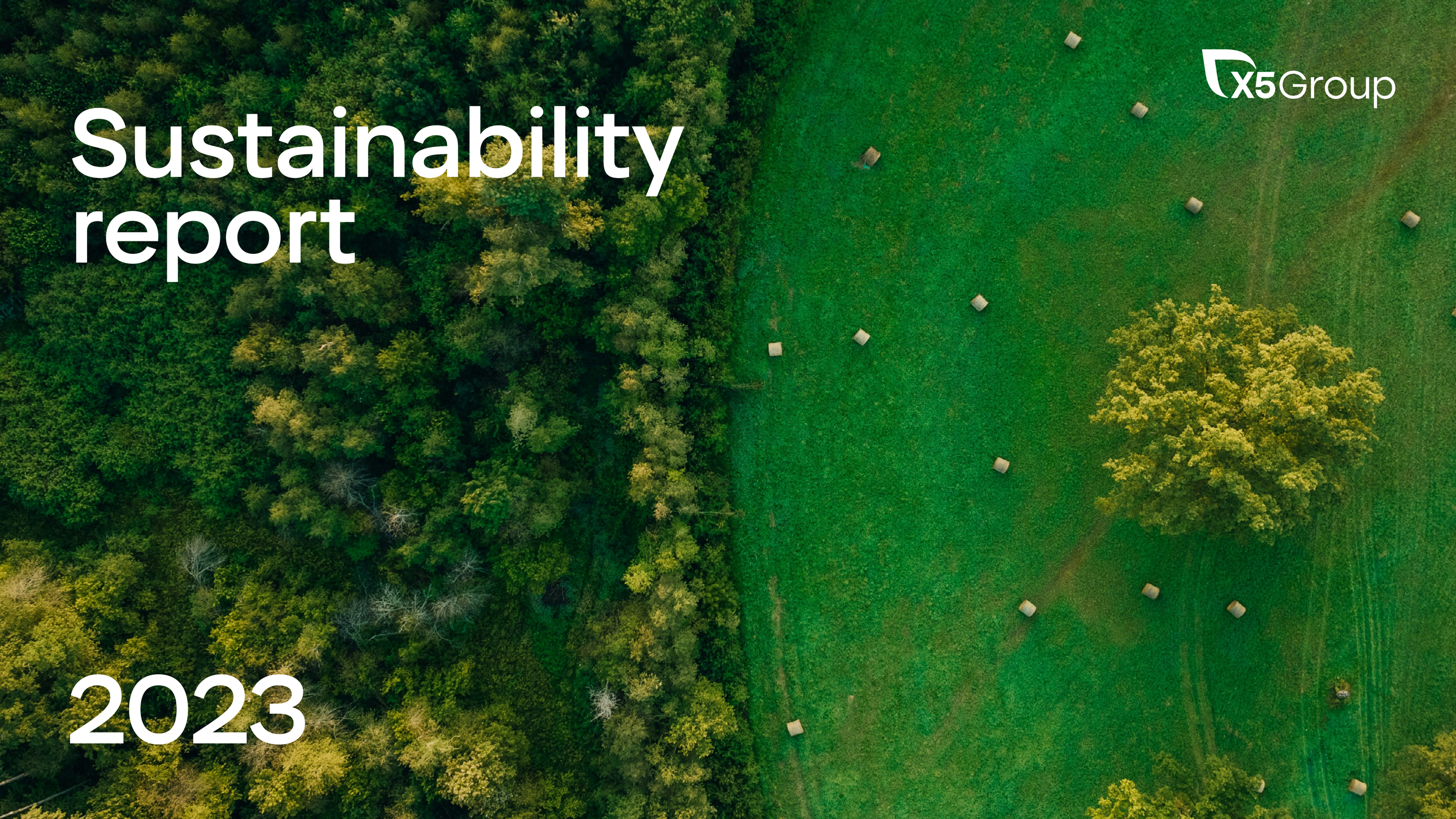

X5Group
Sustainability report
2023

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Chairman's statement

Dear stakeholders,

This is our fourth annual report detailing progress on our sustainable development strategy, which demonstrates X5 Group's commitment to its environmental, social, and governance ambitions, and transparency in reporting hereof.

First of all I would like to express my deep gratitude for the unwavering support of our employees, customers, investors, and partners, without whom we would not have achieved the significant success in our sustainability projects and initiatives. We plan to continue following the principles of responsible business conduct and setting ourselves ambitious sustainability targets.

Sustainability principles and responsible business conduct are embedded into X5's business model and strategy. This enables the Company to work towards sustainable long-term value creation for its stakeholders, and make a meaningful contribution to the UN Sustainable Development Goals and national development goals of the Russian Federation.

During 2023, X5 Group paid particular attention to developing its social programmes and bolstering community well-being: priority areas included programmes such as food aid, promotion of a healthy lifestyle and proper nutrition as well as fostering inclusion through accessible stores and services. We are proud that X5 Group is actively involved in addressing global challenges, with a particular focus on the effects of climate change and the contribution it can make as a business to reducing environmental impact. As part hereof, the Company actively promotes responsible practices among its suppliers and instils eco-friendly habits among its customers, as such strengthening its social impact and building a safe and sustainable living environment.

Despite new challenges, sustainability will remain a core pillar of X5's strategy over the longer term. We continue to be guided by the principles of transparency across all our ESG activities, as we strongly believe that this is key to building trust with our stakeholders, including employees, customers, investors, and partners. It goes without saying that we highly value your feedback and opinions, and remain open to dialogue under all circumstances.

Peter Demchenkov
CHAIRMAN OF THE SUPERVISORY BOARD



Thank you for your ongoing support!

X5 President and X5 CEO's statement

Dear stakeholders,

We are pleased to present our fourth annual sustainability report, in which we detail the Company's sustainability performance and progress towards our strategic ESG targets in 2023.

We at X5 are committed to constantly improving our internal processes and implementing new projects to achieve and exceed the goals of our sustainable development strategy while setting ourselves new ambitious targets. In 2023, X5 Group's Supervisory Board approved an updated Sustainable Development Strategy setting out sustainability targets to 2025.

Our Company adheres to responsible business practices and contributes to the development of local communities through a variety of charitable and social projects. In 2023, we increased our support for those in need by an order of magnitude, providing free food aid to more than 469,000 people through our food-sharing initiative and our Basket of Kindness charity project. We recognize that X5 has an important role to play not only in providing quality products and services to our customers but also in supporting socially vulnerable groups by unlocking access to a wider range of products.

We continue to support pensioners, people with special needs, and families with children in difficult circumstances. As a prime example, we distributed more than 936 tonnes of food and non-food items to such groups during 2023. We have also made further progress on our Local Community Centres project, expanding its geography to transform Pyaterochka stores into places where people can unite together. Over 1,300 Pyaterochka stores joined the project in 2023, with more than 5,000 events held in total, attended by over 7 mln people.

Reducing our environmental impact and promoting environmental conservation remain at the very top of our sustainable development strategy. In addition to updating its environmental targets to reflect 2025 ambitions, the Company also updated its sustainability strategy with new goals. This includes reducing other indirect (Scope 3) GHG emissions intensity, improving water efficiency, and reducing pressure on water resources. In 2023, we worked to reduce greenhouse gas emissions intensity, prevent food waste, and step up the rollout of energy-efficient solutions across our retail chain stores. We have been able to reduce our climate impact by ramping up the use of renewable and low-carbon energy as well as by switching to natural refrigerants and optimising logistics.

We continue to focus on employee well-being by boosting employee engagement, providing development opportunities, and instilling safe working policies. We also pay special attention to promoting inclusion in our stores, making them even more convenient for customers and employees with disabilities.

Our Company continues to maintain all available ESG ratings and remains committed to sustainability transparency. In turn, rating agencies have repeatedly noted our robust social investments, availability of policies, procedures, and measurable performance metrics to manage key industry-specific ESG risks as well as our strong compliance with best practice in corporate governance. We set ambitious targets, closely track their progress, and regularly report our achievements across all strategic areas within the sustainability agenda. We will also incorporate customer feedback on our initiatives into the Company's framework for assessing performance against its targets.

Igor Shekhterman
X5 GROUP CHIEF EXECUTIVE OFFICER



Ekaterina Lobacheva
X5 GROUP PRESIDENT



Our annual sustainability report is a shining example of the Company's openness and its commitment to not only meeting but exceeding its sustainability goals!

About this Report

7 Scope of the Report

Since the Company's inception, social responsibility, environmental stewardship, and full commitment to business ethics have been integral to X5 Group. We bring affordable, quality products to millions of families, create jobs, and support those who need help the most. Leveraging our scale, we are transforming the business landscape of the Russian retail market by implementing best practices and promoting them among both partners and customers.

The design of our 2023 report has been inspired by drawings of our employees' children – the generation whose future we are trying to make better. This is the goal of our strategy and initiatives, and each day, we get one step closer to achieving it, with the support of our entire team of nearly 300,000 people united by a common mission, vision, and values.



Artist: Lyaisyan Kudasheva, 8 y/o

This Sustainability Report (the “Report”) details the economic, environmental, and social performance of X5 Group (“X5”, the “Company”) for the period between 1 January and 31 December 2023, as well as plans for the medium term.

2-2 2-4 2-14

The Report was prepared based on the following standards and recommendations:

INTERNATIONAL

- Global Reporting Initiative (GRI) Standards
- Sustainability Accounting Standards Board (SASB)
- Task Force on Climate-related Financial Disclosures (TCFD)
- EU Taxonomy

RUSSIAN

- Recommendations of the Bank of Russia for public joint stock companies to disclose non-financial information related to their activities
- Recommendations of the Russian Ministry of Economic Development to prepare sustainability reporting
- Reference Performance Indicators. Recommendations for Corporate Non-financial Reporting Use by RSPP

Reporting principles

ACCURACY 01

The Report specifies the data collection methods, calculation methodologies, acceptable margins of error, and all assumptions used

BALANCE 02

The Report avoids any deliberate presentation of information that can lead to a misinterpretation of the Company’s performance

CLARITY 03

The Report does not use industry jargon, the information is presented in an accessible format, and the Report is available in Russian and English

COMPARABILITY 04

Data are disclosed by year, with an explanation of the most significant trends. Comparable data are presented in multiples

COMPLETENESS 05

Information is presented in an amount and form sufficient to enable an objective opinion of the Company’s overall impact. The Report does not deliberately omit or exclude information necessary for a reliable assessment

SUSTAINABILITY CONTEXT 06

The disclosures in the Report use international instruments to measure sustainability progress, in particular the UN Sustainable Development Goals

VERIFIABILITY 07

The information presented in the Report is internally audited, approved by the Company’s senior management, and verified by an independent external auditor in accordance with accepted international standards

The Report has been approved by the Company’s management and verified by TSATR – Audit Services Limited Liability Company. The approach to determining the Report’s material topics is available in the appendix Determination of Material Topics.

Scope of the Report

The information presented in this Report relates to the activities of the publicly traded limited liability company X5 Retail Group N.V. and its subsidiaries for the period between 1 January and 31 December 2023 unless otherwise stated.

In 2023, the scope of the Report was adjusted from that of 2022 to optimise the Report structure amid the merger of Mnogo Lososya, a ready-to-eat digital service, and X5 Ready Food into the X5 Food division, and the exclusion of the Karusel retail chain, X5 Venture, and X5 Bank from the scope of disclosure.

The scope of quantitative data disclosed under each of the main topics is detailed below

Business units within the reporting boundaries[1]	Employees	Occupational health and safety	Local communities	Compliance	Environment[2]
Pyaterochka	✓	✓	✓	✓	✓
Perekrestok	✓	✓	✓	✓	✓
Chizhik	✓	✓	✓	✓	✓
X5 Food (X5 Ready Food, Mnogo Lososya)	✓	✓	✓	✓	✓
Management Company	✓	✓	✓	✓	✓
X5 Technologies	✓	✓	✓	✓	✗
X5 Transport	✓	✓	✓	✓	✓
X5 Import	✓	✓	✓	✓	✓
Central support functions (offices)	✓	✓	✓	✓	✓
X5 Real Estate	✓	✓	✓	✓	✓
X5 Digital (Vprok.ru, express delivery)	✓	✓	✓	✓	✗
Vprok.ru	✓	✓	✓	✓	✓
5Post	✓	✓	✓	✓	✗
X5 Media	✓	✓	✓	✓	✗

1 Where the table indicates disclosure for the Management Company, X5 Technologies, X5 Retail Group Service Centre, Shared Service Centre, X5 Real Estate, X5 Digital, and Express Delivery, this means disclosure of quantitative data only.

2 Environment includes waste management and sustainable packaging, climate impact reduction and energy efficiency, disclosure in line with TCFD recommendations, responsible water consumption, and promotion of responsible consumption.

About the Company

9 Company profile

10 Geography of operations

12 2023 ESG highlights



Company profile

2-1 2-6

X5 Group is a leading Russian company that operates in offline and online (e-commerce) food retail. The Company operates Pyaterochka, Perekrestok, and Chizhik stores, and also develops an e-commerce business, offering services such as Vprok.ru, 5Post, and Mnogo Lososya.

Our approach relies on a decentralised management and operating model for offline and online businesses, which allows maximum flexibility in responding to customer needs while also leveraging our advantages of scale. Despite the decentralisation, the Company uses a single customer identification system (X5 ID) and shared big data analytics and IT infrastructure resources.

Company-operated stores

21,308
Pyaterochka

972
Perekrestok

1,500
Chizhik

Total

24,472[1]
stores
with a total selling space
>10 mln square metres

62
DCs
with a total area
>1.8 mln square metres

1 Including Vprok.ru dark stores, Mnogo Lososya dark kitchens, and Krasny Yar and Slata stores.

Geography of operations

2-1

Stores and DCs by federal district (FD) 2023

CENTRAL FD	NORTH-WESTERN FD	VOLGA FD	URAL FD	SOUTHERN FD	NORTH CAUCASUS FD	SIBERIAN FD	FAR EASTERN FD	TOTAL
8,534	2,316	5,936	2,202	2,919	491	1,982	154	24,534
+10.5% year-on-year	+11.0% year-on-year	+12.4% year-on-year	+16.4% year-on-year	+31.8% year-on-year	+13.1% year-on-year	+16.7% year-on-year	+165.5% year-on-year	+14.8% year-on-year

62
distribution centres
+17% year-on-year

44
dark stores[1]

>299 THS
employees
+5.4% year-on-year

72
Russian regions — geographic footprint
+2.8% year-on-year

>3.1 TRN RUB
2023 revenue
+20.8%year-on-year

For more details on X5 Group's financial performance, see the 2023 Annual Report.

Developing e-commerce is X5's key strategic priority. Thanks to its reliable IT infrastructure, X5 continues to successfully scale up digital business services

1 A special warehouse format for fulfilling online orders.

E-commerce performance highlights as at 2023-end

8,515

Stores covered by the express delivery system

7,409 Pyaterochka stores, 923 Perekrestok supermarkets, and 183 Chizhik hard discounters

+90% year-on-year

26 THS

Pickup points

including 5,000 automated parcel lockers

+13% year-on-year

44

Dark stores

73 FACILITIES

Mnogo Lososya dark kitchens

+30% year-on-year

Geographic expansion

Expanding our footprint across Russian regions is a top priority for the Company. In 2023, X5 maintained its expansion momentum, entering into a cooperation agreement with the Omsk and Irkutsk Regions in November and signing cooperation agreements with four regions in the Far Eastern Federal District during the Eastern Economic Forum to further strengthen engagements with these regions. With the launch of the first Pyaterochka stores in Vladivostok and Khabarovsk, X5 has become the first nationwide retailer to operate in the Russian Far East.

The Company's performance in 2023 under its programme for cooperation with Far Eastern regions launched in 2022 is shown below:

GOALS	2023 PERFORMANCE	2024 TARGETS
Open new X5 stores	90 stores opened	Open 150 more stores
Engage local producers and SMEs	Local producers onboarded as Company suppliers	Build up the share of local suppliers in commercial and non-commercial procurement
Deliver investment projects in retail	An agreement signed with a regional developer to construct the Company's first distribution centre in the region	Expand engagements with local and federal authorities to join efforts under investment projects for developing the regional food market
Further enhance region-specific social policies	All new X5 stores take the same steps to care for local communities as in Pyaterochka's other operating regions, including the Basket of Kindness programme and discount schemes for pensioners and parents of children under 13. In the Far Eastern Federal District, discounts under this programme topped RUB 2.7 mln across more than 37,000 purchases	Further enhance nationwide social programmes

The Company's expansion into the Russian Far East has increased competition in the region, leading to higher quality, wider assortment, and better consumer availability of products. Our footprint expansion in this region has also supported our wider strategic objectives of reinforcing food security, providing communities with affordable quality products, and supporting people in need.

2023 ESG highlights

201-1

The Company maintains its commitment to the sustainability agenda, and its vigorous efforts to embed ESG across its operations are reflected in X5's position in sustainability rankings. X5's philanthropy efforts in 2023 were given the highest rating among retailers for the second year running by the Donors Forum, an association of the largest grant-making organisations, and the Company retained its Platinum status for the third year running in the Forbes Best Employers ranking for Russia.

The Company retains its leadership among retailers in the RAEX-Europe ESG rating and has been listed among the top-50 Russian companies focused on climate action in 2023, outperforming other retail leaders in this area. On top of this, X5 has been listed in the leading sustainability indices compiled by the Russian Union of Industrialists and Entrepreneurs (RSPP) – the Responsibility and Transparency Index, and the Sustainable Development Vector Index.

E

Reducing carbon footprint

0,405 t of CO_2e per sqm of selling space

Ramping up renewable energy consumption

116 525,82 MW generated from renewables

Increasing the share of sustainable private-label packaging

52% of the top-150 private-label products have sustainable packaging[1]

Increasing the amount of recyclables collected

765 ths tonnes

Cutting food waste

105 ths tonnes

S

Providing food aid and support to local communities

RUB 294.2 mln worth of support

Supporting vulnerable groups

RUB 17.3 bln – total discounts for pensioners, RUB 127.5 mln – total discounts for parents of children under 13

Promoting healthy lifestyles

300 proper nutrition lessons for school students

Expanding engagements with small-sized businesses

53% – share of SMEs among the Company's suppliers

Caring about our employees

2,729 bln – spending on voluntary health insurance and social support

G

Strengthening our management system

5% – proportion of relevant KPIs in the management long-term incentive programme

Complying with business ethics standards

0 cases of anti-competitive practices or breaches of anti-trust laws

Listening to our customers

98% – number of responses to queries for key product categories sent within our target turnaround time

1 According to X5 Group's sustainable packaging guidelines for suppliers.

Value created and distributed, RUB mln

201-1	2021	2022	2023
Direct economic value generated	2,225,910	2,630,954	3,177,458
Revenue from the sale of goods	2,204,819	2,605,232	3,145,859
Revenue from financial investments	154	5,248	9,102
Income from the sale of tangible assets	20,937	20,474	22,497
Distributed economic value	2,049,632	2,369,398	2,870,693
Operating expenses	1,960,846	2,325,408	2,825,345
including staff costs	218,948	248,368	315,800
Payments to the state	22,190	21,186	25,267
Social investments	178.2	268.8	294.2
Payments to providers of capital	66,418	22,535	19,787
including dividends paid	50,006	0	33
including finance costs	16,412	22,535	19,754
Undistributed economic value	176,278	261,556	306,765

Social responsibility became even more important for X5 in 2023. Despite supply chain disruptions, the Company succeeded in keeping store shelves stocked with products. We continued to expand our partnerships with local producers, including small-sized businesses, whose share among suppliers has already exceeded 50%, as well as to support local communities through various charitable initiatives. For more details on the Company's social initiatives, see the relevant section.

1 Figures may not add up due to rounding. For more details on the Company's operating and financial results, see the 2023 Annual Report.

Sustainable development

and the Company’s business

16 Sustainability strategy

19 Diagram of X5 Group’s business model

21 Sustainability management

23 Risk management system

24 Innovations

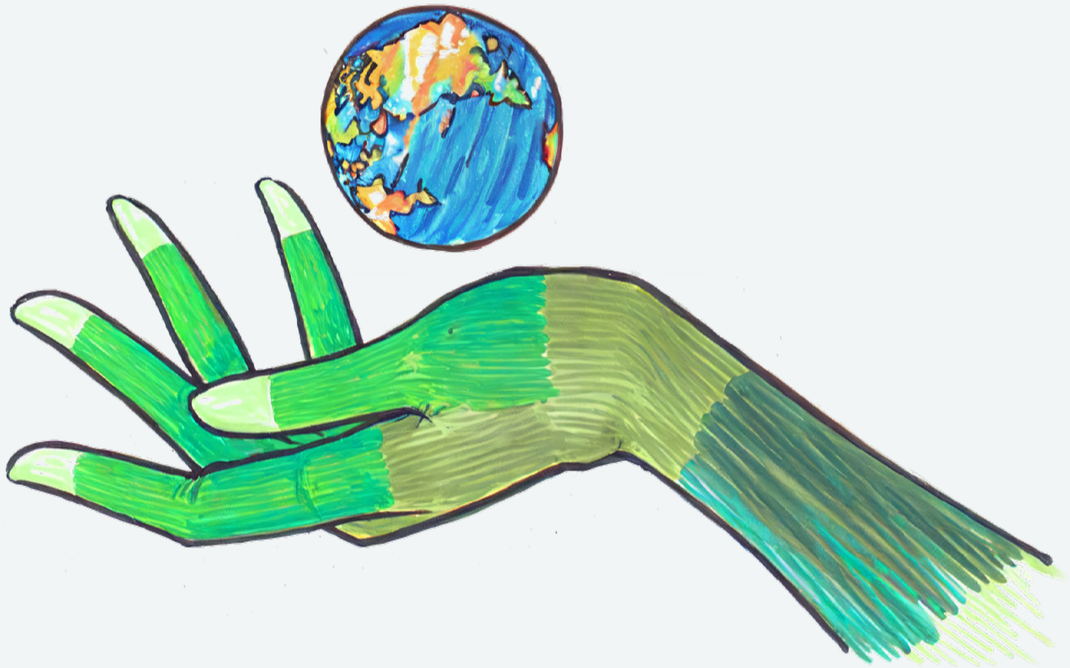
25 Respecting human rights



It is our mission to develop X5 Group into the leading Russian food retailer, providing a wide range of top-notch products and a modern level of service to the public through both online and offline channels to offer added convenience for consumers.

We are guided by X5's values when working towards this goal. They are set out in the Code of Business Conduct and Ethics and the Company's corresponding policies.

With sustainability principles embedded in the Company's business strategy, we are able to build business processes that look to create long-term value for shareholders while contributing to the achievement of the UN Sustainable Development Goals (SDGs) and national development goals of the Russian Federation.



Artist: Dmitry Yakovlev, 13 y/o

Our mission

To become the best shopping destination on Earth by exceeding expectations

Our vision

We bring value to customers through outcome-driven partnerships

Our values[1]

- Customer
- Partnership
- Outcome

Our goal

Leadership in market share growth in food retail

1 More information about X5's values can be found in page 61, in the section Employer brand, candidate recruitment, and onboarding.

Sustainability strategy

To wrap up 2023, the Company reviewed progress on strategic goals through 2023 and updated its Strategy on Short-Term Goals to 2025, developed to take into account the analysis of the Company's impact on key stakeholders and the areas where X5 Group can have the most impact given its specific business profile. Due to changes in the business environment and the need to refine indicators, the Company also considers adjusting some of its long-term goals to 2030.

