

SUPERVISORY BOARD REMUNERATION POLICY 2022 **(PROPOSED CHANGES TO THE REMUNERATION POLICY IN RED)**

Introduction

On 12 May 2020 the General meeting of Shareholders approved the remuneration policy of the Supervisory Board. The Supervisory Board, based on a recommendation of its Nomination and Remuneration Committee, has prepared an amendment of the remuneration policy of the Supervisory Board for adoption by the 2022 Extraordinary General Meeting of Shareholders.

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 developments and sustainability. As such the remuneration policy supports the long-term development of the Company, while aiming to fulfil all stakeholders' requirements.

The level of support by our shareholders and stakeholders, and in a broader manner within the society where the Company operates, is important to us and has been taken into account when formulating this remuneration policy. In preparing this policy, the Supervisory Board has considered the external environment in which the Company operates, the relevant statutory provisions and provisions of the Dutch corporate governance code, competitive market practice as well as the guidance issued by organizations representing institutional shareholders and input from the Company's major shareholders.

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 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%).

While the total remuneration, including 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. Meanwhile, as stipulated in the Supervisory Board Rules of Procedure, any member of the Supervisory Board who is a representative of a legal entity or person holding at least 30% of the voting rights in the Company, shall waive his/her entitlement to remuneration for acting as a member of the Supervisory Board.

Elements of remuneration

A. Fixed base fee

Supervisory Board members are paid a fixed annual base fee reflecting the level of responsibility of each member. The Chairman of the Supervisory Board receives an additional fee for his services. Additional fees are also paid for the Vice-Chairman, Committee Chairs and Committee Members.

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

B. Phantom Stock Units

In addition to their fixed base remuneration, members of the Supervisory Board are entitled to annual awards of phantom stock units (PSU's). The number of PSU's awarded annually equals 100% of a Supervisory Director's fixed base fee in the calendar year of the award, divided by the average market value¹ of a X5 GDR on the relevant award date. PSU awards are subject to a three-year vesting period. Upon vesting the eligible Supervisory Board members are entitled to a cash pay-out based on the market value of the awarded PSU's on the vesting date. The Company may recover the pay-out during a three-year claw-back period after vesting in case of a material misstatement of the Company's financial results or any other condition deemed appropriate by the Supervisory Board. PSU awards to members of the Supervisory Board are not subject to performance criteria

The PSU Plan provides for accelerated vesting in individual cases, subject to approval by the General Meeting of Shareholders. Furthermore, the PSU Plan features forfeiture rules that become applicable upon termination of a Supervisory Director's mandate.

The Company acknowledges that equity-based remuneration to members of the Supervisory Board constitutes a deviation from the Dutch Corporate Governance Code. However, in order to attract and reward experienced individuals with a track record that is of specific relevance to the Company, the Company believes it is necessary to allow members of the Supervisory Board to receive equity-based remuneration, to align the interests of Supervisory Board members with those of shareholders and strengthen their commitment to, and confidence in, the long-term interest and sustainability of the Company.

Other items

Supervisory Directors benefit from liability insurance coverage, and the 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 Directors are appointed and reappointed based on the provisions of the law and articles of association of the Company.

Adoption

Adoption of the remuneration policy by the General Meeting of Shareholders, upon proposal by the Supervisory Board, takes place at every change and in any case at least every four years.

¹ The average market value is defined as the volume weighted average price of a GDR over the thirty calendar days immediately preceding the award date. The volume weighted average price is calculated using the closing price of a GDR taken from the Official List of the Moscow Stock Exchange.

The Nomination and Remuneration Committee is responsible for the development of the remuneration policy and making a proposal to the Supervisory Board.

Amendments

This remuneration policy may only be amended by the General Meeting of Shareholders pursuant to a proposal of the Supervisory Board, based on recommendations by the Nomination and Remuneration Committee.

All revisions of the remuneration policy shall be accompanied by a description and explanation of significant changes and the decision making process followed for its determination, review and implementation. Furthermore, it is also explained how it takes into account the votes and views of shareholders and other stakeholder on the remuneration policy and reports since the most recent vote on the remuneration policy by the General Meeting of Shareholders.

When the General Meeting of Shareholders does not approve the proposed amendments to the remuneration policy, the Company shall continue to remunerate in accordance with the existing approved remuneration policy and shall submit a revised policy for approval at the following General Meeting of Shareholders.