by the Related Party Committee, will determine whether a reported (potential) conflict of interest qualifies as a conflict of interest for which such member of the Management Board should not participate in the discussions and decision-taking process, outside the presence of the Management Board member concerned.
- 5.7 All transactions in which there are conflicts of interest with Management Board members should be agreed on terms that are customary in the market.
- 5.8 All transactions in which there are conflicts of interest with Management Board members, which are approved by the Supervisory Board should be published in the management report, together with a declaration that best practices provision 2.7.3, 2.7.4 and 2.7.5 of the Code has been complied with.

- 5.9 The Company does not grant the Management Board members any personal loans or guarantees unless in the normal course of business and on terms applicable to the personnel as a whole, and after approval of the Supervisory Board. No remission of loans are granted.

## 6. Remuneration

- 6.1 The remuneration of the members of the Management Board shall be determined within the scope of the remuneration policy adopted by the General Meeting on the proposal of the Supervisory Board and in accordance with the Code.
- 6.2 The level and structure of the remuneration and further conditions of employment of each individual member of the Management Board shall be determined by the Supervisory Board, on proposal of the Nomination and Remuneration Committee. In such proposal the Nomination and Remuneration Committee should take note of the views of each individual Management Board Member with regard to the amount and structure of their own remuneration.
- 6.3 The main elements of the contract of a member of the Management Board with the Company shall be made public via the Company's website immediately after it is concluded, and in any event no later than the date of the notice calling the General Meeting of Shareholders where the appointment of the Management Board member will be proposed.

## 7. Whistleblower policy and misconduct

- 7.1 The Management Board shall ensure that employees have the possibility, without jeopardizing their legal position, of reporting alleged irregularities of a general, operational and financial nature within the Company to the CEO or an officer or body designated by him for such purpose. Alleged irregularities concerning the functioning of Management Board members shall be reported to the Chairman of the Supervisory Board. The whistleblower policy is posted on the Company's website.
- 7.2 The Management Board shall inform the Chairman of the Supervisory Board without delay of any signs of actual or suspected material misconduct or irregularities within the Company and its businesses.

## 8. Relationship with the Supervisory Board

- 8.1 The CEO and Company Secretary will be invited for and will in principle attend each Supervisory Board meeting, other Members of the Management Board will attend Supervisory Board meetings when invited to do so by the chairman of the Supervisory Board.
- 8.2 The CEO, the Company Secretary and if and when required other members of the Management Board will have regular contacts with the Supervisory Board.
- 8.3 The Management Board shall timely provide the Supervisory Board with information (if possible, in writing) on all facts and developments concerning the Company, which the Supervisory Board may need to function as required and to properly carry out its duties.

- 8.4 The Management Board shall monthly provide the Supervisory Board with a report prepared in a format as agreed from time to time and setting out detailed information on inter alia revenues, store openings and other relevant KPIs.
- 8.5 The Management Board shall report on a quarterly basis the results of the Company in the previous period to the Supervisory Board, including a comparison of the figures and budget, also in relation to the same period in the previous financial year and with reference to the most important developments in that period. The Management Board shall also provide the Supervisory Board with appropriate financial reporting, including but not limited to a balance sheet and P&L statement, prepared in a format as agreed from time to time.
- 8.6 Each year, without prejudice to the above, the Management Board shall provide the Supervisory Board with a budget for the following year, an up-to-date version of its long-term plans, the main features of the strategic policy, the general and financial risks, and the management and control systems of the Company. These documents will be provided in time so as to enable the Supervisory Board to give its approval by December of the then current year.
- 8.7 If a takeover bid for the Company's shares or depositary receipts of the Company's shares is in the process of being prepared, the Management Board shall ensure that the Supervisory Board is closely involved in the takeover process in a timely fashion. Furthermore, if the Management Board receives a request from a competing bidder to inspect the Company's records, the Management Board shall discuss this request with the Supervisory Board without delay.

## 9. Relationship with the shareholders

- 9.1 The members of the Management Board shall attend the General Meeting, unless they are prevented from attending on serious grounds.
- 9.2 The Management Board shall timely provide the General Meeting with any information it may require, unless important interests of the Company or any law, rules or regulations applicable to the Company prevent it from doing so. The Management Board shall specify the reasons for invoking such important interests.
- 9.3 The Management Board shall inform the shareholders by means of explanatory notes to the agenda of all facts and circumstances relevant to the matters included in the agenda.
- 9.4 The Management Board is responsible for the corporate governance structure of the Company and is accountable to the General Meeting.

## 10. (Self-)evaluation

- 10.1 The functioning of the Management Board as a collective and the functioning of individual Management Board members will be evaluated on a regular basis by the Supervisory Board.
- 10.2 At least once a year, the Management Board should evaluate its own functioning as a whole and that of the individual Management Board members.
- 10.3 Each Management Board member shall annually identify any specific aspects in respect of which he or she requires further training or education.

## 11. Outside Positions

- 11.1 A member of the Management Board may not be a member of the Supervisory Board of more than two listed companies, subject to clause 11.2 of these Rules below.
- 11.2 A member of the Management Board shall not accept membership of the supervisory board of another listed company, not belonging to the group to which the Company belongs, without the approval of the Company's Supervisory Board. Such position must be in the interest of the Company.
- 11.3 A member of the Management Board may not be the chairman of the supervisory board of a listed company, not belonging to the group to which the Company belongs.
- 11.4 Other important ancillary positions held by a member of the Management Board shall be notified to the Supervisory Board in advance, at least annually.
- 11.5 Managing positions held in group companies of the Company, are deemed to be derived from the position of member of the Management Board and shall therefore be subject to these rules.

## 12. Holding and trading securities

- 12.1 Should any member of the Management Board hold securities in the Company, this will be for the purpose of long-term investment. Members of the Management Board will refrain from short-term transactions in securities in the Company.
- 12.2 With respect to securities in the Company, members of Management Board are bound to the X5 Inside Information and Dealing Code and must at all times comply with all Dutch and foreign statutory provisions and regulations, including applicable notification requirements, applicable to the ownership of and transactions related to securities in the Company.

## 13. Confidentiality

- 13.1 Members of the Management Board shall treat all information and documentation acquired within the framework of their position as member of the Management Board with the necessary discretion and, in the case of classified information, with the appropriate secrecy. Classified information shall not be disclosed outside the Supervisory Board or the Management Board, made public or otherwise made available to third parties, even after resignation from the Management Board, unless it has been made public by the Company, as required by law or by any regulatory or governmental authority or it has been established that the information is already in the public domain.

## 14. Deviation and Amendment

- 14.1 Subject to the Supervisory Board's approval, the Management Board may occasionally resolve not to comply with these Rules.

14.2 Subject to the Supervisory Board's approval, the Management Board may amend these Rules.

## 15. Governing law

15.1 These Rules of Procedure shall be governed by and construed in accordance with the law of the Netherlands.