Progress towards strategic goals to 2023[1]

Focus area	Goal to 2023	Progress	UN SDG
Planet	Reduce GHG emissions by 10% by 2023 compared with 2019	Reduction by 15.3%	
	Increase the share of renewable energy used in X5's operations	Energy consumption from low-carbon and renewable sources increased to 116,673 MWh in 2023	
	Reduce the ratio of waste generated to retail sales by up to 10%	Reduction by 30%	
	Send up to 95% of solid waste generated by X5's retail chains for recycling	93%. Up 9 p.p. from the base year[2]	
	Increase the proportion of food products that can be reprocessed when no longer in saleable condition prior to their expiry date to 20%	19%. Up 16 p.p. from the base year[2]	
	Increase the share of private-label goods in more environmentally friendly packaging to 50% or more	52% of the top-150 private-label products have sustainable packaging[3]	
	Develop a responsible supply chain	Continued promotion of sustainability practices among the Company's suppliers: a communication campaign on relevant legislative initiatives was launched, packaging recommendations were developed, and training materials featured on the supplier platform were updated	

Focus area	Goal to 2023	Progress	UN SDG
Health	Increase the share of fresh products, fruits, and vegetables in the assortment to up to 50%	The Agricultural Contracts programme and the Agri-Aggregator programme were scaled up to ensure significant sales volumes of fruits and vegetables at retail chains. The retail sales share categories "Fresh", "Fruits and Vegetables" for 2023 are 54% at Chizhik, 43% at Pyaterochka and 45% at Perekrestok	
	Increase the share of customers who believe that X5's retail chains support a healthy lifestyle	In a survey of Healthy Eating Lessons programme participants, 99% of respondents came to perceive Pyaterochka stores as a place to buy high-quality and affordable products that meet healthy eating needs Perekrestok's NPS improvement on perception as a retail chain supporting a healthy lifestyle	
	Expand our range of products for a healthy lifestyle	In 2023 alone, Perekrestok expanded the range of its Green Line private-label healthy lifestyle products by more than 200 SKUs, while Vprok.ru launched a brand of sugar-free breakfasts and a ready-to-eat meal private label made with clean ingredients free from artificial preservatives, colourants, and flavourings	
	Develop quality control systems	Quality certificates containing detailed information on each product were created and a register of quality control processes was developed; regular quality audits were introduced at the distribution centre-, store-, and production facility-level; customer feedback collected via different channels is analysed; and products with poor feedback are withdrawn from the product mix	

1 Targets and progress run through 2023. The base year is 2018 for employee engagement and 2019 for the other targets.

2 According to Pyaterochka and Perekrestok.

3 X5 Group defines sustainable packaging as packaging that has a lower environmental impact than comparable alternatives, is made from the most environmentally friendly materials, can be easily broken down into constituent components, and is fit for recycling at scale.

Progress towards strategic goals to 2023

Focus area	Goal to 2023	Progress	UN SDG
Employees	Achieve an employee engagement rate of over 75%	84.7% employee engagement as at end-2023	
	Become the No. 1 employer in the Russian food retailers ranking	In 2023, the Company was the first food retailer placed on HeadHunter's top 10 Russian employers, having jumped as many as 19 positions, and ranked first in its industry segment and during an open vote by candidates in the Retail Chains / Retail Trade category	
	Establish a safe, healthy workplace for all employees	Sources of risk were identified in all processes related to operations, and measures to minimise and eliminate them were developed	
Communities	Double the number of families receiving food aid through the Basket of Kindness project	The increase in the number of beneficiaries of the Basket of Kindness campaign totalled 135% versus 2022 alone	
	Roll out the Safety Zone programme to all Pyaterochka stores	The programme was extended to the Perekrestok retail chain. More than 5,300 people have received help since the project was launched in 2019	
	Develop programmes aimed at helping local communities	The number of Local Community Centres topped 1,350. More than RUB 0.5 billion was allocated in 2019–2023 to charitable activities and community investments	
	Develop partnership programmes with small and medium-sized businesses, farmers, and local producers	Support for small and medium-sized businesses was developed through dedicated contracts with agricultural producers, the Agri-Aggregator project targeting small agricultural producers across Russia, the Farmers' Market project, the Small Business – Big Shelf! conference, and the launch of the Farmers' Academy	

Short-term goals to 2025 and long-term goals to 2030

Focus area	Goal to 2025	Goal to 2030[1]	UN SDG
Planet	• Reduce GHG emissions (Scope 1 and 2) intensity per sqm of selling space by 15% compared with 2019 through improved energy efficiency • Reduce other indirect (Scope 3) GHG emissions intensity compared with 2020, t of CO_2e per year per sqm of selling space • Increase the share of renewable and low-carbon energy used in operations to 5% • Reduce the ratio of waste generated by retail chains to retail sales by 15% compared with 2019[2] • Send up to 95% of recyclable materials generated in own operations of X5's retail chains for recycling • Increase the proportion of food products that can be reprocessed when no longer in saleable condition prior to their expiry date to 25% • Make 60% of private-label packaging recyclable • Improve water efficiency and reduce pressure on water resources • Make up to 100% of own production ready meal packaging recyclable	• Reduce GHG emissions (Scope 1 and 2) intensity per sqm of selling space by 30% compared with 2019 through improved energy efficiency • Increase the share of renewable and low-carbon energy used in operations to 30% • Reduce the ratio of waste generated by retail chains to retail sales by 30% compared with 2019	
Health	• Increase sales of healthy lifestyle products[3] • Continuously improve systems to ensure the quality, freshness, and food safety of products • Increase the number of regions covered by Pyaterochka's healthy lifestyle lessons for school students • Develop principles and practices to monitor that suppliers source goods responsibly[4]	• Ramp up sales of healthy lifestyle products listed on the Avocado Index	

1 Long-term goals are as at the end of the reporting year (the goals to 2030 were not adjusted). The Company regularly monitors trends and changes to update its strategic goals and focus areas and reserves the right to adjust its goals in the medium term.

2 The calculations include Pyaterochka, Perekrestok, and Chizhik.

3 Breakdown by category based on the Avocado Index. The Avocado Index is a list of healthy products across 84 categories, compiled according to WHO recommendations and verified by a nutritionist.

4 Developing principles and practices for monitoring responsible sourcing of goods refers to monitoring that goods comply with national certification.

Short-term goals to 2025 and long-term goals to 2030

Focus area	Goal to 2023	Goal to 2030	UN SDG
Employees	• Maintain an employee engagement rate of at least 80% • Enhance the appeal of X5 Group's employer brand • Maintain an eNPS of at least 40 p.p. as the business grows[1]	• Enhance the appeal of X5 Group's employer brand • Introduce an appropriate standard for a safe and healthy work environment for all employees	
Communities	• Grow the number of beneficiaries of food aid programmes by 10% annually • Roll out the Safety Zone programme to all Pyaterochka and Perekrestok stores[2] • Expand community care programmes; in particular, develop the Local Community Centres project at Pyaterochka • Develop partnership programmes with small and medium-sized businesses, farmers, and local producers • Develop accessible stores and services	• Grow the number of beneficiaries of food aid programmes by 10% annually	

1 Taking into account a separate metric for businesses with a higher eNPS.

2 Chizhik will also join the programme by setting up internal communication events for employees on the procedure for interacting with people who appear lost.

X5 Group's strategic goal is to become the No. 1 Russian retailer by perceived environmental, social, and corporate responsibility



Diagram of X5 Group's business model

In its efforts to meet the needs of its customers, X5 puts the customer at the centre of its business model. We listen carefully to our customers and do all we can to make sure they have the best experience, from the price, quality, and availability of products to the comfortable shopping experience.

The Company's business model encompasses the entire process of delivering products from producers to end consumers as well as the infrastructure supporting this process. To offer the best products to our customers, we leverage a wide range of channels, from supermarkets and proximity stores to online hypermarkets and own production at dark kitchens.

Our business model incorporates a sustainability-led approach and responsible business practices, driving performance through long-term value creation – not only for shareholders but also for a wider range of stakeholders.

The key management elements integrated into all components of the Company's business model are care for employees and continuous improvement of their working conditions as well as strict compliance with business ethics standards.

Component	Role	Management
SUPPLIERS	• Supplying products for subsequent sale via retail chains • Supplying products and services to support the Company's operations	• Developing the Dialog.X5 supplier portal • Increasing the transparency of the terms of cooperation • Developing partnership programmes with SMEs, farmers, and local producers • Running sustainability education activities for suppliers • Managing supplier engagement based on X5 Group's internal regulations[1] covering product and service quality, business ethics standards, and labour and environmental laws • Engaging suppliers on developing a voluntary standard for sustainable packaging
CORPORATE CENTRE	• Managing elements of X5 Group's shared business infrastructure	• Constantly searching for new solutions to optimise internal processes and business infrastructure • Introducing big data technologies and improving the risk management and internal control system • Setting the Company's strategic goals and supporting their achievement • Launching ESG innovations
OFFLINE SEGMENT	• Selling products through X5 Group's retail chains	• Improving the availability and quality of products, including healthy lifestyle products • Improving the accessibility of stores for customers with special needs • Introducing energy efficient technologies, increasing the share of renewable and low-carbon energy used in operations • Implementing waste reduction and sustainable waste management initiatives • Promoting responsible consumption and resource stewardship
SUPPLY CHAIN INFRASTRUCTURE	• Supporting the Company's logistics operations	• Introducing advanced route planning and optimisation technologies to reduce the environmental footprint of logistics • Developing a driving style and driver awareness monitoring system to minimise injuries • Shifting to more environmentally friendly motor fuels • Shifting distribution centres to low-carbon energy sources
DIGITAL BUSINESSES	Operating the Company's digital businesses: • Express delivery from X5 Group stores • 5Post's last-mile delivery service • Vprok.ru online hypermarket • Mnogo Lososya sushi delivery network	• Ensuring fast and high-quality delivery to save customers' time
MEDIA PLATFORM	• Managing the Food.ru infotainment platform, featuring recipes and cooking tips	• Promoting healthy living • Developing educational initiatives to prevent diseases associated with unhealthy diets

1 Key documents: X5's Human Rights Policy, Compliance Policy, Code of Business Conduct and Ethics, and Code of Interaction with Business Partners.

Value chain

01

Suppliers

- Expanding sales channels, boosting production, and entering new markets
- Studying best practices in responsible business conduct and exploring the possibility of adopting them in their companies
- Access to the commercial expertise of a leading retailer and an opportunity to improve their internal business processes

OUR CONTRIBUTION

- **53%** share of small businesses among X5's suppliers
- **23** regions covered by the Farmers' Market programme
- **1,200** suppliers participated in webinars hosted by X5 experts
- **600** suppliers attended workshops featured on the Dialog.X5 platform

02

Customers

- Access to a wide range of high-quality and affordable products, including healthy lifestyle products
- Improving the customer experience through faster and better customer service, well-developed digital channels, and various engagement formats
- Opportunities to participate in the Company's environmental and social initiatives

- **200** more SKUs of healthy lifestyle products under Perekrestok's private label
- **>90% o**f customer queries at Pyaterochka are responded to within 24 hours

03

Employees

- Stable employment and decent pay
- Professional development opportunities
- Ability to work flexible hours

- **84.7%** employee engagement rate at X5
- **35%** of office employees in Moscow work in the hybrid model
- **5,014** new participants of the Store Director – Partner programme at Pyaterochka

04

Shareholders

- Balancing the interests of shareholders and the Company when setting and paying dividends
- Steady growth of the Company's business and shareholder value
- Leading position in the Russian retail market

- **+14.8%** increase in the number of stores
- **+20.8%** revenue growth
- **2.8%** expansion of the Company's geographic footprint

05

Society

- Significant taxes paid to government budgets at all levels and to extra-budgetary funds
- Growing numbers of beneficiaries of multiple support and food-sharing programmes
- Developing local infrastructure projects

- **~RUB 294 million** allocated to charitable activities and community investments
- **469,025** beneficiaries of the Basket of Kindness project (+135% year-on-year)
- **95,012** beneficiaries of the food-sharing programme

Sustainability management

Overall corporate governance structure

The corporate governance system at X5 Retail Group N.V. is based on best practices as per the Dutch Corporate Governance Code[1], pursuant to which the Company has a two-tier governance structure.

As sustainability management, including stakeholder engagement, is integrated across all tiers of the corporate governance system, relevant matters are considered by the highest strategic governance body as well as by executive bodies and the heads of specific BUs and other units. When managing sustainability, the Company relies on specially developed internal regulations governing various aspects[2].

Throughout the year, the Supervisory Board reviews matters related to X5's Sustainable Development Strategy, setting and adjusting targets as necessary and monitoring progress towards them. In addition, the Supervisory Board also discusses general matters related to X5's sustainability activities at its meetings.

We are committed to ensuring that people of different ages, nationalities, and health conditions can comfortably work together at X5 Group. The Company creates additional opportunities for continuous growth for all employees. In accordance with the Company's Policy on Equal Opportunities, we do not tolerate discrimination or harassment of employees on any grounds and ensure that employees are treated equally regardless of any characteristics unrelated to professional qualities.

X5 complies with all legal requirements around employing people with special needs and proactively fosters a comfortable environment at its units.

To ensure equal opportunities for employees and executives alike, in 2023, we developed a relevant policy on equal opportunities for X5's Supervisory Board, which we intend to adopt and publish in 2024.

Structure of the Supervisory Board at the end of the reporting period

INDEPENDENCE

67%

of independent directors

TENURE

83%

of directors have been in office for less than seven years

GENDER DIVERSITY

17%

of Supervisory Board members are women

SOCIAL AND CULTURAL DIVERSITY

17% are EU citizens

83% Russian citizens

SCOPE OF AUTHORITY

Corporate finance, audit, assurance of financial statements, risk management, management in food retail, and customer-centric business development

AGE DIVERSITY

67% aged 30 to 50

33% are aged 50 to 70

1 The corporate governance structure is detailed in the 2023 Annual Report.

2 The full list of internal regulations on sustainability is available on the Company website and in the Sustainable Development Governance Model section of the 2022 Sustainability Report.

Role of the Supervisory Board and its committees

Committee	Role
AUDIT AND RISK COMMITTEE	**Risk assessment:** assessment of ESG risks and control over their integration into the Company-wide risk management system **Compliance monitoring:** monitoring changes in applicable laws and standards related to the sustainability agenda **Control over the reliability of ESG information:** overseeing procedures to ensure the accuracy, reliability, and transparency of information provided to stakeholders **Accountability to the Supervisory Board:** regular reporting on sustainability performance, relevant risks, and opportunities
NOMINATION AND REMUNERATION COMMITTEE	**Ensuring that executive remuneration is linked to ESG indicators:** developing a system of sustainability-related KPIs and embedding it into the Company's executive remuneration system **Ensuring diversity on the Supervisory Board:** overseeing the process of selecting and nominating Supervisory Board members to ensure a diversity of skills, experience, and views, including experience with ESG-related matters **Ensuring succession that accounts for ESG:** developing succession plans for key executive positions that take into account candidates' compatibility with the Company's ESG goals and their ability to ensure sustainable growth and long-term value creation
STRATEGY COMMITTEE	**Shaping a long-term vision for the development of the corporate ESG agenda:** highlighting key focus areas and tasks, determining strategies to ensure leadership in environmental stewardship, social responsibility, and good governance **Integrating ESG criteria into business strategy:** assessing the impact of ESG factors on long-term value creation and the Company's competitive positioning, identifying opportunities for sustainable growth and risk mitigation **Driving non-financial value creation:** tracking value creation beyond traditional financial metrics, which reflects broader success indicators such as impact on society, environmental footprint, and stakeholder trust

Sustainability management at X5 units

In 2023, the approach to sustainability management at X5 units remained unchanged. Each of the Company's units still has a dedicated team to address these matters.
We continued to hold meetings between business-unit teams and the Company's senior management to track progress on X5's sustainability goals and business units' ESG performance. The cross-format Sustainability Committee at the management level acts as a coordinating unit and has a subcommittee on ESG innovation and a committee on GR ESG.

X5 management's performance on sustainability is evaluated using long-term KPIs that form part of the long-term incentive (LTI) programme, with executive remuneration linked to the achievement of these KPIs. In 2023, ESG-related KPIs remained unchanged: they still account for 5% of all management KPIs and include indicators reflecting GHG emissions reduction and an increase in the share of sustainable packaging and recycled materials used.

In 2024, we intend to move these indicators from the LTI programme to the short-term incentive (STI) programme for the units directly involved in achieving X5's strategic goals, primarily Perekrestok and Pyaterochka.

ESG DASHBOARD

In 2023, we automated the collection and recording of all sustainability metrics, creating a dashboard that automatically uploads and updates more than 160 indicators at Pyaterochka, Perekrestok, and Chizhik.

Now we can track changes in key environmental, HR, and community engagement metrics more accurately and quickly. In addition, automated recording saves time for employees and automatically alerts responsible officers about missing data, typos, or significant deviations, reducing the likelihood of errors.

Going forward, we plan to connect all X5 units to the dashboard.



Risk management system

The risk management system covers all functions and units across the Company, enabling management to identify and assess risks on a regular basis, prioritise them, and take necessary measures. This system proved effective both in response to unprecedented challenges in 2022 and amid continued uncertainty in 2023.

01	02	03
First line	**Second line**	**Third line**
Business units and risk owners	• Risk management centres of excellence at retail chains and business units • Internal control and compliance, security teams (economic, physical, and information security), and the sustainability unit	Internal audit
Roles		
Manage operational risks: risk identification, assessment, and mitigation	Guide, monitor, and support line managers in managing risks and developing and maintaining an adequate internal control and compliance system	Conduct audits and test the internal control and compliance system to ensure effective control

In the reporting year, the Company reviewed its risk map and approaches to risk management. The list of key risks is available in the appendix Key Risks.



Innovations

In 2023, we faced the challenge of many tech startups leaving the market. Nevertheless, the experience we gained in import substitution enabled the Company to further identify, test, and implement new solutions with a continued focus on innovations that improve immediate business performance while enhancing our contribution to the sustainability agenda. Therefore, our innovative projects always include solutions aimed at increasing resource efficiency, reducing harmful emissions and food waste, and making shopping more convenient for people with special needs.

In the reporting year, we launched X5 Science Days to get the scientific community on board in identifying business needs and developing innovations to boost the performance of operating processes. The first such event took place in April 2023 at Pyaterochka's distribution centre, with researchers observing acceptance procedures for fruits and vegetables. The event resulted in an agreement signed with Plekhanov Russian University of Economics to expand research cooperation. In 2024, we plan to continue this initiative and involve more professional researchers in developing our projects.

Projects piloted in 2023

Project	Potential	Implementation status
Solar panels on store facades in Samara	• Self-generation • Additional insulation and reduced heating / air conditioning costs • Optimal in-store lighting ensured by adjusting the angle of slats	In 2023, we installed solar panels on the façade of a Pyaterochka store in Samara (the average daily power generation is about 23 kWh). We intend to evaluate the results and determine how much energy a store can generate from solar blinds in this region
Composting food products unfit for sale	• Waste reduction • Lower energy consumption • Reduced removal and disposal costs • Reduced payments for negative environmental impact	In June 2023, we piloted an rNATURE composter at Pyaterochka's distribution centre in Bogorodsk. The unit can compost products unfit for sale, and the resulting substance can then be used as fertiliser The first run alone yielded 26 kg of compost from 775 kg of feedstock with zero waste generated
Sending waste for utilisation	• Reduced waste and write-offs • Improved economics of own production and affordable pricing for consumers	In 2023, we piloted the transfer of food products that are no longer fit for sale but still safe to eat for reprocessing into confectionery ingredients used in our own production. For instance, fruits and vegetables with minor defects or fruit zest left over from juicing are sent for reprocessing. Plans for 2024 include scaling up the initiative
Map of solutions for food waste recycling	• Promote waste utilisation among the Company's partners • Invite processors to offer their services to a wide range of potential customers	In the reporting year, we developed an interactive map showing the details of companies offering various food waste collection and recycling solutions across Russia The Company plans to continue developing the resource and add new participants to this project
Autonomous freight transportation	• Reduced delivery times • Maximised use of resources through optimised logistics and speed • Fewer accidents during transportation	In the reporting year, X5 became the first food retailer in Russia to launch regular unmanned freight transportation services. So far, the project is in its initial stage, with one vehicle per day being dispatched. An unmanned truck with a semi-trailer covers about 600 km along the route between the Company's distribution centres in the Moscow and Leningrad Regions, after which the semi-trailer is hooked up to a conventional truck at a dedicated hub to continue the journey

Respecting human rights

Respect for human rights is the Company's fundamental operating principle and key value. Matters related to upholding and protecting human rights are addressed at all levels of management: strategic management is provided at the level of the Supervisory Board and its committees, while the Corporate Law and Compliance Directorate is responsible for overall management. Every line manager and employee of the Company contributes directly to this joint effort.

In 2023, the Company adopted X5's Human Rights Policy, which replaces the Declaration on Human Rights Protection, sets out the Company's commitment to human rights, and applies to all X5 employees, contractors, and business partners.

The Company undertakes to comply with the following principles in its activities:

- No discrimination
- No forced or child labour
- No abuse
- Respect for cultural diversity
- Observance of the rights to freedom of assembly and association
- Ensuring favourable working conditions
- Ensuring occupational health and safety

We show the same respect for the rights of all people and believe that everyone's rights have equal value. We structure our activities so that all stakeholder groups engaged by the Company are covered by procedures that ensure the protection of their rights, with a particular focus on vulnerable groups. No significant human rights violations[1] were identified in 2023.

1 The Company defines "significant violations" as violations that cause a public outcry or lead to a suspension of operations.



Employees

- We ensure decent working conditions and equal opportunities for all our employees
- The Company does not tolerate discrimination on any grounds and ensures the right to report potential discrimination, protecting reporting individuals from retaliation
- The Company has in place and adheres to the Policy on Equal Opportunities, which is binding on all employees



Supply chain

We expect all our suppliers to strictly uphold human rights as we do and require their partners to do the same. In particular, we are committed to communicating X5's Human Rights Policy to every supplier and ensuring a rapid response to any reports of potential violations.

X5 Group conducts due diligence on all new suppliers, including an assessment of human rights risks.



Customers

We are committed to respecting the rights of all our customers while paying particular attention to making our stores more accessible to people with special needs. Our employees are always available to offer these people additional assistance to ensure that their shopping experience in our stores is as comfortable as that of other customers.

The provisions around respect for the needs of such customers and observance of their rights are separately outlined in the corporate Policy on Equal Opportunities.

Human rights training for staff

Human rights training is mandatory for all X5 employees and is part of the corporate ethics training programme.

Since 2023, Perekrestok and Pyaterochka employees have also taken separate training on interacting with customers with special needs. A customised training course is available for each level, from cluster and store directors to line employees and couriers, taking into account the specifics of the employee's role at the Company.

79%

of Pyaterochka store managers completed the customised training course in 2023

82%

of Pyaterochka couriers completed the customised training course in 2023

53%

of HR business partners, store managers, and security managers were trained in 2023

93%

of line employees were trained in 2023

Accessibility of stores and electronic services

In 2023, the Company continued the effort to make its stores and services more accessible to people with special needs.

