

## **SUPERVISORY BOARD REMUNERATION POLICY 2020**

### **Introduction**

In accordance with the legislation implementing the amended European Shareholder Rights Directive in the Netherlands, the Supervisory Board, based on a recommendation of the Nomination and Remuneration Committee, has prepared the remuneration policy of the Supervisory Board for adoption by the 2020 Annual General Meeting of Shareholders (AGM). Adoption of the Supervisory Board remuneration policy is a new requirement under Dutch law implementing the SRD. Subject to adoption by the AGM, this policy will take (retro-active) effect from January 1, 2020.

### **Objectives and benchmarking**

The Policy is aimed to be effective, transparent and simple.

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 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 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 judgement and thought, and adequately reflect the time spent and the responsibilities of their role.

### **Elements of remuneration**

#### **A. Fixed base fee**

All 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:

<b>Role</b>	<b>Fee (EUR)</b>
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. Restricted Stock Units

Members of the Supervisory Board are entitled to restricted stock units (RSU's). The number of annual RSU awards equals 100% of a Supervisory Director's fixed base fee in the year of the award, divided by the average market value<sup>1</sup> of a X5 GDR on the relevant award date. RSU awards are subject to a three-year vesting period and a further two-year lock-in period. RSU awards to members of the Supervisory Board are not subject to performance criteria.

The Company acknowledges that the award of RSUs 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 participate in the Company's equity-based remuneration plan. This structure aligns the interests of Supervisory Board members with those of shareholders and strengthens 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. No claw-back or change in control arrangements are in place for Supervisory Directors.

### **Legacy arrangements**

Mr. King was appointed as member of the Supervisory Board by the General Meeting of Shareholders on 7 May 2015 and, as per 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 per 1 January 2020, integrating its responsibilities in 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 per 18 March 2020, Mr. King's annual fee will remain unchanged.

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

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<sup>1</sup> 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 London Stock Exchange.

**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.