In the reporting year, Pyaterochka started auditing its stores for accessibility:

- Internal audits of accessibility for people with special needs were conducted at more than 85% of Pyaterochka stores
- A section dedicated to inclusion was added to store managers' daily checklist: managers now check that there are no barriers for customers with special needs on a daily basis and ensure that any barriers are removed promptly
- The Mystery Shoppers Club programme, enabling mystery shoppers to check Pyaterochka stores, now includes a separate task to check the store for accessibility for customers with limited mobility

In addition, Ipsos ran a survey for Pyaterochka to identify the greatest challenges faced by people with special needs when visiting stores. We intend to use the survey findings to further improve store accessibility across the Company.

In early 2023, the Everland inclusivity project, run by social entrepreneurs, audited Perekrestok's website and mobile app for accessibility for people with visual and motor impairments, which resulted in the chain making a number of improvements. Following the audit, Perekrestok's website was recognised as the most accessible website for blind and motor-impaired people in the retail industry.

Plans for 2024

Re-audit Perekrestok's digital services for accessibility

Commission an external audit of Pyaterochka stores to obtain the Accessible Environment for All certificate

Adapt Pyaterochka's mobile app and delivery service for people with special needs

Introduce an additional discount for people with special needs at Pyaterochka

Further adapt Pyaterochka stores to ensure the comfort of visitors with disabilities

Responsible business conduct

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30 Privacy and data protection

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35 Incorporating customer feedback



Compliance and business ethics

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The Company's corporate culture roots itself in values common to all employees, adherence to ethics standards, and legal compliance. X5's activities comply with applicable Russian laws and are aligned with best practices of the Dutch Corporate Governance Code and the Corporate Governance Code recommended by the Bank of Russia.

Our approach

- Segregation of duties
- Clear language and expectations[1]
- Integration of basic principles in business conduct and ethics, human rights, and anti-corruption into the Company's strategy and its relations with partners

We regularly assess compliance risks and monitor the implementation of measures to eliminate and mitigate them. The Audit and Risk Committee of the Supervisory Board reviews relevant reports on a quarterly basis.

Conflicts of interest

2-15

X5 has adopted the following key procedures to prevent conflicts of interest:

- **Reporting and monitoring**
  Managers and employees must report situations where their personal interests may affect the Company's rights and interests. The Compliance Department monitors compliance with procedures for reporting and managing conflicts of interest. A heightened emphasis is placed on potential conflicts of interest with senior management.
- **Related-party checks on counterparties**
  A Related-Party Transaction Policy is in place at the Company, which prescribes an internal reporting and approval mechanism for related-party transactions and requires that related-party checks on counterparties are included in the contract approval process. In addition, the Company has developed a due diligence service to check counterparties for any interested-party transactions on its corporate intranet portal.

In 2023, we maintained our focus on automating our compliance processes and procedures. For example, we started updating the service for declaring conflicts of interest. In 2024, we plan to implement several new IT projects to automate compliance processes and complete upgrades to the service that runs related-party checks on counterparties.

For more details on corporate governance systems and mechanisms for resolving conflicts of interest, see the Company's 2023 Annual Report.

1 X5 Group's key principles in ethics, human rights, and anti-corruption are set out in its Code of Business Conduct and Ethics, Human Rights Policy, and Policy on Countering Misconduct, Including Fraud and Corruption.

Anti-trust practices

We strictly comply with anti-trust laws to ensure a competitive and fair market environment and protect the rights of all market players, including suppliers.
In the reporting year, the Company did not receive any improvement notices or fines from supervisory bodies for non-compliance with Russian anti-trust legislation or abuse of dominant position.

Approach to taxation

When it comes to taxation, we are committed to full transparency as a cornerstone of our engagement with tax authorities. We grant remote access to company tax and accounting systems, provide real-time monitoring of the tax base calculations, and ensure open communication on any issues that may arise.

Feedback and consultation mechanisms

2-16 2-25

Employees and any stakeholders who believe that their or the Company's legitimate interests have been harmed can make use of any of the following feedback channels:

- The Hotline on 8 800 200 2613 (a voicemail asking a series of questions to help the caller provide the information necessary for verifying their report)
- hotline@x5.ru, a dedicated e-mail address for reporting violations to the Compliance Department
- A feedback form on the corporate website and intranet portal, also available via special banners displayed on employees' personal accounts

The Company's partners can report via a feedback form maintained by the Conciliation Commission, which reviews and resolves conflicts and disputes arising during engagements with counterparties.

X5 manages all communication channels independently and has a non-retaliation policy in place which protects individuals reporting in good faith. We use a special information system to ensure confidentiality and anonymity of all reports.

Reports submitted via the Hotline

	2021	2022	2023
Total reports via the Ethics Hotline	9,135	6,414	5,154
Reports regarding breaches of the Russian Labour Code	7,457	4,810	3,667
including confirmed and eliminated breaches of the Russian Labour Code	2,557	976	849
Reports regarding breaches of the Code of Business Conduct and Ethics	1,678	1,604	1,487
including confirmed and eliminated breaches of the Code of Business Conduct and Ethics	463	474	467

Summary statistics on reports to the Conciliation Commission

Report subject	Complaints	Violations[1]
Counterparty selection process	15	6
Contract termination	12	4
Contract terms	42	20
Behaviour, ethics, and compliance with corporate standards	0	0
TOTAL	69	30

Anti-corruption partner survey

In 2023, X5 conducted a special survey among its partners to improve the Company's anti-corruption practices and additionally inform them about available communication channels.

In addition to answering questions, counterparties also shared their suggestions on what actions the Company could take to improve its supplier engagement and make supplier management more transparent. The survey participants generated over 350 suggestions which will be analysed in detail for potential incorporation.

In 2024, the Company will prioritise raising supplier awareness of the available communication channels to report potential wrongdoing and improving overall process transparency.

1 Violations mean cases where internal investigation into the report confirmed the complaint.

Ethics and compliance training

205-2

We are strongly focused on training all employees in ethical business behaviour. In addition to familiarising all employees with the Code of Business Conduct and Ethics, we conduct regular training to study the Code and related policies as well as their practical application.

The Compliance Department is responsible for developing such training programmes.

The Company not only brings information about anti-corruption policies and methods to the attention of all employees and members of governance bodies but also informs its business partners, reaching 9,333 of them in 2023.

100 %

employees are informed about anti-corruption policies and methods

Plans for 2024

In 2024, we plan to:

- revise and adopt a new version of the Code of Business Conduct and Ethics
- update mandatory compliance training
- continue to expand the compliance management and compliance risk management system to encompass the Company's new assets
- continue existing IT initiatives to ensure compliance control and launch new ones



Privacy and data protection

3-3 418-1

Management system

The Company has in place a centralised information access process. The Information Security Department is responsible for checking compliance with information security control procedures and their effectiveness. The Internal Audit Department regularly audits the information security management system and reports the results to the Company's senior management.

In addition to internal audits, X5 regularly engages external independent auditors for technical audits and continuously scans external and internal information systems for vulnerabilities.

Information security matters are included in the annual management meeting agenda for the Company's Supervisory Board and are also discussed when reporting the status of information security risks to the Executive Board.

Contracts with counterparties are supplemented with mandatory confidentiality agreements and, if necessary, contain information security requirements for counterparties.

Any data subject may request that X5 delete their personal data from its information systems. Personal data are deleted upon request by the data subject. Protection of customers' personal data at the Company is aligned with applicable Russian laws and internal regulations[1] available on the Company website.

Risk control and assessment

The Information Security Department has a dedicated unit responsible for information security risk management and establishing the information security risk management procedure. X5's core retail chains and business units carry out a regular risk and control self-assessment (RCSA) and translate the results into action plans. The Company also has a Security Operations Centre (SOC), which monitors and responds to information security incidents 24/7. The SOC uses pre-prepared incident response playbooks and deploys security orchestration, automation, and response (SOAR) tools to ensure that the process is automated.

When establishing and updating its information systems, the Company tests all solutions for vulnerabilities and compliance with information security requirements. The internal team of experts provides appropriate controls for protecting data and information systems and also assesses residual risks, communicating them to relevant business process owners.

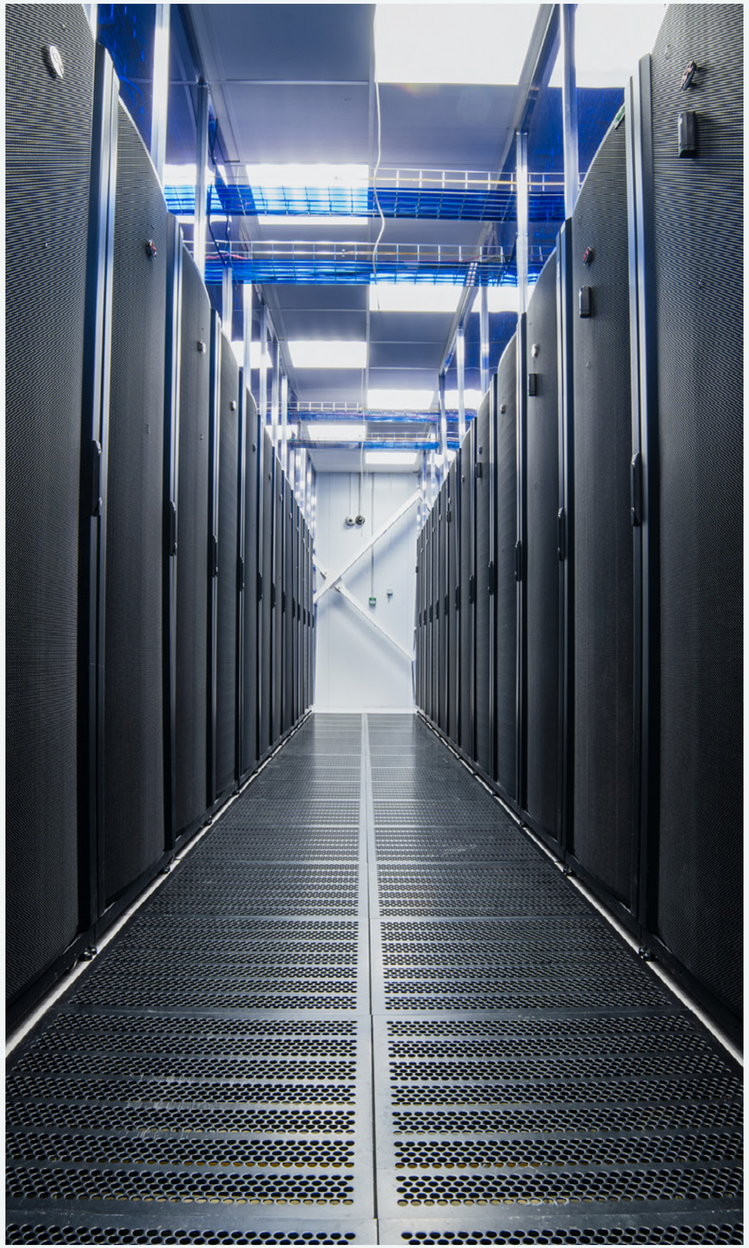
No material information security incidents or personal data breaches were recorded in 2023[2].

Information security training

To keep employees up to date on information security, the Company runs a range of training courses:

- Basic course on information security
- Information security course for information system administrators
- Information security course for developers
- Trade secret protection course
- Personal data protection course

To additionally train employees to correctly respond to such situations, the Company regularly runs phishing tests.



1 The Code of Business Conduct and Ethics, Personal Data Processing Policy, and Privacy Policy.

2 The Company defines "material incidents" as incidents resulting in significant public outcry or fines that could affect its financial performance or lead to suspension of operations in one or more regions of operation.

Responsible supply chain

2-6 2-24 2-25 3-3

Recognising our inevitable environmental and social impacts, we strive to mitigate potential negative impacts while maximising positive ones throughout the value chain, from producers to end consumers.

87%

of goods, works, and services in X5's total procurement in 2023 are Russian-sourced

Our supplier relations are subject to a rigorous set of internal regulations[1] spanning various engagement aspects.

Logistics supply chain



Supply chain management at X5 is decentralised, with each business unit independently managing relevant processes in line with the Company's internal regulations and sustainability strategy.

1 Key documents: X5's Human Rights Policy, Compliance Policy, Code of Business Conduct and Ethics, and Code of Interaction with Business Partners.

Suppliers are selected in line with the following principles:

01 Uniform standards

02 Transparency and openness

03 Confidentiality

04 Efficiency

05 Reasonable precaution

06 Mutual efforts in the interests of sustainable development

Logistics solutions

We continuously enhance the efficiency and reliability of logistics operations by deploying advanced technology. We also leverage our logistics infrastructure to develop new business segments, such as 5Post, our last-mile delivery service. The Company operates 62 distribution centres measuring 1,842,341 square metres overall, located across all eight federal districts of Russia.

X5 has its own vehicle fleet of 5,344 trucks (X5 Transport), which enabled about 77% of the Company's total deliveries in 2023.

To promote supply chain efficiency, including optimising resource utilisation, reducing waste generation, cutting costs, and maximising product quality and freshness, X5 uses the following logistics solutions:

Tool	Functions
Route-to-market (RTM) delivery models	Ensure the most efficient distribution and delivery to end consumers. The models identify optimal delivery routes and channels, taking into account market specifics, consumer demand, competition, and other factors
Modelling E2E supply targets with suppliers	Special programmes and systems help to monitor and track the movement of goods from the supplier to the end consumer, contributing to transparency and on-time delivery
Full truckload (FTL) and less-than-truckload (LTL) deliveries	FTL means filling an entire truck with one shipment, while LTL envisages combining multiple shipments into one truck
Optimising pallet size to ensure pallet efficiency and using mixed pallets for performance-based logistics (PBL) orders	By adopting pallets of optimal sizes for stacking and storing goods and special pallets to combine different types of goods onto one pallet, the Company maximises space and resource utilisation during transportation
Electronic document management	Deploying digital technologies and systems to efficiently exchange and process logistics-related documents without paperwork
Backhauling	Loading empty vehicles on intra-city return trips over all or part of the route and harmonising interregional delivery flows to fill empty trucks with loads
Pickup services	Delivery by X5 from the supplier to the distribution centre, enabling quality control of logistics services from the manufacturer to customers in stores, with shorter delivery times and less empty mileage
Trusted suppliers	Logistics partnerships to increase on-shelf availability, reduce lead times,[2] sidestep certain operations, and use less resources to get products on shelves

2 The latency between confirming the need for an order and the arrival of goods.

Progress against our plans

Plans for 2023	Status
Pilot electric trucks	The project has been piloted, with plans to increase the number of electric trucks[1]
Develop projects to automate some of the unit's processes, which will reduce the amount of labour and resource consumption while also improving working conditions	• We developed a new interface for the intra-unit truck dispatch system that integrates data from various sources into a one-stop solution for the dispatcher, improving transportation safety controls, among other processes • Some dispatcher tasks were automated through RPA, allowing the operator to pay more attention to the more critical tasks, including those related to transportation safety
Introduce new tools to monitor excess mileage, as well as virtual fuel cards	The new tools rolled out through the programme have enabled improved controls and better resource utilisation

Electronic consignment notes

X5 pioneered electronic consignment notes (ECNs) in retail. We developed and started following our ECN standard long before regulators issued relevant requirements, and our long-standing practice of using e-consignment notes has drastically reduced our paper consumption.

In 2023, X5 adjusted ECNs to meet legal requirements and piloted a target ECN project in September. As early as in October, we became a top Russian freight carrier by number of ECNs submitted to the state information system, sending about 300,000 every month.

In 2024, we plan to completely phase out paper consignment documents and entirely switch to electronic transport documents.

Development of responsible sourcing

We engage with a large number of suppliers and welcome those who share our human rights values and meet high standards of quality, business ethics, workplace safety, and environmental protection. We value partners who live up to these standards, and we strive to share best practices, advice, and guidelines on how to further improve them.

Before signing a contract, all potential suppliers are subject to due diligence, including, among other things, checks for potential violations of labour and environmental laws. For some of its counterparties, the Company also performs regular audits.

We welcome and encourage voluntary certification of suppliers' operations and products for compliance with environmental and social standards. X5 does not insist on any specific certification, leaving the choice of applicable standards to the suppliers' own discretion.

Green factoring

In the reporting year, the Company piloted the Green Factoring programme for small and medium-sized companies.

Based on their ESG assessment results, suppliers may be eligible to more favourable factoring terms with a 75 b.p. discount off the current financing rate. The certificate issued to the supplier after passing the assessment remains valid for one year and can be used during this period without any restrictions in all transactions involving the factoring programme partner.

The assessment includes questions in five areas: information about the company, its environmental, social, and governance (ESG) performance, and its sustainability management system.



1 For more details, see the Innovations section in the chapter Sustainable Development and the Company's Business.

Supplier portal and education

During the year, we took further steps to develop our Dialog.X5 supplier platform, which plays an important role in improving the Company's relations with suppliers. The portal is an integrated platform of X5 services, where users can view information on target customer groups, logistics services, and Company analytics. Suppliers can also find up-to-date internal documents and educational materials and upload information about their products supplied to X5 retail chains, including packaging data.

In 2023, we reviewed the procedure for submitting commercial proposals and used the study results to simplify the process and shorten the review time.

We continued to enhance the functionality for returning reusable packaging, processing pallet return requests more efficiently in line with suppliers' demands.

Training seminars for suppliers are still available on the platform to make engagements with the Company more convenient and productive. In 2023, the seminars covered the following topics:

- Submission of commercial proposals
- Creation of product flypages
- Portal checks and handling non-standard products

The seminars were sat by about 600 suppliers

In addition, we held four webinars for suppliers with experts from our retail chains:

- Win-Win Partnerships: Myth or Reality?
- Talking about the Customer Only
- Assortment Management
- Effective Promo Metrics

A total 1,200 suppliers attended the webinars

We notify potential participants of all planned events, including training, through our Telegram channel.

In addition, the supplier portal offers special analytics tools that can boost business efficiency and help partners grow along with the Company.

Insights: enables suppliers to track changes in sales and identify the best tools to boost them as well as monitor key customer behaviour metrics. All X5 suppliers have access to a dashboard with sales data by category (changes in sales by category, average ticket, top 10 products in a category, etc.).

In 2024, we plan to expand the free functionality of the service by making sales ranking reports for the supplier's goods available from the dashboard. In spring 2024, we will also pilot a new tool, the Supplier's Promo Account, where retail chains and suppliers can plan and agree on price promotions.

Logistic: supply chain analytics. With this tool, suppliers can, for example, view the status of their deliveries to distribution centres while tracking and resolving issues related to delivery and communication with logistics partners, etc. Other analytics capabilities include analysis of store sales by day, data on leftover stocks at distribution centres and stores, sales forecasts, write-off rates, and much more.

Targeting: this product is predominantly designed for advertising agencies as it provides analytics on how effectively advertisements impact consumer behaviour and preferences.

To develop these products and make them more effective and useful for suppliers, in 2023, we set up X5 DataBridge, a system to integrate data into our partners' systems, saving on processing power for them and unlocking faster access to data for faster decision making.

Progress against our plans

Plans for 2023	Status
Make processes more transparent for users	Phasing in new functionalities, conducting training webinars, updating product descriptions, and launching a chatbot
Automate communications with suppliers	Implementing a request system for suppliers to create queries and receive advice on X5 processes, as well as track the request review progress
Centralise all essential functions in a single portal space	Streamlining three communication channels for commercial proposals and merging them for user convenience

X5 Import

Direct import hubs are key elements in the Company's supply chain. X5 Import is responsible for monitoring and oversight of import operations, overseeing procedures for selecting reliable suppliers and monitoring product quality across supply chain stages.

In 2023, we analysed the unit's processes to identify potential for improvement. Based on the description and modelling of processes for different product categories, we deduplicated operations and standardised certain processes, developing a single solution to automate them.

Progress against our plans

Plans for 2023	Status
Introduce automated quality control programmes spanning the entire supply chain and centralise decision making on deliveries	• All hubs in Russia have launched a mobile acceptance solution, whereby an acceptance certificate is automatically generated and sent to our systems after filling out the form in the app • Procedures for inspecting goods in the country of shipment have been launched using a mobile app that automatically uploads data to our systems
Develop a prioritisation tool for deliveries of goods with a limited residual shelf life	The tool has been developed; its functionality allows users to take into account product expiry dates and other factors

Plans for 2024–2026

1. Add more alternative payment options through various banks and maintain focus on managing risks associated with currency fluctuations and price fixing
2. Expand cooperation with partner countries
3. Continue modelling, describing, and standardising processes
4. Identify areas with automation potential and shape new project initiatives for these areas

Support for small and medium-sized businesses

X5 is committed to supporting local business and is taking consistent measures to increase the percentage of SME suppliers; at present, more than 50% of all of the Company's suppliers are small businesses.

53% of X5 suppliers are small businesses:

27% are small enterprises

26% are micro enterprises

Supporting small and medium-sized businesses

DEVELOPING AGRICULTURAL CONTRACTING

In 2023, we further developed our Agricultural Contracts, a programme for partnering with agricultural producers that provides for long-term contracts to secure future crop supplies in a fixed amount at a guaranteed and/or open price based on market analysis. For producers, the key benefits of this programme are a stable sales market and the opportunity for long-term planning and investing in production expansion and efficiency improvements. In addition, the Company helps its partners to attract financing and in some cases, starting from 2024, even makes direct advance payments of up to 30% of the revenue from sales of future crops.

FARMERS' MARKETS

The Farmers' Market project was launched in 2022 in partnership with the Russian Small and Medium Business Corporation (RSMB Corporation, or SME Corporation) to offer small enterprises the opportunity to leverage our retail chains' traffic and locations to sell their products.

21

farmers' markets opened in 2023

With a total of 43 farmers' markets operating across 23 regions at the end of 2023, we plan to open up to 30 more during 2024.

FARMERS' ACADEMY

Following the Small Business – Big Shelf! conference held in February 2022, we decided to launch the Farmers' Academy, a training project where X5 representatives go out to various regions or host online sessions on important aspects of cooperation between farmers and retail chains. In addition, the Academy explains step-by-step how to use the Dialog.X5 portal and build partnerships with farmers' markets and agri-aggregators.

In 2023, we held the first face-to-face and online events, and in 2024, we will continue scaling this project in Russia's regions. We plan 10 to 15 such Academy events in total to help farmers successfully enter the market.

Progress against our plans

Plans for 2023	Status
Develop agricultural contracting	Piloting direct advance payments to producers

Plans for 2024

1. Update the RSMB Corporation partnership roadmap
2. Continue training small businesses to work with X5 Group
3. Scale up the Agri-Aggregator project
4. Scale up advance payments under agricultural contracting to a total of 60 suppliers

AGRI-AGGREGATOR PROJECT FOR SMALL AGRICULTURAL PRODUCERS IN RUSSIA

In the reporting year, we piloted the Agri-Aggregator project in the Lipetsk Region, launching a partnership with an aggregator that purchases products from small agricultural producers (farmers) who are not yet able to start direct supplies to X5's retail chains on their own. Under the project, the aggregator uses its own processing, storage, and logistics capacities to purchase products from small farms and subsequently sells them through X5 chains in pre-agreed and guaranteed volumes.

By 2023-end, the agri-aggregator concluded more than 120 contracts with small agricultural producers in the Lipetsk Region.

In 2024, we plan to scale this project to add about 10 more agri-aggregators. While the programme has only been piloted at Pyaterochka so far, this year, we plan to launch it at Perekrestok as well.

SMALL BUSINESS – BIG SHELF!

In 2023, we held two conferences in St Petersburg and Moscow to discuss priority formats for partnering with small enterprises and consider support measures with government officials, industry associations, and organisations.

The conference in Moscow was set up as a fair. Over the 10 days of the event, farmers had the opportunity not only to conduct negotiations but also directly showcase and sell their products. A total of 56 suppliers participated in the conference and presented a wide range of products. In addition, one representative of each supplier had the chance to take part in a special conference at the Federation Council, dedicated to government support measures needed for small enterprises.

The focal point of each conference was a trading and procurement session where participants had the opportunity to exchange contacts and strike new business partnerships.

Our plans include another conference in 2024, this time in the Kaluga Region.



Incorporating customer feedback

2-25 2-29

Building customer trust and meeting customer expectations is a key ingredient to X5's success. To this end, we maintain an ongoing dialogue with our customers, conducting research, incorporating feedback, and changing to become better.

3,138,517 MLN RUB

total purchases by our customers in 2023

We use customer feedback to tweak recipes, packaging, and other aspects of our private labels as well as communicate customer expectations directly to manufacturers.

We absolutely uphold the customer's right to get a refund for a substandard (for any reason) product, with or without a receipt. If a price on the price tag does not match the price on the receipt, we always side with the customer and sell the product at the price shown on the shelf. All this is clearly communicated to customers at all our stores.

In 2023, we introduced the Customer Happiness Index, a new performance metric in the Perekrestok incentive system that includes a comprehensive service quality assessment. We also launched a new internal system for handling all customer queries. The query response time is 24 hours, and if the complaint only requires consultation, we immediately provide feedback to resolve the situation. Matters of a systemic nature are forwarded on to relevant business functions to take the necessary measures and resolve the issue. We have also improved Perekrestok's complaint verification system, which now comprises two stages:

- verification of the customer's queries (via calls and chat)
- complaint assessment by stakeholders (the supermarket in question, quality control department, etc.).

Pyaterochka launched the Service Priorities project, which aims to make all store employees even more customer-centric. The retail chain expanded its feedback channels by adding a chat to the 5ka.ru website and delivery app. More than 90% of queries are responded to within 24 hours, and the first-call resolution rate is 70%.

Each customer query is entered in a registration and routing system, to be forwarded to an appropriate responsible individual via one of more than 800 routes. All query processing results are consolidated and sent to the Company's management on a weekly basis.

In addition to direct queries, we also use customers' product ratings as a source of feedback. In 2023, we relaunched our Product Rating service. Customers give scores, which we use to adjust and improve our product assortment.

Within the first five months since the service relaunch, we have improved more than 150 products and removed 120 low-rated ones from shelves.

We are committed to maintaining high levels of customer trust and strive to raise customer awareness of X5's sustainability projects. One of the key goals under our sustainability strategy to 2025 is to become the No. 1 Russian retail company by consumer perception of our environmental, social, and corporate responsibility (ESG). This is why we also incorporate customer feedback on the Company's ESG initiatives in the assessment of our performance against strategy targets.



Product quality

and healthy lifestyle

37 Product quality and safety assurance

45 Promoting healthy lifestyles









As a major food retailer, we recognise our influence on consumers' eating habits and strive to ensure that the products reaching the tables of millions of families are affordable, high-quality, and healthy. To this end, we have set clear quality requirements for suppliers and constantly monitor for compliance.

We maintain an ongoing dialogue with our customers and listen carefully to everything they say, using customer feedback in our supplier management. We also expand the range of healthy lifestyle products and raise awareness about them, placing an emphasis on young people.

Product quality and safety assurance

3-3 404-2 416-1 417-1

An in-house quality assurance service is a mandatory unit at each X5 retail chain, tasked with managing every stage of the product life cycle in partnership with the commercial and category management departments to ensure all products offered to customers are high quality.

Quality control mechanisms include supplier audits, monitoring products on store shelves, regular tastings and laboratory tests, and customer feedback. Beyond simply getting a new product onto shelves, quality control continues as products are on sale at stores.

The Company places a heightened emphasis on the quality of its private labels, maintaining a relentless focus on compliance with all process and product attribute requirements and exploring opportunities to improve these products. We thoroughly review customer feedback submitted both directly and through other channels, identify the areas that most significantly affect customer experience, communicate these insights to suppliers in the form of recommendations, and, where necessary, adjust our requirements for them.

If a supplier does not meet our quality requirements or cannot improve their product in line with our recommendations, their products are taken out of the chain's product mix.

We value customer confidence and are honest about the ingredients of the products we sell, including information about the balance of nutrients; the content of saturated fats, free sugars, salt, and allergens; the use of GMOs; and other substances that may affect human health. The Company's Responsible Marketing Policy sets out our commitments around the key principles of informing customers about the products we sell and establishes accountabilities for delivering on these commitments.

Pyaterochka

In 2023, Pyaterochka won more than 100 awards at the Quality Guarantee international food quality competition, which has been held since 2014 by the Gorbatov Federal Research Centre for Food Systems, Russia's leading food industry science centre.

The chain was also one of 12 government award winners and the only retailer recognised with a Russian Government Award for outstanding product and service quality. All applicants submitted detailed reports on various aspects of their business, from global strategy and human resources to partner engagement, product quality control, and maintenance of buildings.

Performance was also evaluated from both end consumers' and employees' points of view. The final stage was an in-person audit by an independent commission. The auditors inspected the production sites of Pyaterochka's private labels, held a series of meetings with employees from different units, and confirmed the company's commitment to strict quality control across all production stages at the partner enterprises manufacturing its private labels.

58	26	24
Gold	Silver	Bronze



Artist: Irina Sidenkova, 13 y/o

KEY QUALITY ASSURANCE ACTIVITIES IN 2023

New functionality for suppliers

A dedicated section has been added to the supplier portal to provide easy access to complaints about deliveries. Suppliers can view statements of disagreement and photo reports of the quality acceptance of such deliveries directly from their personal accounts. This innovative solution simplifies supplier communications, enabling process transparency and prompt feedback.

1,269	1,158
standard reference material protocols issued by experts in 2023	samples of private-label goods successfully passed quality control

954 SUPPLIER AUDITS PERFORMED, INCLUDING:

435	43
audits in the Fruit and Vegetables category, including 60 private label audits	audits of suppliers of semi-finished products for own production

Plans for 2024

Improve the feedback collection and processing system to capture even more detailed information about flagged items and accelerate communication between all units involved

Launch a one-stop solution for managing all incoming calls and routing them to relevant units

Review key processes to further simplify and automate them

Automate report sharing

Increase the share of trusted suppliers at DCs

Perekrestok

In 2023, the Quality Control Department focused on enhancing quality control for private label suppliers. The number of inspections doubled from the previous year, and the category of third-party cheeses was covered by a mechanism to determine milk fat replacers with 100% accuracy.

Other important focus areas were improving the quality of ready-to-eat meal ingredients, updating production and sales instructions, and upskilling store employees and managers in sanitary and hygienic standards.

>1,100

new private-label goods were added to the product mix following quality inspections

KEY QUALITY ASSURANCE ACTIVITIES IN 2023

Quality certificates

- In the Fruit and Vegetables category, we introduced 100 new quality certificates and revised 388 existing ones
- Quality certificates in the Nuts and Dried Fruit category were updated, resulting in an increase in the average customer satisfaction score from 4.64 to 4.91 out of 5
- The Quality Control Department reviewed shelf-life parameters for each PLU[1] to reduce waste and improve freshness of products on the shelves
- A green channel project was piloted at the Sofino DC: incoming product deliveries now undergo quality control at the supplier's warehouse, thus guaranteeing quality products with a longer shelf life due to shorter time in transit. This also facilitates a more rational use of resources as less trucks need to return from DCs
- The equipment for measuring sugar content in fruits was upgraded. With the new professional equipment, employees can monitor the quality of fruit to meet our standards, in particular requirements for sugar content and acidity
- Two dates (manufacture and expiry) were added to the label, allowing employees to more quickly rotate stock and identify products nearing their expiration date, thus helping customers to choose the freshest products

Standardisation and document management

- A register of quality control processes was created
- Additional food safety procedures were developed
- Four new environmental and quality checklists were introduced for stores

Sample Library project

Under the Sample Library project launched at Sofino DC, special shelves have been designated in the storage room to store the most critical products as they continue to ripen at the proper temperature; complaints about spoiled products on store shelves are also investigated.

Hydration of leaf greens

In 2023, the retail chain continued to test shelves with a water spraying system for greens. The project showed significant improvement in terms of better product attributes, shelf life, and visual appeal. The company plans to scale the project nationwide.

1 Price look up codes of goods in the Vegetables and Fruit categories.

Plans for 2024

Develop a procurement programme based on agricultural contracts, creating long-term relationships with suppliers that allow us to introduce additional quality requirements for partners' agricultural products

Build up internal capabilities to provide Russian producers with expert support in agricultural matters in the Fruit and Vegetables category

Reduce microbiological testing lead times to 1–2 days by introducing rapid tests

Improve monitoring of sanitary conditions and enhance the quality of equipment washing and sanitising using a quantitative methodology

Roll out the green channel project across all DCs

Chizhik

In 2023, Chizhik continued to further develop its business model, increasing the share of private labels to 77% while ensuring good quality, affordable prices, and compliance with internal requirements in terms of ingredients and being GMO-free.



KEY QUALITY ASSURANCE ACTIVITIES IN 2023

Supplier site visits

During the year, Chizhik's Quality Department made supplier site visits to verify compliance with quality standards and provide expert advice on possible improvements to processes and technologies to close identified gaps. The visits were followed up by corrective action plans, including mandatory confirmation of their implementation.

Quality diagnostics

During the reporting year, the retail chain continued to run a quality diagnostic programme for each product category to identify underperforming products and take timely supplier management measures or remove such products from the product mix. The diagnostic tool uses product ratings in the Chizhik app and the results of social media surveys.

In addition, all DCs regularly held tastings of private-label products to assess both the overall quality and difference in quality between products of different manufacturers.

Partnerships with regional laboratories

In 2023, Chizhik signed several agreements with laboratories in its new regions of operation, securing prompt chemical and microbiological compliance testing against applicable standards for its products. In addition, the company commissioned the All-Russian Dairy Research Institute to carry out complex testing of dairy products.

Plans for 2024

Create a Quality Radar by expanding the existing diagnostic system's functionality and adding more metrics and data collection sources

Roll out the tasting system to all new DCs

Sign additional agreements with laboratories in the chain's new regions

Vprok.ru



In 2023, the Vprok.ru online hypermarket maintained its relentless focus on incoming quality and authenticity control for supplied products, regularly monitoring product expiry dates, saleability, and storage conditions. Own production remains our priority: these products are regularly inspected and undergo daily audits for compliance with strict sanitary requirements. Organoleptic inspections are carried out for 100% of our own products, with at least 25% of them subject to regular laboratory tests.

>100

tests of own products conducted to confirm product quality and safety

In the reporting year, the quality control team participated in supplier site visits to verify compliance with standards for food safety management and technological processes ensuring that the products meet applicable requirements. In addition, a number of product quality control procedures were formalised, in particular enhanced supplier control and temperature control during the process of receiving and shipping products, as well as the development and improvement of internal quality control instructions.

Plans for 2024

Develop and deploy a HACCP[1]-based quality management system and train dark store staff on quality management

Participate in dedicated conferences hosted by RusQuality to ensure continuous improvement of employees' competencies

Continue auditing suppliers for compliance with the Company's requirements and Russian laws

1 Hazard Analysis and Critical Control Points, a system to ensure food safety during the food production process or the provision of catering services.

X5 Food

Mnogo Lososya

In 2023, we continued our project to deploy a video monitoring system that prevents product quality deviations. As part of this effort, we record comments that arise during inspections while also analysing potential violations by our employees, identifying their root causes, and working to eliminate them.

In the reporting year, we also rolled out new regulations on the storage of ready-to-eat products and process optimisation to reduce the time required to move products between different refrigerators, thus ensuring the best product quality and freshness. In addition, we strengthened in-process control at certain stages of the food production process to ensure it runs correctly and to rapidly detect deviations from standard ingredient proportions and production technology.

55%
NPS[1] index

4,346
internal audits of sushi points

10
counterparty audits

KEY QUALITY ASSURANCE ACTIVITIES IN 2023

Audits of points of sale and counterparties

In the reporting year, we boosted the number of auditors working in each city where our production facilities are located. They check each facility several times a month for compliance with sanitary and epidemiological standards. In addition, we increased the number of video surveillance devices providing remote compliance monitoring.

We revised our approach to audits to take into account the ratio of successful audits to unsuccessful ones (instead of only considering the average score), which enables a more accurate identification of weaknesses and regions requiring special attention.

In 2023, we also conducted several audits of suppliers to assess their compliance with our product requirements. The audit results prompted the decision to stop working with one of our partners.

Strengthening incoming quality control

In 2023, we introduced detailed specifications for all products supplied, allowing us to define requirements for the quality and parameters of raw materials in more detail, thus ensuring the uniform high quality of own production.

1 NPS (net promoter score) index is an indicator of customer loyalty reflecting a customer's willingness to recommend a company based on their experience. Calculated as the ratio of the number of the most satisfied customers to the number of the least satisfied ones.



Plans for 2024

Increase the number of control activities and tests to verify that our products meet quality standards. Engage with the Federal Centre for Hygiene and Epidemiology of the Russian Federal Service for Surveillance on Consumer Rights Protection and Human Wellbeing (Rospotrebnadzor) to expand the list of sites to be monitored under our Production Control Programme

Set up an in-house laboratory for primary testing of raw materials and finished products

Procure special equipment to detect foreign objects in incoming raw materials

X5 Food

X5 Ready Food

In 2023, X5 Ready Food successfully passed a certification audit for compliance with the FSSC 22000 food safety system standard and confirmed the previously issued certificate.

Quality control is carried out by the HACCP team, which includes all managers in concerned areas: quality, procurement, laboratory, and food technologists. The measures taken enabled us to exceed almost 200% of the target for reducing the number of complaints per 1,000 tonnes of products, bringing this figure to 7.4.

KEY QUALITY ASSURANCE ACTIVITIES IN 2023

- Procurement of equipment for removing foreign objects from bulk products
- Improvement of the pest control system
- Introduction of air showers for employees

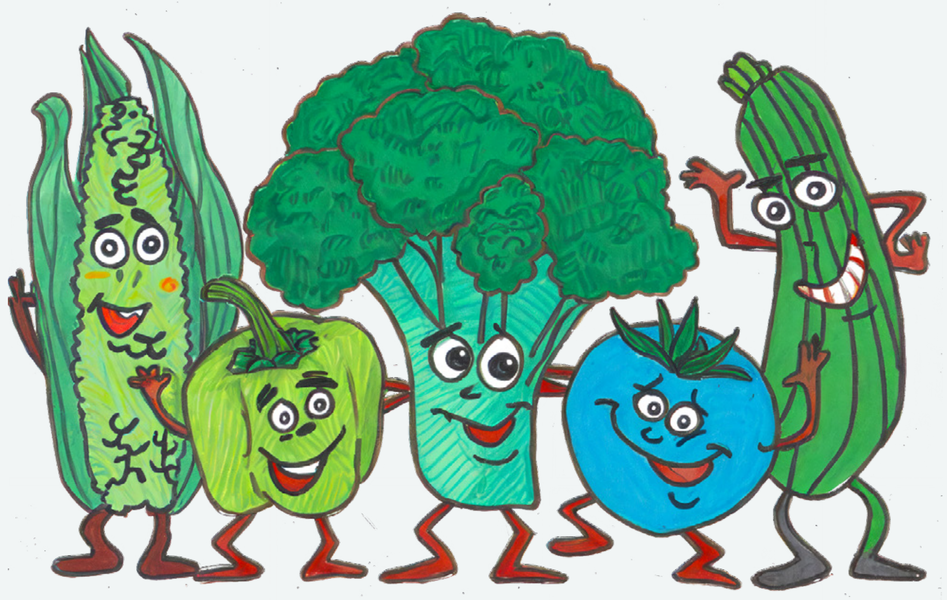
X5 Ready Food products won gold and silver awards at the annual WorldFood Moscow international food and drink exhibition

100%

the share of products covered by regular quality and safety checks

7.4

complaints per 1,000 tonnes of products



Artist: Makar Salnikov, 3 y/o

Plans for 2024

Promote operational culture among employees as regards food safety

Further reduce the number of complaints per 1,000 tonnes of products

X5 Import

In 2023, as part of its continued effort to control the quality of imported products, X5 Import automated the acceptance and control programmes along the entire product chain and centralised decision making on supplies.

In 2023, the proportion of stocks subject to inspection was increased to 95% as planned, leveraging a dedicated procedure and tools that help prioritise inspections and ensure they are thorough. The prioritisation tool not only looks at the expiry date, but also takes into account other factors such as the proportion of potential waste due to quality issues (for products in the Fruit and Vegetables category), sorting operations, shelf life, etc. Now we can more accurately identify stocks that need to be inspected first and monitor the thorough implementation of all necessary procedures.

KEY QUALITY ASSURANCE ACTIVITIES IN 2023

- Revision of processes related to quality control, including changes to the procedures for stock control, pre-shipment inspection, warehouse inventory control, etc.
- Updating quality certificates in cooperation with retail chains
- Fostering ties with suppliers, including through a rating tool used to allocate procurement volumes based on each supplier's scores and ratings
- Discussing terms of cooperation with suppliers, including quality requirements and relevant X5 standards



Artist: Ksenia Malyshkina, 13 y/o

Plans for 2024

Develop additional quality standards, communicate them to all suppliers, and add them to addenda

Improve the effectiveness of inspections in countries where shipping originates by revising the logic of the nomination funnel and automating it

Scale up the supplier rating tool

Promoting healthy lifestyles

3-3 416-1 417-1

More and more customers prioritise making a deliberate choice in favour of a healthy lifestyle. We actively support their desire to stick to a natural diet by expanding our range of healthy and affordable products, as well as by promoting healthy living in general.

In the reporting year, we continued expanding our range of organic and farm products, as well as our product line for people with certain dietary restrictions, including under a dedicated private label, Green Line, as well as specialty corners and dedicated shelves in stores across our core retail chains.

The Company's principles and rules establishing its commitment to improve the availability of high-quality healthy food and promote healthy habits among consumers are set out in the dedicated Policy on Promoting Healthy Living and a Healthy Diet, while medium- and long-term goals are outlined in our strategy.

In the reporting year, we placed a heightened emphasis on consumer education, raising awareness about healthy habits as well as the general affordability of healthy and wholesome food. Specifically, we posted more than 60 publications dealing with healthy eating on Food.ru, including recipes, informative articles, and scientific and educational materials. In 2023, the platform also launched the Affordable Healthy Living section, featuring recipes specifically vetted by a nutrition specialist.

A separate major project to promote healthy eating comprised events targeting schoolchildren across the Russian regions to instil in them habits that support healthy eating and healthy living from early childhood.

Promoting healthy living to young people

In 2023, Pyaterochka ran Proper Nutrition Lessons, a comprehensive programme to promote healthy lifestyles and balanced diets among school students and their parents.

The programme sought to debunk myths about healthy eating, help children become conscious and healthy consumers, and engage the entire family in the educational process. Along with theory lessons, we ran hands-on practical classes, where children teamed up with teachers to cook healthy and affordable meals.

The project was highly praised: it won first place in the Head Start category of Creating the Future, a nationwide competition of best practices for employers' social and humanitarian activities, and second place in the Healthy Lifestyle category of the All-Russian People Are Key Competition of Corporate Projects.

Along with Proper Nutrition Lessons, in the reporting year, the Company held other events aimed at promoting healthy lifestyles among children and young people. Specifically, in the Sverdlovsk Region, Pyaterochka continued to develop a social project to prevent obesity among children, which involved 485 families with children aged 6 to 9. Each participant received evaluation and advice regarding their diet, as well as the opportunity to have a specialist treatment plan at a partner clinic with support from professional doctors and specialists. A total 224 people were evaluated to monitor the project's intermediate outcomes: 61% of participants succeeded in reducing weight and 31% successfully stabilised their weight.



From March through May 2023, we conducted more than 300 such lessons in 25 comprehensive schools for students from grades 1 to 9, engaging a total of over 2,000 students.

93%

of participants said they learned something that will drive changes in their eating behaviour and consumption patterns

63%

of children already use the new skills in their daily lives

99%

of participants came to perceive Pyaterochka stores as a place to buy high-quality and affordable products that meet healthy eating needs



In the reporting year, our retail chains continued to run previously launched initiatives.

Perekrestok

For instance, Perekrestok added more than 200 SKUs to its Green Line private-label product range, while the number of organic private-label SKUs increased to 219. Additionally, 30 corners featuring farm products were opened.

Vprok.ru

Vprok.ru launched a brand of sugar-free breakfasts and a private label in the ready-to-eat meals category with clean ingredients free from artificial preservatives, colourants, and flavourings.

Chizhik

Chizhik continued to adhere to its clean ingredients promise by ensuring that suppliers only use essential and healthy GMO-free ingredients.

Plans for 2024

Scale up the Proper Nutrition Lessons project

Ramp up sales of healthy lifestyle products listed on the Avocado Index[1]

Expand the coverage of healthy living-themed guided tours for school and university students

1 The Company's internal index that measures consumer demand for healthy food across the country overall and in individual regions.

The planet

48 Our approach and 2023 highlights

49 Reduced climate impact and energy efficiency

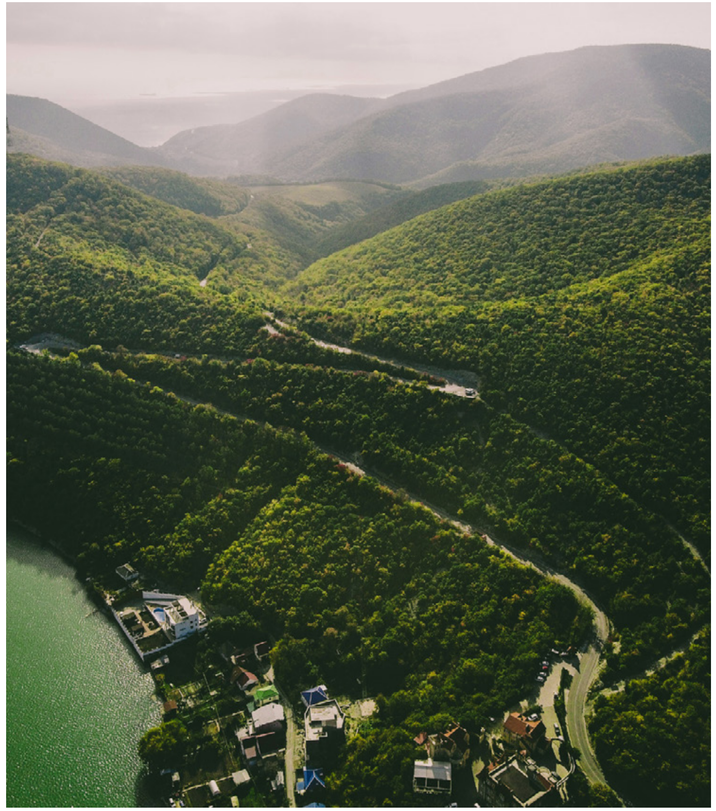
52 Waste management and sustainable packaging

55 Responsible water consumption

56 Caring for plants and animals







Our approach and 2023 highlights

Our environmental efforts focus on areas that are critical for us and where we can manage our impact, such as energy efficiency, climate change, and waste management. Relevant key goals are outlined in our short-term and long-term strategies, while our corporate principles and commitments in these areas are detailed in X5's Energy Efficiency and Climate Change Prevention Policy and Waste Minimisation Policy.

The Internal Audit Service is responsible for following up on compliance with environmental laws and internal standards. We regularly monitor changes in laws and train our employees to update them on ongoing changes.

X5 Group has published the Encyclopedia of Good Habits children's book with a trove of knowledge about responsible consumption, waste sorting, and recycling. Additionally, it includes some useful facts about the environment and the information about collection infrastructure available in our Pyaterochka and Perekrestok stores.

Pyaterochka publishes information on its responsible consumption, social support, and environmental initiatives on a dedicated website.



Artist: Miroslava Shopina, 9 y/o

Environmental management system

X5 Group is among the leaders of the Russian ESG agenda, largely due to its robust management system aligned with market best practices. Our KPI system featuring environmental metrics is integrated into the top management KPI system and the incentive system, which enables us to deploy advanced environmental solutions, follow up on related initiatives, and coordinate joint efforts between multiple business units.

To monitor and promptly adjust our operating processes, we use a range of automated systems enabling the fastest possible data sharing across the Company's business units.

Guided by UN SDG Responsible Consumption and Production it has prioritised, the Company rolls out initiatives to reduce its environmental impact across its own processes but also strongly promotes relevant practices among its suppliers and customers. For instance, the Company was the first in the Russian retail market to release recommendations on sustainable packaging for suppliers, with key criteria including its processability and recyclability as well as production with a minimum level of harm to the environment.

As part of promoting a responsible approach to the environment among consumers, the Company implements various initiatives on a regular basis.

For example, Perekrestok started selling reusable shopping bags and special mesh bags that can be used for carrying fruit and vegetables instead of single-use plastic bags to reduce the overall amount of waste. Our project to collect and send plastic bottle caps for recycling sits at the intersection of environmental and social-impact initiatives. Proceeds from the bottle caps are donated to the Volunteers to Help Orphans charitable foundation, which supplies necessary equipment for children with special needs. A total of approximately 12.6 tonnes of bottle caps were collected in 2023, generating about RUB 284,000 in proceeds, with help provided to 16 children.

2023 performance highlights

0.405 T CO_2E/SQM

of selling space – GHG emissions intensity

–15.3% to 2019

116,673 MWH

consumption of renewable and low-carbon energy

2.6% of total energy consumption in 2023

468 KWH/SQM

specific electricity consumption

–4.6% year-on-year

682 KWH/SQM

specific energy consumption[1]

–5.4% year-on-year

52 %

share of sustainable private-label packaging

93 %

share of recyclable materials sent for recycling

19 %

share of non-expired goods when no longer in saleable condition sent for recycling

1 This metric is calculated based on the consumption of electricity and heating as well as diesel fuel used in diesel generators.

Reduced climate impact and energy efficiency

X5 Group recognises the urgency of climate change and strives to minimise its climate change impact. The achievement of relevant targets is included in KPIs for the Company's top management, which is directly involved in overseeing relevant initiatives. For more details on the governance structure, existing KPIs, and climate risk management system, see the relevant standalone Appendix to this Report.

In 2023, we succeeded in achieving the climate action targets as outlined in our strategy. GHG emissions intensity was reduced by 15.3% against a 2019 baseline, while the target was 10%.

We reduce our climate impact primarily through ongoing energy efficiency efforts centred around the Smart Distribution Board and Smart Store projects as well as the remote refrigeration monitoring system. Direct purchases of renewable and low-carbon energy used by the Company to cover some of its demand as well as self-generation also play an important role.

Smart Store

a comprehensive system seamlessly integrated into in-store processes and operations using special sensors, controllers, and software to automatically manage all power-consuming devices while minimising emergencies and their implications.

Smart Distribution Board

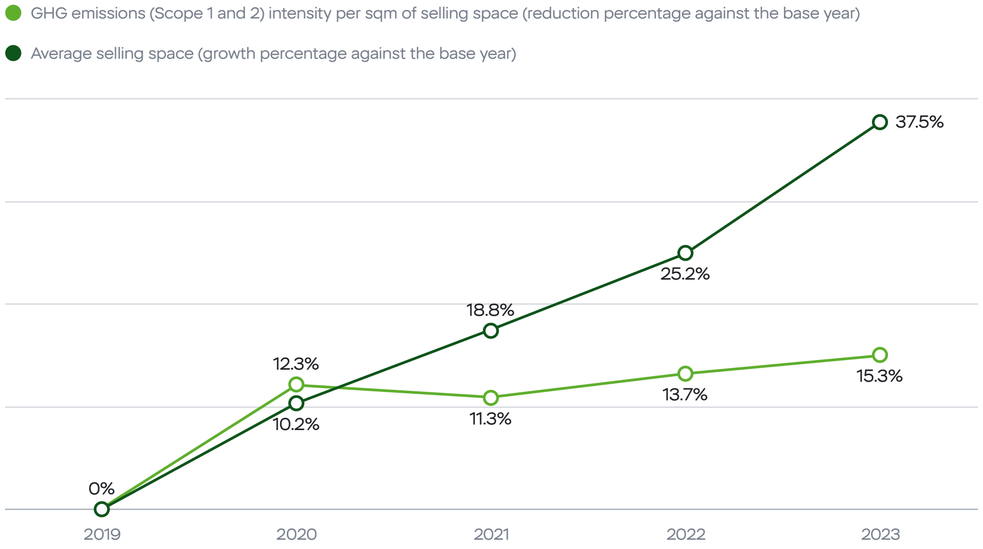
a system automating store ventilation processes, creation of air curtains, air conditioning, and lighting. The system factors in the facility's operating mode, indoor and outdoor temperatures, oxygen and CO_2 content in the air, and air quality, and uses these data to turn lighting and relevant equipment on and off when needed.

Remote refrigeration monitoring system

a special system that monitors refrigeration equipment parameters and leaks.

Direct and indirect GHG emissions (Scope 1 and 2)

	Unit	2019	2020	2021	2022[1]	2023
Direct GHG emissions (Scope 1)	t of CO_2e	1,280,659	1,239,770	1,393,170	1,471,703	1,671,134
Energy indirect GHG emissions (Scope 2)	t of CO_2e	1,985,336	1,911,276	2,051,132	2,056,815	2,133,104
GHG emissions (Scope 1 and 2) intensity per sqm of selling space (reduction percentage against the base year)	t of CO_2e/ sqm	0.478 0%	0.419 12.3%	0.424 11.3%	0.412 13.7%	0.405 15.3%
Average selling space (growth percentage against the base year)	sqm	6,834,931 0%	7,529,018 10.2%	8,122,410 18.8%	8,554,605 25.2%	9,395,406 37.5%



The Company quantifies its GHG emissions annually and takes measures to reduce them, using 2019 as the base year. In 2023, the amount of direct and energy indirect GHG emissions (Scope 1 and 2) totalled 3,804,238 t of CO_2e. The Company's gross emissions increased primarily due to business growth: a 37.5% increase in the Group's average retail space compared with 2019 and the development of new business units, with specific emissions down by 15.3% over the same period.

Purchased electricity consumption and heating at X5's stores and distribution centres in addition to the use of refrigerants account for a considerable part of the Company's GHG emissions (Scope 1 and 2). As part of our efforts to cut emissions, we are transitioning to renewable and low-carbon energy sources and are launching decarbonisation initiatives. For more details, see initiatives of X5's retail chains and business units below.

1 Greenhouse gas emissions for 2022 were adjusted due to the refinement of input data.

We also continue to measure other indirect emissions (Scope 3) on an annual basis, using 2020 as the base year. In 2023, gross Scope 3 emissions rose by 14.3% against the base year, which is lower than the growth rate of the Company's selling space over the same period (24.8%), translating to a decline in emissions intensity (–8.3%).

Other indirect GHG emissions from X5 Group's operations were calculated for all material relevant categories. X5 Group's most significant Scope 3 emissions were Category 1 (Purchased Goods and Services), Category 12 (End-of-Life Treatment of Sold Products), and Category 2 (Capital Goods).

In terms of changes in performance, we would underline the increase in other indirect GHG emissions in Category 2 (Capital Goods) driven by the rise in the Company's capital expenditure for the upgrade of stores, equipment, and machinery; in Category 6 (Business Travel) due to higher costs for employee business trips; and in Category 4 (Upstream Transportation and Distribution), which depends on the volume of goods transported by counterparties.

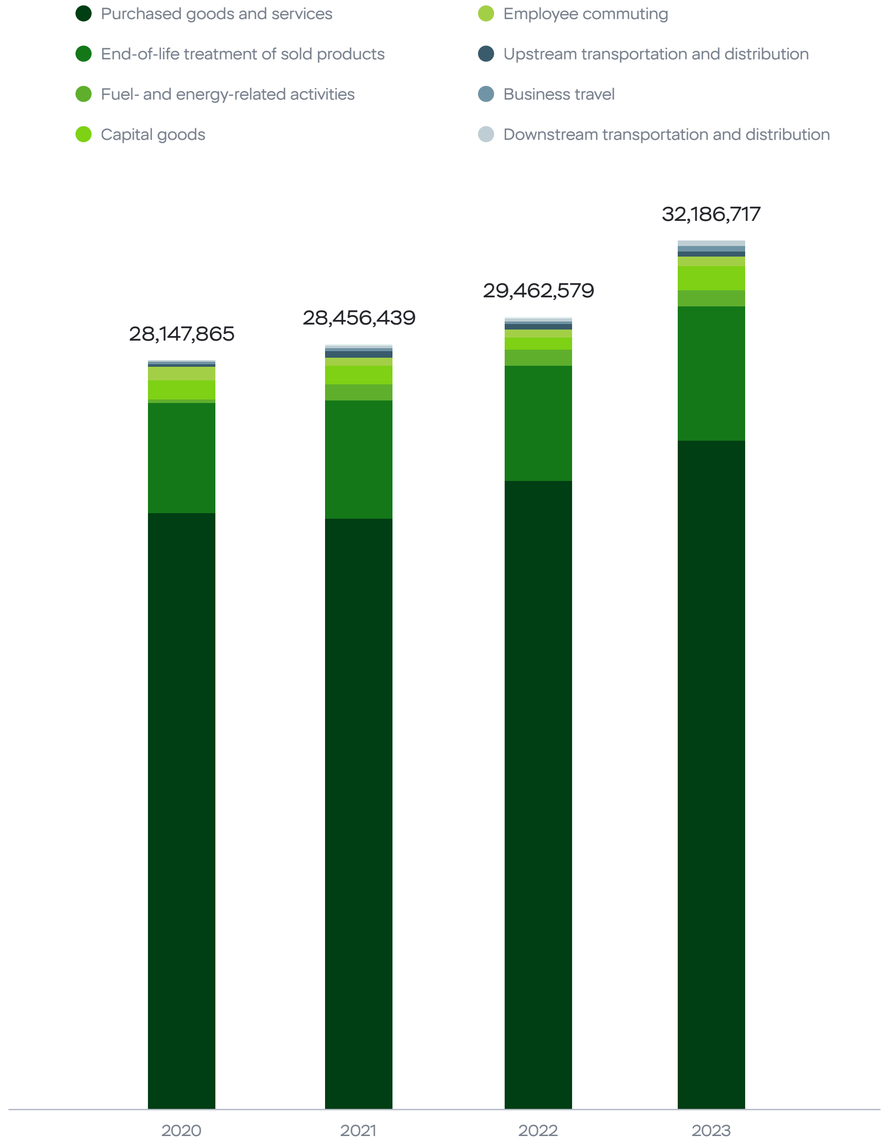
There were no significant changes in Scope 3 GHG emissions in other categories. We are working on improving our data collection and reducing emissions intensity.

Other indirect GHG emissions[1] (Scope 3)

Emissions category, t of CO_2e	2020	2021	2022[2]	2023
Purchased goods and services	22,257,018	22,022,287	23,475,130	24,904,189
End-of-life treatment of sold products	4,109,039	4,445,998	4,361,478	5,009,361
Fuel- and energy-related activities	150,969	622,508	618,774	653,542
Capital goods	728,314	699,364	430,987	907,088
Waste generated in operations	568,327	304,338	298,585	358,583
Employee commuting	281,016	280,409	186,801	196,260
Upstream transportation and distribution	45,618	59,861	79,214	137,200
Business travel	7,565	13,516	11,610	20,495
Downstream transportation and distribution	–	8,159	–	–
TOTAL	28,147,865	28,456,439	29,462,579	32,186,717

Other indirect GHG emissions intensity (Scope 3)

Emissions category, t of CO_2e	Unit	2020	2021	2022	2023
GHG emissions (Scope 3) intensity per sqm of selling space	t of CO_2e/sqm	3.74	3.50	3.44	3.43



1 Information about the 2022 GHG emissions for capital goods, fuel- and energy-related activities, and upstream transportation and distribution has been restated due to data collection and calculation methodology refinements.

2 Greenhouse gas emissions for 2022 were adjusted due to the refinement of input data.

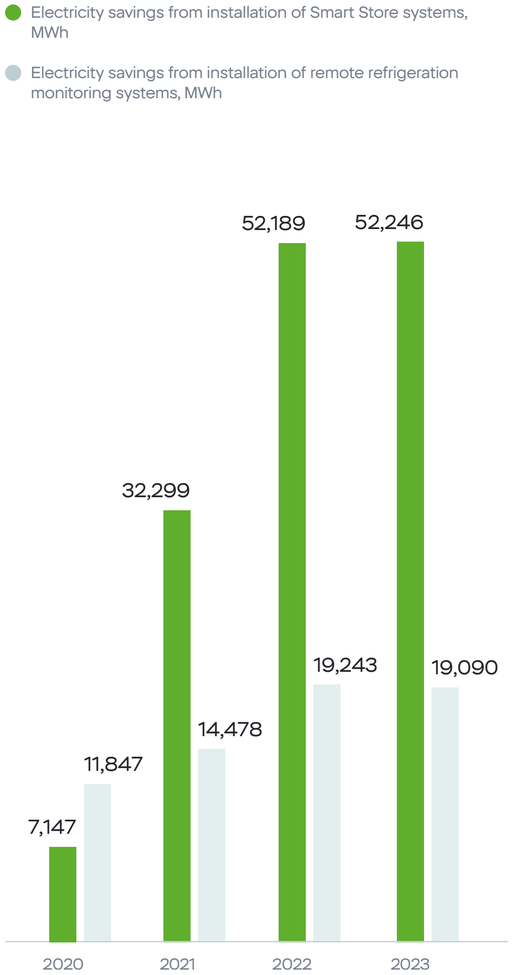
Pyaterochka

- We continued installing the Smart Store system across our stores, cutting electricity consumption by an average of 4.9%. As at 2023-end, the system was operating in 6,400 Company facilities.
- The Company is ramping up its use of renewables: in 2023, as much as 34% of our Karelian outlets used hydropower as an electricity source, while distribution centres in 10 cities across our network continue to partly run on renewable energy sources.
- In 2023, almost 500 of Pyaterochka stores relied on low-carbon nuclear energy from AtomEnergoSbyt, which supplied over 30 million kWh over a four-month partnership.
- We are piloting a project to transition to the natural refrigerant R290 (propane). Three Pyaterochka facilities already using R290 have demonstrated a much lower climate impact compared to conventional refrigerants. The transition will enable us to cease using freon while also simplifying equipment maintenance.

PLANS FOR 2024

- Roll out the Smart Store system across all new and upgraded stores and retrofit existing facilities.
- Continue transitioning facilities to low-carbon nuclear and renewable (solar) energy.
- Transition refrigeration equipment to the natural refrigerant R290 (propane).

Reducing energy consumption at Pyaterochka



Perekrestok

- A total 35 facilities were fitted out with Smart Distribution Board equipment in 2023, which helps cut electricity consumption by an average of 10%.
- Refrigerated display cabinets at 34 stores were fitted with new double-glazed units, reducing electricity consumption by 10.4% on average.
- In 2023, 15 stores transitioned to renewable and low-carbon energy.
- Our product supplier management has been improved: now, suppliers retain all fruit and vegetables that do not meet our standards to reduce distance travelled for product return and thereby help to lower GHG emissions.

PLANS FOR 2024

- Roll out the Smart Distribution Board system across 102 new and remodelled facilities.

Vprok.ru

- Overhauled and redesigned a diesel-fuelled boiler facility to boost its energy efficiency.
- Replaced fluorescent lighting with LED solutions to reduce energy consumption.

PLANS FOR 2024

- Build a gas boiler facility to replace a diesel-fuelled boiler facility to cut costs and GHG emissions.
- Continue the project to improve energy efficiency through adjusting and monitoring lighting, heating, and water consumption at our facilities.

Offices

- Ventilation systems across our offices feature a heat recovery solution that saves up to 75% of heat in winter.
- A sun protection film is applied at some offices on the sun-facing sides of their buildings to reduce electricity consumption for air conditioning. Blackout blinds have been installed in some office and meeting rooms to reduce their heating and accordingly energy costs for cooling them down.

PLANS FOR 2024

- Replace lamps with more energy efficient ones.
- Provide visuals promoting energy conservation.
- Ensure timely repair and replacement of window panes to use spectrally selective film, which reduces the cost of air conditioning and ventilation and, accordingly, reduces energy consumption.

X5 Import

- Replaced slats with high-speed curtains to reduce heat and cold losses between warehouse areas with different temperature modes.
- Replaced chamber and hall lighting with energy-saving equipment.
- Continued the project to use humidity and temperature sensors (installed in 2022) to regulate relevant parameters in real time.

X5 Transport

- We continued our load optimisation initiatives for all vehicles – both in terms of tonnes and capacity – to reduce empty or underloaded runs. The Company continues purchasing new vehicles with increased payload capacity. Some purchased vehicles feature a larger body and accordingly offer larger capacity, which is particularly important for lighter loads and for improved fuel consumption efficiency.
- We maintained our partnerships with truck manufacturers to implement the Company's suggestions to increase the payload capacity of purchased vehicles through various design solutions. The adopted solutions have already boosted the payload capacity of new vehicles by several hundred kilogrammes.
- We have launched unmanned freight transportation services, expected, among other benefits, to further reduce fuel consumption going forward through the use of automated control and given that the vehicles will not have to stop en route.
- A pilot is underway to introduce electric trucks and cut consumption of fossil fuels going forward.

Waste management and sustainable packaging

One of the Company's key strategic priorities is cutting waste generation and transitioning to sustainable packaging. In 2023, our waste generation (waste to retail sales) came in at 0.55 thousand tonnes/RUB 1 billon: we hit our targets by reducing this ratio by 30% against a 2019 baseline.

To reduce the amount of waste sent to landfill, we strive to minimise the amount of product packaging and improve its properties while maximising the use of recyclables and refraining from composite packaging. We are also working on preserving product quality and ensuring freshness for as long as possible to minimise the amount of waste sent to recycling. Each store has its own limits on the amount of recyclables generated, and we are striving to improve these metrics on an annual basis.

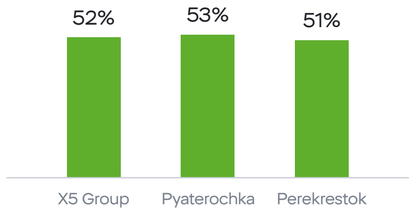
Other, non-recyclable, waste generated in our operations is transferred for treatment and landfilling to specialised organisations operating under Russian laws.

In September 2023, we adopted the updated X5 Waste Minimisation Policy, which governs our waste management efforts. The Policy outlines the methods and approaches to waste reduction and designates persons responsible for implementing the Policy.

Sustainable packaging

Since 2020, we have intensified our collaboration with suppliers to reduce waste generation and make our packaging greener. We are doing this by sharing detailed information on advanced solutions and approaches. In 2023, we updated X5 Group's sustainable packaging guidelines taking into account the specifics of recycling certain types of packaging and the requirements for barrier properties of materials.

In 2023, we delivered on our targets to adopt sustainable packaging for 150 top-selling retail PLUs across our retail chains:



X5 Group defines sustainable packaging as packaging that has a lower environmental impact than traditional packaging, is made from the most environmentally friendly materials available, can be easily broken down into constituent components, and is fit for recycling at scale.

Key events and results of 2023 in sustainable packaging across our chains and business units

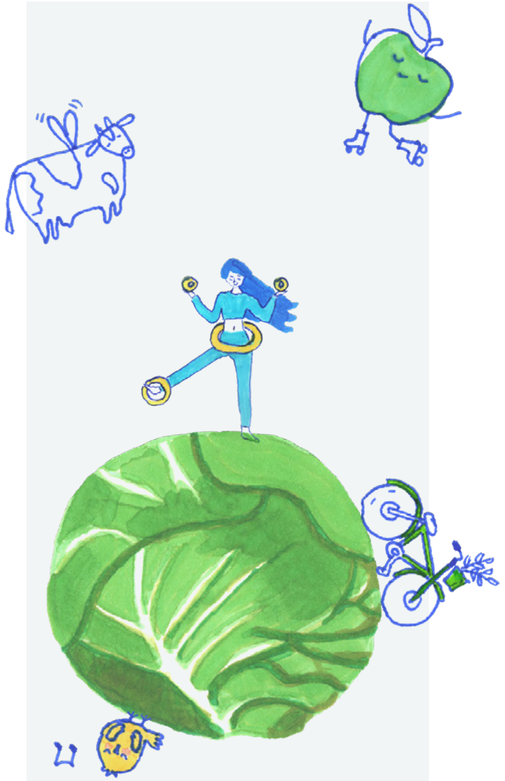
- Pyaterochka has started adding a special label to its ready meal packaging urging customers to dispose of it properly by recycling it. The label includes a link to its website, Caring about the Environment Together with Pyaterochka, which provides a detailed description of how to properly dispose of various materials.
- The proportion of recyclable ready meal packaging for Pyaterochka and Perekrestok is now at 96%, with tray sizes reduced for some products, effectively bringing down our plastic consumption.
- Chizhik has seen the proportion of private labels in sustainable packaging in the 150 top-selling private-label PLUs increase to 56%.

PLANS FOR 2024

- Continue the work on increasing the proportion of sustainable packaging in private labels and designing alternative packaging solutions across our retail chains.
- Continue engaging suppliers on updating technical specifications to incorporate sustainable packaging requirements.
- Ramp up the proportion of sustainable packaging in the 150 top-selling private-label PLUs across Pyaterochka, Perekrestok, and Chizhik to 60% by 2025-end.
- Draft guidelines on the recycling process for Green Line private label packaging.
- Make up to 100% of own production ready meal packaging recyclable by the end of 2025.
- Adding a feature to the Mnogo Lososya app enabling customers to opt out of disposable cutlery when ordering online, thereby reducing the amount of plastic used.

Recycling waste from operations

In 2023, we delivered on our recycling target by sending 94% of recyclable materials generated in own operations of X5's retail chains for recycling.



Artist: Ivan Averyanov, 11 y/o

Pyaterochka

The chain continued to improve its processes around collecting recyclables and using returnable packaging – 93% of recyclables are now sent to counterparties for further recycling. 2023 key activities include:

- Launched compliance monitoring for recyclables generation limits, which reduced losses of returnable packaging by 5% and enabled the reuse of recovered packaging
- Revised our approach to the use of returnable packaging and streamlined the packaging return process, which has enabled us to maximise vehicle utilisation while minimising empty runs
- Expanded the geographic coverage of our distribution centre-based recycling collection by connecting facilities in Tatarstan and Udmurtia to the network and adding Chizhik and X5 Digital as pilots
- Installed press machinery at distribution centres to reduce the amount of transported recyclables and maximise the use of vehicles to deliver them to counterparties, thereby reducing fuel consumption and related emissions

Perekrestok

The chain scaled its project to centralise recycling collection across all distribution centres, which has enabled Perekrestok to increase the amount of recyclables sent for recycling to 94%.

Chizhik

Chizhik joined the initiatives of Pyaterochka and Perekrestok to centralise recycling collection at its distribution centres, which increased its share of waste sent for recycling to 98%.

Vprok.ru

In 2023, the chain expanded its list of counterparties collecting recyclables from warehouses to minimise the counterparty default risk. The share of recyclables sent for recycling has increased to 79%.

Offices

The Faktoria Moscow office has adopted a separate waste collection system, with paper, batteries, and bottle caps delivered to partners for recycling Our office printers use paper marked as ECF – Elemental Chlorine Free. There is also a stationery sharing point for employees.

X5 Import

The unit continued implementing initiatives to reuse transport containers made from recycled plastic at its hubs and to sort plastic, cardboard, and film waste to be sent for recycling. In 2023, the Novorossiysk hub set up separate waste collection across office rooms by installing separate containers to collect municipal waste and plastic.

All hubs repair and restore pallets in-house. A total of 38,245 pallets were repaired and restored over 2023, with the amount of repaired wooden pallets almost doubling year-on-year.

X5 Transport

The unit has scaled its Green Transport project while maintaining its focus on environmental initiatives.

The amount of recyclable materials sent for recycling increased to 77%.

PLANS FOR 2024

- Increase the proportion of recyclable materials generated in own operations of X5's retail chains and sent for recycling to 95% by 2025-end.
- Unify the approaches to recyclables management among X5's retail chains by centralising the store-to-DC waste collection process and then sending waste for recycling[1].
- Pilot a pallet repair project at two Pyaterochka distribution centres in the Southern Federal District to reduce waste in the form of pallet scrap. We plan to scale the project if the pilot proves successful.
- Encourage Pyaterochka's franchise stores to return recyclables centrally to Pyaterochka distribution centres and, accordingly, raise the proportion of total recycling.

1 Except for the Kaliningrad Region and the Far Eastern Federal District, which will continue directly shipping recyclables without first delivering them to distribution centres as these territories have none of their own.

Food waste management

Artist: Ivan Musokhranov, 13 y/o





Artist: Emil Yakupov, 7 y/o

We strive to minimise food waste across our operations. To this end, we are developing a system to monitor the quality, manufacturing, and storage of products with the aim of cutting waste. Products that have lost their consumer properties and products that are no longer in saleable condition prior to their expiry date are diverted to productive uses, e.g. sent to farmers as fodder for livestock or for composting.

In 2023, the proportion of goods that were sent for recycling when no longer in saleable condition prior to their expiry date totalled 19%, in line with the target.

Pyaterochka and Perekrestok have contributed to achieving our strategic goals: in 2023, the proportion of goods that were sent for recycling when no longer in saleable condition prior to their expiry date was as follows:

- Pyaterochka: 19%
- Perekrestok: 16%

Chizhik

Although Chizhik is not included in the progress calculation of our strategic goal, we are still tracking its performance. Chizhik's operating model is centred around waste minimisation: carefully curated offering, low write-offs, and high sell-through due to high quality and low prices.

The proportion of Chizhik's goods that were sent for recycling when no longer in saleable condition prior to their expiry date: 32%.

Pyaterochka

The proportion of goods that were sent for recycling when no longer in saleable condition prior to their expiry date grew by approximately 19%, which is in line with the chain's target. The chain also plans to continue implementing initiatives to increase this proportion, including through projects that are currently being tested:

- Reprocessing food waste using black soldier fly (Hermetia illucens) larvae in the Nizhny Novgorod Region
- Composting fruit and vegetable waste at the Bogorodsk distribution centre

Perekrestok

In 2023, we optimised our in-store processes around sorting food waste to be donated to farmers and improved our engagements with counterparties, which enabled us to considerably increase the amount of waste reprocessing. As at year-end, over 900 stores have joined our programme to donate products that are within their expiry date but no longer fit for sale to farms. We also plan to scale this programme further. Additionally, in 2023, we launched the Green Channel project to streamline logistics and reduce write-offs by checking the quality of products before they leave the distribution centre importing fruit and vegetables.

Vprok.ru

Innovations introduced in 2023 include standardised packaging for our fish, meat, and ready-to-cook meat products. The new format employs the modified atmosphere packaging technology. This method ensures quality and keeps products fresh much longer, reducing the amount of food waste.

Responsible water consumption

Although the Company's impact on water resources and bodies is minimal (we withdraw water primarily for cleaning and hygiene purposes), X5 Group has initiatives and targets in place to improve water efficiency and reduce pressure on water resources, driven by the global importance of the water agenda.

To support these goals across all of our operating regions and business units, we take effective and economically viable water saving measures as well as offer training and education for customers, employees, and suppliers to promote the sustainable approach to the use of water. The Faktoria Moscow office has installed tap water treatment units for employees and thus stopped the purchase of bottled water.

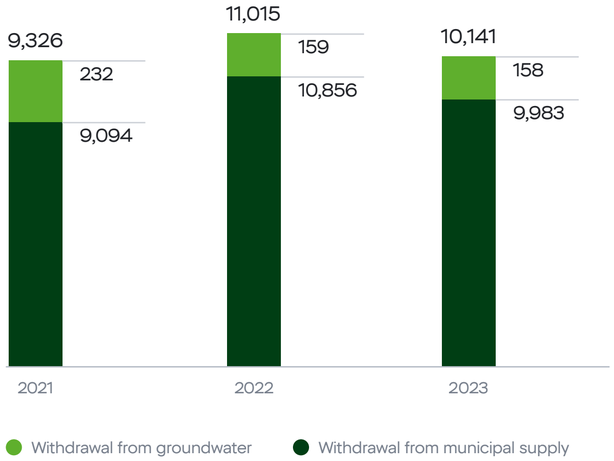
Key water suppliers for the Company's facilities include municipal water supply systems, with only isolated facilities using own systems for groundwater abstraction from wells[1].

To monitor water consumption, we are taking steps to improve our water withdrawal metering system by installing water consumption meters across all facilities where possible. For some facilities, water consumption is estimated based on design specifications; however, the number of such facilities is reducing annually.

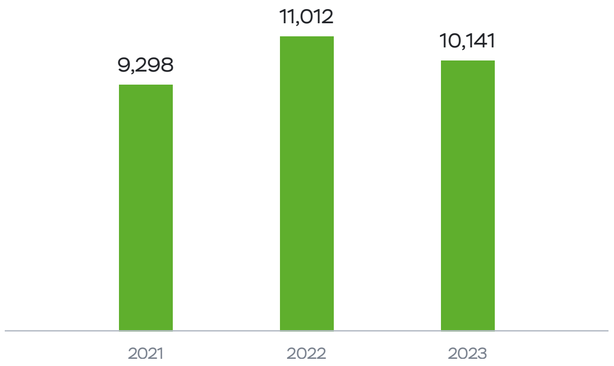
All wastewater meets the requirements in terms of composition and quality and is discharged into municipal sewage systems for further treatment.

As part of our efforts to reduce the Company's impact, along with improving water withdrawal metering, we are enhancing our leak monitoring systems and preventing contaminants from entering drains, including through the installation of grease traps across all Perekrestok stores.

Water withdrawal, mln litres



Wastewater discharge, mln litres



1 Units that have own groundwater abstraction systems include Vprok.ru and X5 Ready Food.

Caring for plants and animals

X5 Group's operations focus on minimising their impact on flora and fauna. None of our facilities are located in, or border with, protected areas, and no species of plants or animals listed on the Red Data Book are known to be present within our footprint. In addition, store and distribution centre operations, Smart Kitchen operations, freight transportation, and water discharge have no direct impact on wildlife.

The Company has adopted X5's Sustainable Development Policy, according to which our operations are driven by the principles of environmental responsibility, suppliers are encouraged to use environmental certifications, and the Company emphasises its commitment to reducing its impact on forests.

Forest Etalon

X5 Group sits on the Council at the Forest Etalon voluntary forest certification system, which is founded on internationally recognised requirements and accumulated national best practices. The certification system's critical components include the development of sustainable forestry, conservation and protection of environmentally valuable forests, including intact forest landscapes (IFLs), effective reforestation, conservation of biological diversity, safety and fair pay, dialogue with local communities and indigenous peoples, and other aspects.

Responsible certification focussed on biodiversity conservation forms part of X5's sustainability guidelines for our suppliers.

X5 Group recognises the importance of biodiversity conservation and is committed to further minimising its environmental impact. As part of these efforts, we actively encourage more sustainable manufacturing of goods and are planning to:

- evaluate and analyse linkages, impacts, risks, and opportunities related to the environment
- promote the conservation of critical ecosystems
- support the development of local initiatives

Individual initiatives of our retail chains already include measures to support biodiversity, e.g. tree planting.

For example, in 2023, Perekrestok volunteers planted 2,000 English oak seedlings in the Ugra National Park. The process was closely supervised by forestry staff who became mentors for our team of volunteers.



Artist: Makar Raider, 12 y/o

Employees

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68 Engagement and feedback

70 Occupational health and safety

71 Occupational risk management







Our approach and 2023 highlights

X5 Group's HR function operates as a full-fledged partner with direct influence on the Company's operating and financial results. Its purpose is to promote the growth of X5 Group by building a strong and engaged team, deploying new management solutions, driving technological advancement in business processes, initiating changes, and supporting the Company's business landscape.

X5's HR management model remains unchanged in line with the overall approach to managing the Company as a portfolio of independent businesses acting together for the benefit of X5 Group. Joint centres of functional expertise in key HR areas develop common approaches and cross-format programmes, as well as methodologies and rules for implementing initiatives at the divisional level.

X5's retail chains and major business units have their own dedicated functions responsible for HR management. For example, head offices of retail chains carry out strategic HR management and shape the key HR agenda at the level of the respective business unit. Regional units are responsible for all HR processes in their respective territory and exercise their authority within set rules and standards, taking into account local specifics.

This HR model enables targeted engagement with each category of employees within our large team, fostering an environment conducive to their success and high performance in executing their roles and responsibilities.

Key 2023 highlights

- We updated the Company's mission, vision, and values.
- We piloted the X5 Booster project to improve efficiency and the Line Staff project aimed at providing the Company with line employees until 2027.
- We continued developing the Store Director Partner (SDP) programme. At the end of 2023, Pyaterochka already had over 5,700 director partners, and Perekrestok set up the SDP Club, bringing together 65 top-performing store managers.
- We resumed the X5 Leaders: Skolkovo training programme for managers.
- We updated the executive succession programme for CEO-1 and CEO-2 roles.
- We launched a single recruitment system across X5 Group.
- X5 Technologies launched an artificial intelligence (AI) lab within AI Talent Hub, an online master's programme offered by ITMO University and Napoleon IT to train machine learning (ML) engineers. The lab was set up to develop AI-powered products and train ML and data science (DS) professionals capable of posing and solving applied AI problems in retail.
- The annual X5 Friday project to help stores during the high season attracted a record number of participants from among office employees: 11,000 took part in the initiative, 21,000 applications were registered.
- We completed the project to transform the Karusel retail chain: the last store under this brand was closed in February 2023. Throughout the transformation, 30% of the retail chain's redundant employees were employed within X5 Group.

45.4%

X5 Group's employee net promoter score (eNPS) for 2023

84.7%

employee engagement rate in 2023

Key awards and results for 2023

- X5 Group was awarded platinum status in the Forbes employer ranking for the third year running.
- The Company was the only food retailer among HeadHunter's Top 10 Russian employers, having jumped up as many as 19 places in one go, and was ranked first in an open vote by candidates in the Retail Chains category.
- X5 Group made it into the top 30 employers in FutureToday's ranking for the first time. X5 Group moved up nine positions versus 2022 to rank 8th in the Best of the Best category (according to students from top university departments across Russia). The ranking is based on a survey of 21,000 final-year undergraduate students from 30 leading Russian universities.
- X5 Group ranked 12th among more than 190 companies in the Best Company Award ranking, which is based on the results of an online survey of 9,000 students and recent graduates of 39 Russian universities offering business and IT courses, and 3rd in the Retail and E-commerce category (after Ozon and Avito).
- X5 Technologies moved up ten places in the IT Brands to Work For ranking compiled by Habr and ECOPSY Consulting and was 21st among IT brands and 3d among e-commerce brands. The attractiveness of the Company's IT brand reached 59% (+6% year-on-year) with brand awareness at 87% (+9% year-on-year).
- X5 Group's employer brand awareness increased by 8% year-on-year according to OMI's annual online marketing survey. The survey took place between 1 December and 30 December 2023 and covered an online panel of 2,600 potential candidates in the regions where X5 Group operates.

Efficiency improvements

In September 2023, we piloted X5 Booster, a project to improve business efficiency, at the Pyaterochka retail chain. Based on the pilot's results, we decided to roll it out to all X5 assets in 2024.

As regards HR management, X5 Booster envisages the implementation of initiatives aimed at cutting labour costs and consistently reducing workforce requirements, including by reducing standard staffing levels across all X5 facilities. These initiatives include:

- automation, including robotic automation, of processes in warehouses and stores
- embedding AI into business processes
- rolling out digital interfaces to support collaboration
- looking for additional opportunities to optimise processes and standard collaboration practices

In 2024, we will focus on improving business efficiency. X5 Group's overall objective is to right-size headcount per store and distribution centre across all retail chains and dark stores through process optimisation and automation, including robotic automation, and the use of AI. In the reporting year, we continued to grow our SDP project, X5 Group's strategic project aimed to give store managers more powers and more decision-making discretion in their jobs.



Artist: Polina Petrulenko, 14 y/o

The SDP project at Pyaterochka in 2023. Key highlights and results

- We automated a number of store management tools for SDPs, including a revenue forecast, goal-setting system, and calculator to evaluate the impact of additional powers.
- We developed a programme performance dashboard to quickly track progress across various X5 units.
- We introduced predictive evaluation of candidates for the SDP programme to get a rough prediction of their potential success in the new role.
- We set up a system to ensure ongoing training of incumbent store managers for the role of SDPs.

Towards the end of 2023, we piloted the next stage of the project, the Franchise Store Director programme, at 12 Pyaterochka stores to enable managers to run a store with even broader freedoms and prepare to operate under a reverse franchise model.

Plans to develop the project at Pyaterochka in 2024:

- Increase the number of programme participants to 9,000, thus involving 37% of the chain's stores in the project
- Roll out the project to stores in the Far East

28%

of chain stores participated in the programme as at 2023-end

5,726

director partners ran Pyaterochka stores as at 2023-end

73%

Successful SDPs[1] of the programme participants as at December 2023

The Become a Pyaterochka Director – Partner mini game won the DIGITAL MEDIA&TOOLS: Corporate Digital Game category of Digital Communications AWARDS and came second in the Place of Power category of the BRAVO! award



Artist: Yulia Suvorova, 11 y/o

1 SDPs who meet the programme's two targets (achievement of 98% or more of the EBITDAR target and exceeding the absolute EBITDAR target) are deemed successful.

The SDP project at Perekrestok in 2023. Key highlights and results

- We introduced a partnership component into the incentive system for all Perekrestok supermarket directors: a semi-annual bonus in the form of a percentage of the amount above the profitability target. Now, Perekrestok store managers are also responsible for revenue growth versus the previous period, retail sales, shrinkage, and Customer Happiness Index.
- We introduced the PerekrestokPRO training programme for store director partners and are currently developing two new modules for the programme, Customer and Induction.
- We piloted the project at 75 Perekrestok stores: store managers were additionally empowered, in particular, to change safety and presentation stock parameters, and to influence the product mix and additional bonus pool. Judging by the project's preliminary results as at November 2023, the stores involved in the project posted revenue growth of 16.4% versus the previous reporting period, almost 2.4% higher than those in the control group.
- 92% of store managers completed profit or loss statement training, and 89% were trained in team management.

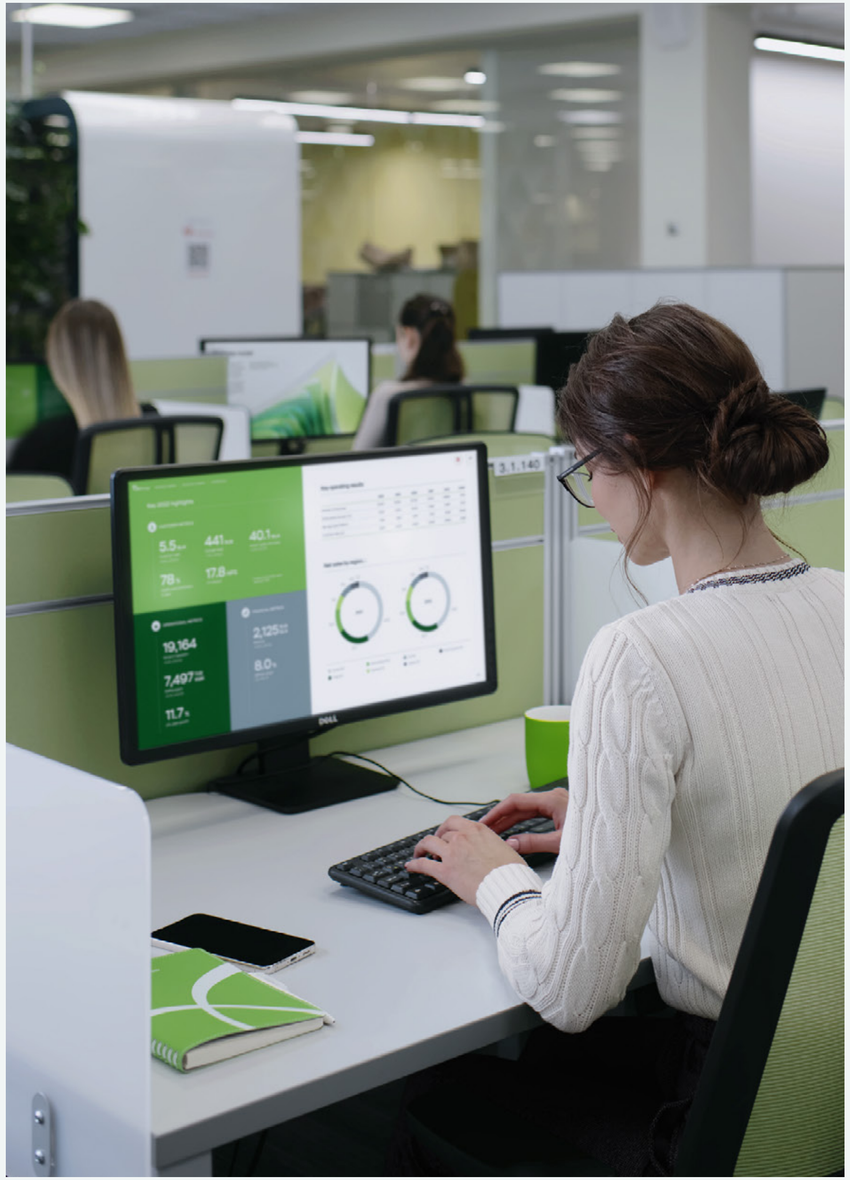
In January 2024, we launched Directors Club, a leadership development programme for supermarket managers, which aims to set a new standard for store management that unleashes each store manager's entrepreneurial mindset and the impact it can have on the key success elements for a supermarket. The programme's key focus areas include introducing additional powers for directors, a competitive component in the form of a ranking, the PROLeadership programme, special events, PR support for the Club, and a profit-sharing motivation scheme offering a bonus of 25% of any profits achieved above the profit target. The programme targets Perekrestok and X5 Group store managers.

Digital transformation of the human-resources function and HR process efficiency

In the reporting year, we continued enhancing all HR processes, raising the availability of services for employees, and boosting data quality to improve the accuracy of HR decision making.

Key innovations introduced in 2023 to digitalise the HR function included the following:

- The Employee's Personal Account system was rolled out as part of the Shared HR Services project. A single point of entry was created for employees to address HR issues; self-service is actively promoted
- A process to send electronic registered letters to government agencies was set up by integrating with Russian Post: more than 12,000 notifications are sent via this channel every month
- Employee feedback was automated across communication channels, the number of HR documents able to be signed with an electronic signature was expanded, and the process for ordering services from self-employed individuals was also automated
- Clue, an analytical product used to forecast staff costs, was further developed; in particular, it was rolled out across the Pyaterochka and Perekrestok chains. In 2023, we added additional functionality to enable item-by-item payroll forecasting and calculation of the bonus component of remuneration. This forecast tool for retail chains is 99% accurate
- The transition to electronic document management continued, along with the further development of the employee data collection system to enhance HR analytics, update HR metrics, and develop new HR metrics aligned with the Company's goals and challenges
- A tool to track attrition was developed to enable a more detailed analysis of the reasons for employee departures and roll out targeted measures to retain line staff



Employer brand, candidate recruitment, and onboarding

Updated X5's values

The key elements of the business management architecture were set independently by the Company's top-management team and presented to the leaders of all assets at the X5 Leaders Forum in July 2023. In September 2023, we initiated the process of integrating our new mission, vision, and values into business and HR processes along the stages of the employee journey: employer brand and recruitment, onboarding, training and development, evaluation, communications, and culture. A communications campaign covering all X5 employees was launched. Our objective for 2023 and 2024 is to communicate the new mission, vision, and values, and progressively embed them into our day-to-day work across all levels of the organisation.



Our mission

To become the best shopping destination on Earth by exceeding expectations



Our vision

We bring value to customers through outcome-driven partnerships



Our goal

Leadership in market share growth in food retail

X5's values

Customer

- Putting the customer's interests and concerns first
- Doing more for the customer than they expect
- Being open to customers, regardless of position at the Company

Partnership

- Sharing information; talking about challenges, opportunities, and achievements
- Actively participating in joint decision making and taking responsibility for joint decisions
- Keeping promises
- Respecting colleagues and trusting their professionalism
- Acting like a partner when working on Company tasks and contributing to achieve each outcome

Outcome

- Setting bold goals and striving for more when working on tasks
- Acting independently and quickly, without waiting to be told what to do
- Taking action proactively when a process needs improvement
- Looking for solutions when a mistake is made, not excuses or who to blame
- Taking ownership for future outcomes when making decisions today

Employee recruitment

One of our key tasks is to support the Company's growth and development by quickly and effectively covering its needs for new personnel in all regions where we have a presence. To this end, X5 Group and all its business units work systematically to improve their attractiveness as an employer.

In the reporting year, we started implementing plans to launch a single recruitment system for all business units and retail chains within X5 Group, including internal transfers. This automated solution will enable us to leverage a single database of candidates on a shared platform, save the full history of interactions, and benefit from shared analytics on hiring while reducing material and labour costs across X5 businesses.

The system will be accessible to all Company units. At the end of the reporting year, this solution was piloted at Pyaterochka's head office, and internal recruiting functionality is currently under development. Based on the pilot's results, we intend to roll out the system to other X5 Group units.

In 2023, we developed and scaled referral programmes while also using other internal channels to attract employees, including a vacancies page on the intranet portal, X5 Group's mobile apps, and information materials in stores and distribution centres.

X5 employees undergo a comprehensive year-end performance evaluation, which looks at the extent to which they achieved KPIs and demonstrated X5's values. This results in a funnel of talent and high-potential employees, as well as plans for staff development.

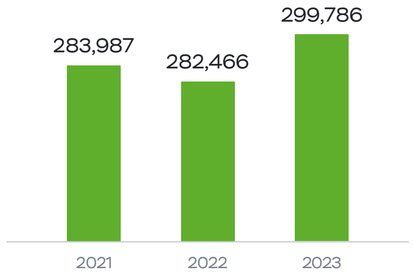
HR committees identify a pool of potential successors for key positions each year and outline areas in which incumbent managers can further develop. This unified approach ensures there is a talent pool at all levels of management, supporting the long-term sustainability of the Company.

In 2023, we updated the evaluation framework to measure how our people live our values. Evaluation will now be conducted centrally following a uniform methodology and will cover about 17,000 people (all of the Company's office employees). Evaluation is scheduled to start in Q1 2024.

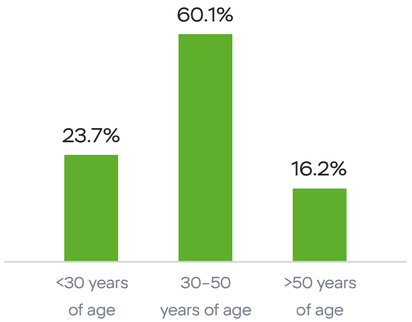
By combining the efforts of the Company's units to improve various HR processes and cover hiring needs, X5 Group intends to gain a recruiting advantage and keep its employees' performance and productivity at a high level.

Workforce profile and new hires in 2023

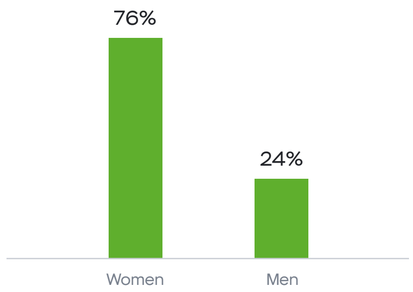
The Company's headcount



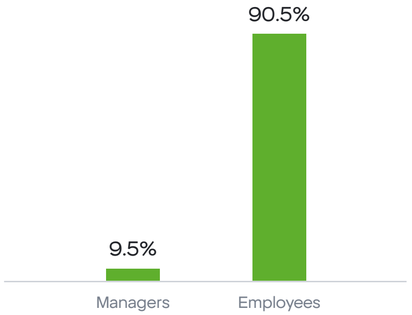
Workforce age profile in 2023, %



Workforce gender profile in 2023, %



Workforce role profile in 2023, %



299,786

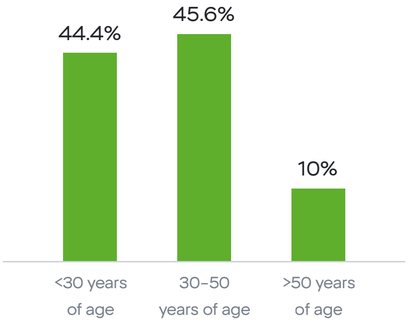
Company employees as at 2023-end

44 %

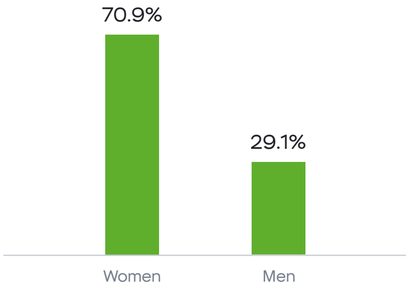
the proportion of women in management

New hires in 2023

By age, %



By gender, %



160,033

new hires at the Company in 2023

Existing employees made up 71% of all appointments to managerial positions.

For more detailed quantitative data on X5 Group employees, see Appendices, page 102.

Succession

One of our priorities in 2023 was to update our succession programme. We reviewed the programme's design and completed the first cycle of its new format. We set up a single succession planning process and put together a relevant development plan.

We developed a concept of a programme to train successors for CEO-1 and CEO-2 roles. As at 2023-end, we had identified 59 successors and pool members for key CEO-1 and CEO-2 roles. In addition, we established a development centre for successors and high-potential employees. A total 86 Company employees (CEO-2 and CEO-3 roles) benefit from the centre's programmes. Participant satisfaction with the quality of the centre's training activities stood at 96%.

We continued to hold HR committee meetings to identify a pool of potential successors for key positions each year and outline areas where incumbent managers can further develop. In 2023, the functions of HR committees were expanded to cover CEO-3 and CEO-4 roles. Thus, now we can identify high-potential employees among middle managers. In addition, in line with its employee retention and development policy, the Pyaterochka retail chain launched the Top League talent pool development programme for employees being promoted from CEO-4 to CEO-3 roles. A total 59 key employees selected under the project embarked on an 8-month development programme.

For existing employees, Chizhik set up promotion paths linked to expansion into new regions: ten territory managers were promoted to head of sales.

To retain line staff in retail positions, Perekrestok is implementing the Rapid Growth pilot aimed at putting employees on a rapid career trajectory by collecting their applications, evaluating, training, and then promoting them.

Line Staff project

In 2023, to mitigate the risk of line staff shortages (referring to employees who work at stores and warehouses, in transportation, and in delivery), we launched the cross-format Line Staff project. The purpose of this initiative is to provide X5 Group with line employees as and when needed at optimal cost over a long-term period – from the start of the peak season in 2023 until 2027.

Representatives of all Company units on the project team have developed a uniform approach to managing staff shortage risks, synchronising HR practices for working with line employees and implementing priority initiatives to be ready for the 2023 peak season. As part of the project, all Company units expanded and updated channels to attract candidates, redesigned the candidate selection process, and expanded flexible employment options.

We are now working on three areas:

01

Recruitment

We are expanding our recruitment funnel by attracting migrant workers as well as external and temporary staff; further developing channels to attract candidates; automating HR processes; building the employer brand; and taking many other steps.

02

Onboarding and retention

We are focused on tailoring targeted offers for each employee category, accelerating the induction process, reducing staff turnover, creating flexible work arrangements, developing attractive career paths, and fostering our management and work culture.

03

HR analytics

We are building a flexible and informative HR metrics system, analysing the labour market, and doing internal and external benchmarking. In the long term, we also plan to develop a predictive analytics system.

At 2023-end, we launched a review into the Company's target audience, metrics, and approaches to building its employer brand. We are currently updating the guidebook for X5 Group's brand interaction with the employer brands of its business units and also creating a single set of benefits that any Company employee will be entitled to, regardless of the business unit they work at.

Looking for an Employee to Present a Gift media campaign

Under the Line Staff project, we ran our first cross-format media campaign to attract and retain employees during the peak season, named Looking for an Employee to Present a Gift. The campaign aimed to attract employees during the peak season, motivate and retain the current team, and drive the employer brand awareness and attractiveness of X5 Group and its business units through marketing.

To retain existing employees and attract new ones, we ran a lottery with 5,000 prizes ranging from online subscriptions, home appliances, and holiday trips right up to a car and an apartment. The grand prize, an apartment in Moscow, went to a Pyaterochka baker from Udmurtia.

The campaign multiplied the candidate traffic to the career websites of X5 Group business units in November and December 2023. According to an independent external survey of more than 1,800 job seekers, 22% of respondents said they had "seen the Looking for an Employee to Present a Gift campaign", of whom more than 50% highly rated its appeal and more than 60% called it unique.

>3,000

positive comments about the campaign left by employees on social media and internal websites

Attracting self-employed workers

In the reporting year, we maintained our focus on working with self-employed people. X5 Digital launched the Jam aggregator and prepared the launch of its own hub for the self-employed as a single centre to welcome and support new employees, increasing the conversion to hiring rates. In addition, an automatic compliance check system was launched, eliminating the risks of additional taxes and penalties for our retail chains.

We do not set limits for our candidates: once they decide to cooperate with X5, they can choose their position, schedule, and work arrangement. A key advantage for candidates is that they can independently manage their job and combine it with other activities.

In 2023, all Perekrestok supermarkets were added to gig worker aggregator websites, and the number of aggregators available increased from three to five. We were also able to reduce the commission taken by these websites.

The share of self-employed workers at Pyaterochka's retail units reached 3.9%, with hours worked by the self-employed in 2023 up by about 33% year-on-year to an average of 1,261,125 hours across the retail chain.

>34,000

self-employed couriers hired in 2023

>1,000

self-employed dark store pickers hired in 2023

60%

of Perekrestok's external staff are self-employed (+30% y-o-y)

Attracting young people

In 2023, we focused on developing programmes to make X5 Group more attractive to young people. Each Company business unit takes its own steps in this area, independently selecting educational institutions for partnerships according to its individual profile and specific needs.

- X5 Group launched internships that attracted over 40 applicants per place. Internships are also available at the offices of Pyaterochka and Perekrestok. X5 Technologies filled 48% more positions with interns year-on-year, offering full-time employment to 39 out of 89 trainees in 2023.
- Perekrestok signed partnership agreements with 21 higher and vocational education institutions. In 2023, over 300 students joined Perekrestok to gain practical experience in a job.
- Perekrestok started taking on school students as pickers. In summer 2023, more than 700 people worked for the retail chain through this programme. Further expansion has been approved, with scope to hire teenagers to work for up to 4 hours a day as intern pickers and intern sales floor employees during autumn and spring.
- To drive brand awareness among young people, Perekrestok ran awareness-raising campaigns on social networks, partnered with influencers, posted videos about office work on the SuperJob Start platform, and ran targeted ads with the tagline “Combine your classes with part-time work at Perekrestok!”
- Pyaterochka piloted the Student Cashier programme. Under partnerships with seven Moscow-based universities, 419 students were employed as cashiers during the summer holidays, and 176 of them stayed on to work for the retail chain and are undergoing training to become store administrators.
- Pyaterochka and MGIMO University launched the MGIMO Targeted Programme project, fully sponsoring two students through their study at this country-leading higher education institution.
- In June, Pyaterochka took part in the World Youth Festival organised by the Federal Agency for Youth Affairs (Rosmolodezh), receiving more than 700 candidate CVs in eight Russian cities.
- X5 Technologies was represented at career events such as Find IT, the YouLead Forum for Young Leaders, a job fair at Innopolis University, and a Specialist Day at the Mechanics and Mathematics Faculty of Lomonosov Moscow State University. The events were attended by more than 8,700 students.
- X5 Transport continued to attract younger candidates through cooperation with training centres. The unit’s balanced requirements for young applicants and a willingness to teach the profession meant it hired more young drivers.

Other initiatives at X5 Group units

Across Company units, we expand the target talent audience, monitor the market and competitiveness of offers, actively engage with the candidate market, form partnerships for the future, and overcome gender stereotypes by attracting women to positions in professions historically considered “male”.

- X5 Food holds a Trial Day as part of its candidate retention efforts, training shop foremen in mentoring and production heads in effective management. This project resulted in a 9.42% decrease in the average monthly candidate turnover.
- Pyaterochka and Chizhik studied their internal target audiences by adopting the persona approach. The research will help to build the employer brand and the candidate and employee journey based on ten personas, from top manager to store and distribution centre employees.
- Pyaterochka overhauled its career website: it is now even easier for entry-level candidates to apply for vacancies at stores and distribution centres. In the first half of 2024, we plan to launch a website module with office positions.
- X5 Transport started to attract outsourced staff and migrant workers as drivers. The unit also trains candidates without experience to become category C and E drivers.

Inclusion and equal opportunity

2-23

We are committed to ensuring people of different ethnicities, ages, and health conditions can comfortably work together at X5 Group. We create additional opportunities for continuous development of all employees. X5 Group not only complies with all applicable statutory requirements by creating or carving jobs for people with disabilities, it also proactively fosters a comfortable environment at its units, empowering employees to get involved in this process.

In 2023, we delivered a range of initiatives to create a more inclusive working environment at our stores and business units. For example, at Pyaterochka, we conducted a qualitative and quantitative survey of employees to understand their readiness to work in an inclusive team. The quantitative survey covered more than 30,000 retail chain employees.

In 2024, we plan to enhance inclusive recruitment practices. In particular, Pyaterochka’s plans for 2024 include developing guidelines for employing people with disabilities in the retail chain. The guidelines will describe the employment experience of such employees, as well as the mechanism and specifics of the entire employment project.

We maintain our focus on gender inclusion, offering men and women equal opportunities to prove themselves in any profession. For example, X5 Transport continues to enhance its Female Driver programme. In 2023, the unit updated the standard for vehicle fleet operators to take into account the needs of female drivers. The corporate hostel for drivers was equipped with a room for women, and the Autolady category was added to the League of Professional Drivers competition.

A Day in the Pyaterochka Life pilot

In 2023, Pyaterochka piloted A Day in the Pyaterochka Life, a project to provide people with disabilities an insight into work opportunities at chain stores and also lay the groundwork for introducing inclusive teams at the retail chain by assessing the readiness of stores, directors, and employees for candidates with disabilities.

By conducting store tours for these candidates, we want to identify potential barriers and then develop suggestions on how to eliminate them. In Moscow and the Moscow Region, we have already held five Days in the Pyaterochka Life and gave tours to 26 people with disabilities, 10 of whom took up training and started working at Pyaterochka stores.

Motivation and fair remuneration

X5 Group operates a remuneration and incentive system with common corporate rules that takes into consideration the specifics of each of our business units: retail formats, digital businesses, and rapidly growing assets. The principles and approaches to employee remuneration are outlined in the Policy on Remuneration and the Equal Opportunities Policy, which set out the principles of fair pay.

+16%

increase in average pay at the Company in 2023

In 2023, we paid particular attention to monitoring line staff salaries to maintain competitive pay:

- X5 Technologies completed two rounds of large-scale salary reviews, increasing remuneration of 53% of employees (2,192 people). The median pay rise amounted to 11%
- At X5 Transport, we launched a programme to motivate drivers by remunerating them with a day rate for contactless unloading and updated the incentive system for repair station employees by introducing a KPI for meeting the target person-hours. In addition, we offer mentorship incentives to mentoring employees based on the mentee's onboarding and probation results
- Perekrestok also reviewed salaries to reflect changes in the labour market and competitors' actions. The average indexation rate was 11%, reaching the market median
- Pyaterochka piloted an incentive system at distribution centres that focuses on productivity and process simplification. To increase the transparency of payments and provide employees with fuller information, we refined their personal accounts: they now show a full breakdown of bonuses corresponding to whether all targets are achieved by store employees and blue-collar employees of DCs while also visualising bonus parameters based on financial and business performance, explanations, instructions, and videos
- As part of the Championship of Ideas additional motivation programme, Pyaterochka piloted a project to reward employees for suggestions to improve the Company's operations

Remuneration by gender and managerial position

	2021	2022	2023
Ratio of women's base salary to that of men at the executive level (CEO and CEO-1 roles)	0.66	0.75	0.8
Ratio of women's base salary to that of men at the management level below CEO-1	0.96	0.95	0.95
Ratio of women's remuneration (base salary + other cash incentives) to that of men at the management level below CEO-1	0.96	0.96	0.96
Ratio of women's base salary to that of men at the non-management level	0.97	0.94	0.94

Female-to-male ratios of base salaries at the non-management level in the key regions of operation

	2021	2022	2023
North Caucasus FD	1.03	1.00	1.00
Volga FD	0.98	0.98	0.98
Southern FD	1.00	0.99	1.00
North-Western FD	1.00	1.00	0.98
Ural FD	0.99	0.98	1.00
Siberian FD	1.00	0.99	0.99
Central FD	0.94	0.93	0.95
Far Eastern FD	–	–	0.96

Flexible working hours and working from home

We offer employees from different categories various work arrangements, including shift work, flexible hours, rotating shifts, and more. Office employees can opt for hybrid home/office work, which allows us to attract employees from other regions and broadens our talent pool of suitable candidates. X5 continues to offer the option of working remotely on a full-time basis to technical specialists, including X5 Technologies employees.

Additional employee support

Depending on the employee's role at the Company and employment status, we offer additional social support measures, such as financial assistance in difficult circumstances, discounts at Company stores and on partner goods, New Year gifts for children, telemedicine services, reimbursement of mobile internet costs, gym memberships, and life and health insurance. Pyaterochka also partially reimburses employees for their children's stays at health resorts and camps. Some employees are eligible for PrimeZone corporate discounts.

35 %

of X5 Group employees in Moscow work under the hybrid model[1]

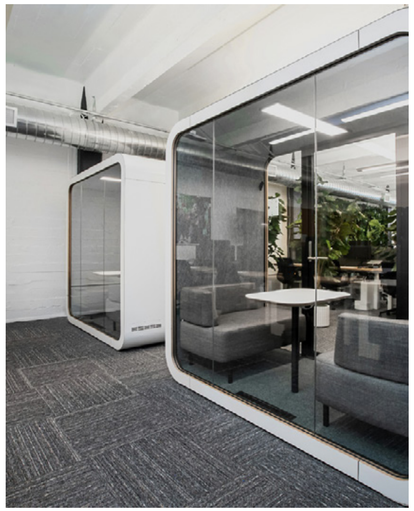
2.729 RUB BLN

allocated to VHI and social programmes (+17% y-o-y)

2023 highlights

- Chizhik launched telemedicine services for line retail and logistics staff, as well as accident insurance for distribution centre employees, notably warehouse operators and workers and operators of electric stackers and electric forklifts.
- Perekrestok updated its loyalty programme for employees, adding a 30% discount on all ready-to-eat meals. More than 80% of Perekrestok employees have loyalty cards and can use them to receive discounts up to four times a day.
- To support hub employees during peak season, X5 Import started issuing gift cards to purchase food at X5 Group stores and held seasonal marathons for its teams.
- Individual initiatives of X5 Group units were integrated into the Health Week project, a series of events focusing on health, healthy lifestyle, and the well-being of employees during peak season. In 2023, it covered employees in 24 locations, including offices, distribution centres, vehicle fleet operators, hubs, and dark stores.
- We piloted a mass sign-up of employees across Company units to Paket, our own subscription service. Employees were given free access to subscription services for three months, including increased cashback for purchases at stores, free delivery, and discounts from partners.

All X5 Group business units continued to further improve working conditions for all categories of employees. X5 Transport continues upgrading break rooms for drivers at vehicle fleet operators' premises. The refurbishment of Pyaterochka and Perekrestok stores continues, including the renovation of changing rooms, canteens, and other rooms for employees, as well as upgrades of lighting and air conditioning systems. In 2023, we paid particular attention to working conditions at distribution centres, replacing furniture, office equipment, and workwear, and furnishing break rooms and employee lounges.



Corporate sports

We continued to promote corporate sports in 2023. The Company has a football team and a tag rugby team that represent it at games with industry peers, and X5 Group units support corporate communities for volleyball, table tennis, running, and other sports:

- Over the year, X5 Digital employees participated in six races and in sports challenges on the X5DigitalFit app
- X5 Import hubs hosted sports marathons, while 5Post set up its own volleyball team and held a table tennis tournament
- Established in 2022, the Chizhik sports community already has more than 700 active athletes, with about 400 of them joining the community in 2023. Chizhik employees take part in major running tournaments, such as the Moscow Marathon, Moscow Half Marathon, Colour Run, and Krylatsky Trail, as well as swimming and football tournaments (the Mini-Football Cup at the Russian Retail Week and Pinkov tournaments). The retail chain also has its own dance cheerleading squad
- As part of the Summer at Pyaterochka: Retail Workers' Day project, Pyaterochka hosted a chess tournament between 7 and 26 August. Out of 683 participants, one chess player from each territory reached the finals. Three winners received marketplace gift vouchers

Health insurance

The health insurance programme remained unchanged in 2023. We provide voluntary health insurance for certain categories of employees and offer preferential terms on insurance for their family members.

The corporate VHI scheme includes the following medical services:

- Treatment for coronavirus infection
- Regular telephone consultations with doctors
- Rehabilitation following a severe coronavirus infection
- Post-COVID health screening at the employee's request
- Telephone consultations for employees and their families under the Telemedicine programme
- A single e-mail for employees' queries about any COVID-related matters, etc.

The Telemedicine programme, offering online consultations with doctors, is available to retail and line employees of X5 Group units as part of an additional benefits package. The programme includes psychological counselling as well as compulsory health insurance and medication consultations.

1 The rest of employees work a full day either in office or remotely.

Training and development

A major benefit that X5 Group employees enjoy is a wide range of opportunities for professional development and career growth. Our employees can develop both within their units as well as at other Company assets. We welcome internal mobility and strive to create an environment where everyone can develop their skills and competencies, and gain knowledge and experience.

Most of X5 Group's training programmes are centralised on X5 Shelf, our corporate university platform evolving as an educational marketplace. The portal features more than 2,000 pieces of content, with traffic up from 2022 to 80,000 users in 2023. We added Chizhik's retail staff and X5 Transport employees to X5 Shelf in the reporting year and plan to add Pyaterochka and Perekrestok line staff to the portal in 2024.

Employee training[1]

	2021	2022	2023
Total hours of training for Company employees	4,031,369	1,866,342	4,140,894
Average hours of training per year per employee, overall	8.7	6.5	6.6
Average number of hours of training and development per employee, women	8.9	6.6	5.8
Average number of hours of training and development per employee, men	7.5	6.3	8.5
Average number of hours of training and development per employee, management	17.3	30.1	8.6
Average number of hours of training and development per employee, line staff	7.4	3.7	6.1

1 Our solid performance in 2023 was driven by updating existing training programmes, adding new fields and onboarding courses, and expanding audience reach. As we developed the X5 Shelf training system and made more materials available for free, the total hours of remote learning also increased.

In 2023, we further expanded X5 Shelf's functionality and also ran a number of training events, both on and off the portal:

- The portal became accessible on mobile devices, pushing product NPS to 73%
- We developed and piloted the Sorting onto Shelves programme for managers, already completed by 500 Company employees
- We developed and piloted the X5 Values educational track
- The third wave of the X5 Leaders: Skolkovo programme kicked off. A total 50 employees across eight teams are currently preparing pilot projects in various business areas and will complete training and defend their projects in April 2024
- We continued the Category Management Academy project, a cross-format development programme for commerce employees. Academy initiatives included a training session on the basics of business negotiations and a negotiation simulator pilot
- We launched the Internal Facilitation School and created the Authors project, a programme for internal experts
- We completed a joint pilot project with the Agricultural and Technological Institute of RUDN University to run an expert review of product quality labels, upskilling 55 Pyaterochka and Perekrestok employees and issuing qualification certificates
- We conducted the Change Management: Influence without Force programme for employees and CEO-2 and CEO-3 roles. The programme is also part of the 2024 training plan

Promoting professional excellence

In 2023, we continued our efforts to develop programmes recognising excellence, as well as professional skills competitions:

- Pyaterochka scaled up the Achievement awards, covering the entire retail chain and introducing ratings for support functions, such as HR, Security, and Logistics, in addition to retail functions. The winners receive cash prizes (from a prize fund over RUB 180 million), as well as golden badges and cups
- Pyaterochka held the Master Team professional skills competition, where about 230,000 retail chain employees competed across five stages held over five months, encompassing selection by performance indicators, an online quiz, a business game, a business case study, and a creative project related to their job
- X5 Digital organised Courier Race, an open professional skills competition that involved 7,000 participants in the qualifiers. The 50 best couriers from ten teams based in different Russian cities passed the first two stages and were invited to the grand final in Moscow. The top 3 teams were granted large cash prizes
- Chizhik continued its Chizhik Stars programme, which recognises retail, logistics, and office employees and units. Every quarter, stores and employees are rated, and top performers receive awards
- X5 Transport held its annual League of Professional Drivers competition. From the more than 125 drivers to reach the finals, three winners in each of the three competition categories were awarded cash prizes of RUB 100,000, RUB 50,000, and RUB 30,000
- We launched stage one of the Company-wide tenure pay programme. All Company employees with tenure of 5, 10, 15, 20, and 25 years receive a congratulatory letter from X5 and a profile badge on the corporate intranet portal. Pyaterochka additionally presents awards to stores and congratulates distribution centres on their opening anniversaries
- All Company business units participate in awarding their best retail employees with industry awards from the Russian Ministry of Industry and Trade

We continue to provide our employees with tools to identify new points of growth for the business and to change things that hold back its development. With the Company's internal innovation engine, X5 Idea Challenge, employees can turn their ideas into real projects that bring tangible economic benefits or significantly enhance both the customer and employee experience. Starting in 2023, suggestions are now accepted year-round.

For example, X5 Idea Challenge finalists opened their own licensed occupational health and safety training centre within X5 Transport. In the future, it will be able to cover all X5 Group's needs for such training and save the Company at least RUB 50 million annually.

X5 Transport's League of Professional Drivers placed first in the Exemplary Motivation category of the Best HR Departments awards, outpacing 150 other competitor companies

Engagement and feedback

Striving to ensure that all employee voices are heard, we develop various feedback channels and conduct regular engagement and loyalty surveys of X5 Group employees. Employees can submit their HR queries via hotlines and get feedback in the mobile app, on the corporate intranet portal, or face-to-face from their supervisor.

The Company also has an ethics hotline, where employees can report conflicts or ethically challenging situations, either in confidence or anonymously.

Annual engagement survey

During the year, all Company units engage a third party to conduct a fully anonymous engagement survey. Apart from collecting feedback from employees, we also identify potential growth points. In 2023, employee engagement was improved through our focus on aspects such as improving working conditions in general, maintaining work-life balance, lessening stress in the workplace, and expanding career opportunities for existing employees.

84.7 %

employee engagement rate at X5 Group in 2023

X5 Digital showed the largest year-on-year increase in employee engagement rates:

+11.8 %

Vprok.ru

+7.8 %

X5 Business Support

+5.5 %

X5 Technologies

Engagement Ambassadors Club

In 2023, Pyaterochka set up the Engagement Ambassadors Club, involving about 400 managers on different levels who meet online to discuss the most challenging metrics, exchange engagement practices, and choose the most effective ones to test them out in their teams.

For example, the ambassadors of the East territory engaged more than 50 chain stores in a fitness project that grew into the Positive Vibes Club, later also joined by customers. Every Friday, its members set up themed days in the stores – watermelon day, laughter day, etc. – simultaneously providing a morale boost for employees and putting customers in a good mood. At the head office's Operations Support Office, an engagement workshop was held, resulting in an action plan for improving the Balance, Feedback, and Career metrics. One of the workshop's resulting initiatives on Career is the I Want to Know Everything club: at online meetings, employees share their new experiences in various areas, from interesting books to courses they have taken, etc.

Employee net promoter score (eNPS)

At the X5 Group level, we measure employee loyalty twice a year. In addition to the standard question "How likely are you to recommend the Company as a place to work to your friends and acquaintances?", Company units can also track intermediate results of engagement and loyalty improvement efforts with supplementary questions. Pyaterochka and Perekrestok conduct surveys quarterly, and in 2024, we plan to synchronise the eNPS survey cadence across all Company units. In 2023, X5 Group's eNPS stood at 45.4%.

The engagement survey and eNPS surveys are a key source of feedback from employees and a critical tool to plan changes for the coming year. All X5 Group managers are involved in analysing survey results: each manager with a team of more than five people receives a tailored report, and senior management of each unit and the Company get access to reports at the business unit and X5 Group levels to translate them into performance improvements.



Other feedback channels

X5 Group has a corporate intranet portal where employees can share news, leave comments, and have their questions answered at specialised webinars and hotlines.

In 2023, the number of unique portal users was up by 33% year-on-year.

All Company employees can get in contact with managers of any level; X5 Group top management is open to communication in person and encourages free dialogue by holding sessions and meetings with employees. In 2023, we continued our efforts to increase leadership accessibility. For example, Pyaterochka launched the No Formalities project, a series of online meetings with the senior management team. Recordings of these meetings are among the most viewed videos on the corporate intranet portal and mobile app.

Informal meetings continued between X5 Group top management and middle managers (the Coffee with the Top project), and the Company CEO also regularly attended informal strategy meetings. Perekrestok launched a podcast with the chain's executives and invited guests, including employees from stores, DCs, and other X5 Group units.

Retail employees at Pyaterochka and Perekrestok can still submit feedback via the My Work and Glove mobile apps for employees.

2023 updates to feedback tools

- Pyaterochka consolidated feedback channels into a single ecosystem based on a CRM marketing platform to accelerate turnaround times for employee queries in the My Work app, social networks, and other platforms, as well as improve the quality of responses. We plan to launch the project in the second quarter of 2024.
- Chizhik rolled out quarterly Chizhik Live online meetings for office and retail employees across its footprint. Colleagues meet at live events to get to know each other, share their work experiences, ask questions, and get answers. Twice a year, the CEO of the retail chain holds an online townhall. In addition, posters with contact details of managers were displayed at Chizhik stores and DCs, and the chain's internal telegram channel hosts regular employee surveys.
- Perekrestok streamlined the functionality of surveys in the Glove mobile app by adding a targeting feature to involve a certain audience in a survey.

Additional engagement tools

- In 2023, X5 Technologies launched six new interest communities: X5 Tech Film Club, PRO Kindness, Dungeons & Dragons, X5 Tech Gaming Community, X5 Tech Chess Community, and Book Club, with more than 850 employees participating at the moment. The unit also boasts 16 technical communities, involving over 3,000 participants.
- In Pyaterochka's Centre and Volga territories, employees knitted branded hats, scarves, and mittens for couriers' comfort when delivering orders. The South territory held an olympiad for employees' school-age children, the East territory ran the How I Spent My Summer essay contest for employees, and the North-West territory organised a contest of stories about retail heroes, with participants offered a tour of Gazprom Arena in partnership with Zenit Football Club and prize winners voted on by the broader team.
- Two of Pyaterochka's projects won an HR IMPACT award. The song This Is Love to mark Retail Workers' Day placed second in the HAPPINESS & WELL-BEING category for the projects that best promote a culture of employee happiness and well-being. The Mistakes Awards competition came second in the INTELLECT & CREATIVITY category for the best HR ideas brought to life within set budget. Both projects also received bronze Silver Mercury awards. The Superheroes with a Big Future project was recognised by the student judging panel of the Silver Archer award as the best project in the Sustainability Communications: Environmental Projects category.
- X5 Technologies launched the Let's Talk popular science project, which will include a series of corporate podcasts about X5 Tech projects and teams, the Random Coffee business meetings with randomly selected colleagues, and three series of the new Battle of Skills project.
- During the year, all Company units held a series of strategy meetings to discuss the goals and objectives, business performance, and new missions, visions, and values for X5 Group and its units. For example, X5 Business Support organised the first townhall meeting for employees at transaction units in Nizhny Novgorod and the regions since 2019. The hybrid online/offline event brought together about 1,500 people.
- X5 Group also offers its employees tastings of private-label products, which steadily attract more and more participants. At Chizhik, office employees can take part in blind tastings to help identify products that will eventually hit the shelves. Perekrestok holds monthly tastings of private-label products for employees of the retail chain and other units. X5 Group offices are always supplied with private-label ready-to-eat meals.
- During the year, X5 Group ran a communication campaign to promote its service culture and the X5 Business Support unit.
- Pyaterochka created the Pyaterochka Magicians animated series based on real stories from employees' experiences volunteering. This campaign reached over 400,000 people, and the cartoons won the Best Corporate Video contest in the ESG Video, Social Responsibility, and Sustainability category.

Occupational health and safety

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We uphold the right of every employee to a favourable working environment that meets national health and safety regulations. Our key principles and commitments in this area are set out in X5's Occupational Health and Safety Policy.

X5 Group's current occupational health and safety management system (OHSMS) covers all Company employees. The main piece of legislation governing our OHSMS is the Labour Code of the Russian Federation (Article 212). The OHSMS allows potentially dangerous situations to be identified ahead of time, corrective measures to be developed, and sound management decisions to be made. Each business unit has in place its local OHSMS, relevant internal regulations, and an organisational unit responsible for occupational health and safety. In 2023, Pyaterochka set up a dedicated support function focused on occupational health.

X5 Group has three levels of oversight of hazardous incidents: management on site, the safety service, and the OHS service. The Company has a duty officer service that is notified of all incidents at all X5 Group business units. For each accident, an investigation is carried out in accordance with the Russian Labour Code. To conduct it, a commission is stood up, which must include an OHS specialist.

Other commission members are appointed to the commission dependent on whether they have the requisite level of OHS training and the relevant power of attorney to approve investigation reports, as well as on their proximity to the accident location.
All investigations of accidents and minor injuries are subject to mandatory review by higher-level leaders of occupational health and safety services.

The investigation identifies the root causes of accidents and develops measures to prevent similar events from happening again.

To prevent accidents, we deliver unscheduled briefings and training in occupational health and safety, inform employees about incidents that occurred to prevent them in the future, and implement a range of measures to mitigate occupational risks and reduce risk factors as described in this section.

In 2023, to exchange their experience, leaders of OHS services from the Company's different business units held joint meetings and visited BIOT 2023, a major international exhibition and forum dedicated to occupational health and safety. As a top expert platform for exchanging ideas, learning best practices, and exploring technology to achieve zero injuries, BIOT 2023 served as a venue for all key OHS managers at X5 Group to come together in person, discuss all existing issues, and find solutions.



Occupational risk management

Operational risk management at X5 involves the following key steps:

1. Assess all potential workplace hazards, identify the key risks, and determine the necessary measures to mitigate and eliminate them
2. Develop and implement specific risk management measures, such as providing employee training, setting up safety equipment, etc.
3. Monitor and reassess risks to evaluate the effectiveness of measures developed to manage such risks

For the assessment stage, we set up a working group (the composition of which is decided at the unit level, factoring in the assessment location). The assessment results are used to prepare individual operational risk mitigation plans, which reflect the location and facility specifics.

In line with X5's Occupational Health and Safety Policy, we encourage our employees to contribute to improving the OHSMS and hold consultations with them upon request. For example, Pyaterochka's logistics audit committee meets quarterly and annually to discuss OHS performance as well as the development and status of initiatives to reduce injury rates. The Company also has several cross-functional groups working on projects to roll out, automate, and review the most hazardous processes. The OHS unit provides methodological support for such initiatives.

Any X5 Group employee can report identified occupational risks and hazards to their manager via a dedicated e-mail address, hotline, or corporate mobile app. Employees have the right to refuse to perform work if potential work-related health and/or injury hazards are involved.

Measures to mitigate occupational risks in 2023

In 2023, we continued our efforts to minimise key occupational risks.

Risk	Our initiatives	
Traffic accidents	• 72,73% of X5 Transport vehicles are fitted with a driver drowsiness detection system, and all newly purchased vehicles now come pre-equipped with this solution • Seasonal and unscheduled briefings are delivered • Road accidents are investigated by accident commissions of vehicle fleet operators • Drivers are trained with an instructor on the road and on site	• The vehicle fleet is regularly maintained and replaced • Drivers' working hours and health check status are monitored • Sufficient rest and comfortable conditions for drivers: in the reporting year, 12 break rooms for drivers were renovated • On-the-job training is required before allowing drivers to work independently
Injuries from collisions	• Warehouse equipment was fully covered by the Technovisor speed monitoring system • Employees take regular training	• Relevant technical equipment is used (e.g. wheel chocks)
Injuries from moving equipment parts	• Training on how to operate equipment safely is provided	• Information is available on the training platform
Injuries sustained while unloading a vehicle at a store	• Safe unloading protocols were developed, detailing the required steps • Employees undergo training	• Some stores were provided with electric pallet trucks to facilitate unloading
Falls due to loss of balance	• Employees undergo briefings on how to move around the site safely	• Refrigeration equipment parts that caused ice to form on the floor of freezing chambers were replaced
Unlawful acts by third parties	• Information is available on the training platform	

In addition to the measures to mitigate the main risks listed above, we also:

- conduct unscheduled briefings and knowledge tests
- conduct regular audits of facilities against relevant checklists and monitor the timelines for complying with issued improvement notices
- monitor the use of personal protective equipment by employees
- improve employees' OHS competencies

Improving employees' OHS competencies

X5 managers and employees take regular training in occupational health and safety. All X5 Group new starters also undergo remote training on their first day at work.

In addition to basic occupational health and safety training, employees undergo specialised training tailored to their role at the Company, including the use of personal protective equipment, work at height, traffic rules, firefighting drills, electrical safety, lifting equipment operation, loading/unloading operations, etc.

In 2023, as planned, we launched the Delivering First Aid course for Company office workers, covering 3,141 employees.

We continue to enhance our approach to OHS training. For example, Pyaterochka adjusted its training programmes for blue-collar employees to bring them in line with applicable laws. Perekrestok continues its WISE programme (a series of interactive OHS events) and also holds occupational health and safety months.



Managing contractor safety

X5 Group is equally committed to the safety of both its own employees and contractors. One of the OHSMS objectives is to ensure that contractors follow agreed-upon work procedures. To this end, we monitor compliance with OHS requirements by contractor employees. Every organisation supplying contracted services to X5 is contractually obliged to ensure the health and safety of its employees.

For our part, we conduct mandatory induction briefings for contractor employees, monitor their health check status, and share the necessary instructions on occupational health and safety. If gross violations of OHS requirements are found, contracts with such contractors are terminated, and they are blacklisted.

Occupational health and safety performance highlights

0.67

LTIFR[1] among X5 Group employees

0.04[2]

LTIFR[1] among contractor employees

0 cases of occupational disease among Company and contractor employees in 2023.

Unfortunately, in 2023, the Company recorded three fatalities at workplace, resulting from road accidents. All of them were thoroughly analysed, and the investigation results were translated to measures to prevent similar incidents in the future.

Investigations of work-related injuries showed that in 2023, most injuries (the top 3) were caused by employee fault (negligence; 37% of all cases), violation of OHS requirements by those injured (16%), and third party fault (11%).

Other causes were process non-conformance (7%), unsafe vehicle operation (5%), violation of traffic rules (4%), and other causes (20%).

For more details on quantitative occupational health and safety performance data, see the Appendices, page 106.



Artist: Yekaterina Vakar, 11 y/o

1 Per one million hours worked. For more details on work-related injury rates, see the Appendices, page 106.

2 Data collection scope is different for occupational health and safety indicators and does not include Pyaterochka's data.

Implementing occupational health and safety plans in 2023

Plans for 2023	Status
Launch electronic checklists for internal audits	Completed Electronic checklists are used by all the Company's business units; for example, Perekrestok used them in more than a thousand audits in 2023. Having been rolled out across all Company legal entities (more than 20,000 violations were identified during audits in 2023), the project allows us to regularly record and save all OHS improvement notices issued during audits, and increases the accessibility and transparency of audit results for all stakeholder departments and facility administration teams
Change in-house OHS training from text-based courses to a more engaging, real-world format (involving actual photos and videos of equipment while in use)	Completed at retail chains Pyaterochka implemented video training at DCs, while Perekrestok uses training courses and briefings, makes materials available on information boards at DCs and on the corporate intranet portal, and e-mails newsletters. Chizhik employees were provided access to courses on the X5 Shelf intranet portal
Transition selected chains and business units to a service model for the provision of occupational health and safety services to systematise labour cost optimisation processes without compromising on the quality of services	Completed at Pyaterochka Results of Pyaterochka's transition to the new model: • Level of satisfaction with the services increased by at least 10% • Process digitisation reached 50% • A single OHS service was set up to further standardise processes
Launch the Delivering First Aid course	Completed
Automate the distribution of personal protective equipment (PPE)	In progress Employees' personal accounts saw a new feature added, allowing them to provide anthropometric data by signing a relevant consent form; ordering of PPE for new hires was automated
Automate OHS training, introduce an electronic signature for the issuance of training protocols	In progress Preparations are underway
Automate the OHSMS performance review process	Implementation postponed to 2024

Plans for 2024

Implement measures to improve line staff training at Pyaterochka, including with the use of video materials

Implement a project to automate OHS training and introduce electronic signatures to issue training protocols

Automate the process of reviewing OHSMS performance as part of the Uniform HR Services project

Care for the community

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Our approach and 2023 highlights

3-3

We care for the communities across our footprint, guided by the national development goals of the Russian Federation, the UN SDGs, and international best practices while also incorporating feedback from our customers and local communities. All X5 Group's charitable and social projects focus on areas where we as a retailer can contribute the most. Along with providing food relief to those in need, during the year, we also focused on promoting healthy lifestyles and healthy eating. For more details, see the relevant section of this Report.

The Company's charitable activities and social projects are managed both by X5 and by key business units, such as Pyaterochka and Perekrestok, X5 Import, and X5 Technologies.

The key provisions and principles of our charitable activities are outlined in a relevant Policy, which covers all units of X5 Group. The Corporate Communications and Sustainable Development Director is responsible for following up on the Policy's implementation. The Policy prohibits funding or otherwise aiding non-charitable organisations, including for-profit organisations, associations, and political parties and movements, and precludes offering direct financial support to individuals.

Our corporate assistance is primarily focused on elderly people, people with disabilities, and large families in need.

Implementing charitable programmes

Phase	Participants	Roles
Developing an implementation concept and plan	• Charitable Project Leader	• Defining project goals • Setting objectives • Preparing a work plan aligned with the goals and objectives
Budgeting	• Charitable Project Leader • Charity officer	• Project cost estimation • Cost approvals
Approving the non-profit partner and contract documents	• Charitable Project Leader • Charity officer • Head of Tax Due Diligence and Control • Head of Compliance	• Assessment of reputational risks • Due diligence • Anti-corruption check • Tax and legal considerations • Entering contract documents into corporate systems
Implementing the project	• Charitable Project Leader	• Implementing activities outlined in the implementation plan • Updating the implementation plan as needed
Reporting	• Charity officer	• Quarterly collection of information to measure progress on charitable programmes • Quarterly reporting to the management company's Head of Charitable Projects • Collecting annual financial reports from non-profit partners, as well as payment orders, statements, bills, invoices, etc.
Feedback from the non-profit partner	• Non-profit partner • Charity officer	• Annual performance reporting

Awards

In 2023, our social and charitable efforts won a string of awards.

For instance, Pyaterochka was awarded a special prize at the Creating the Future awards in the Head Start category for its Adventure Islands project, under which we run safety lessons at schools in partnership with the LizaAlert volunteer search and rescue team.

The Company was the only double winner in the RPRA – Public Relations awards. In the Big Agenda category, the Company was recognised for its large-scale social projects, including the Safety Zones at Pyaterochka and Perekrestok stores and our food-sharing project, which was also recognised in the award's Business Socialisation category.

Our food-sharing project also won the Retail ESG Project of the Year prize at the Retail Week Awards.

X5 Group took away three awards from the Best Social Projects in Russia programme and the Best ESG Projects in Russia forum: for its Basket of Kindness, food-sharing, and 5 Points for Nutrition (proper nutrition lessons at schools) projects.

For the second year running, we retained our strong position in the Corporate Philanthropy Leaders ratings by the Donors Forum association: X5 Group has been awarded an A rating (Best Practice), the highest score among retailers.

The Local Community Centres project run by Pyaterochka since 2021 was once again recognised with a number of awards:

1st

in the Best Project for Making Emotional Connections between the Company Brand and the Customer at the Loyalty Awards Russia 2023

2nd

in the Cooperation Synergy category of Creating the Future, a nationwide competition of best practices for employers' social and humanitarian activities

1st

in the SUSTAINABLE MINDSET: Best Project for Employee Engagement in Sustainable Development category at the HR IMPACT awards

2nd

in the Unique Synergy category at the Change Management. Visionaries awards

2nd

in the Best Purposeful Strategy at the Silver Mercury awards

1st

in the Communication in Sustainable Development: Social Projects category at the Silver Archer national awards

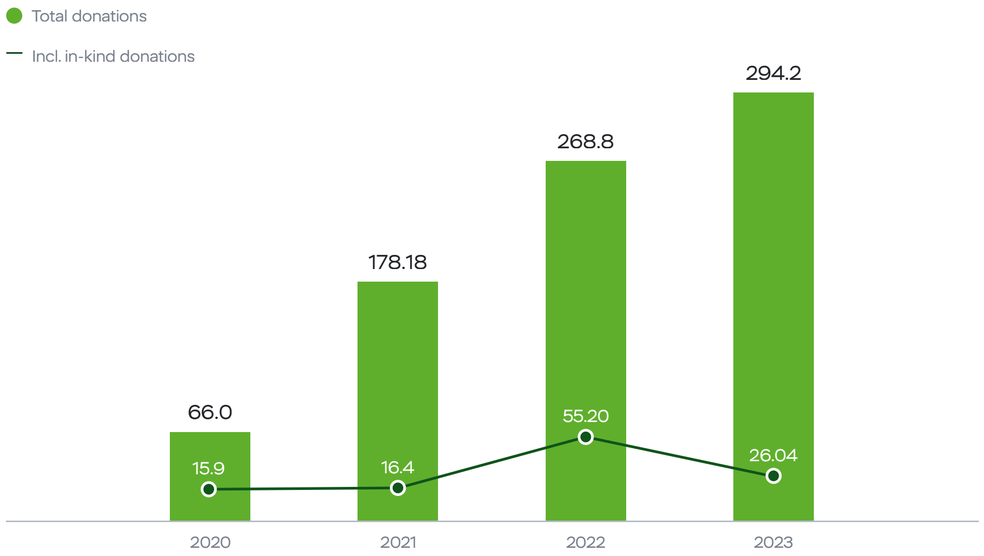
On top of this, the project won the Effective Grand Prix at the PROBA Awards 2023, earned a finalist finish at the Silver Archer – South awards, won the Recognition award in the Social Contribution category, and secured a placement in the Top 50 Projects publication of the Silver Archer awards.

X5 Group's social and economic contributions

Pensioners remain a key target group for our social programmes, with Pyaterochka and Perekrestok continuing their discount scheme for this group of customers. In spring 2023, Pyaterochka teamed up with the Mir payment system to launch a campaign for pensioners, with total sales of discounted products coming in at RUB 21.5 billion, and total discounts standing at RUB 1.031 billion over 65.9 million individual purchases. At Perekrestok, discounts for pensioners in 2023 totalled RUB 1.250 billion over 27.9 million individual purchases.

Additionally, in the run-up to the International Day of Older Persons, X5 runs a special programme through its Basket of Kindness project. Under this programme, the project's partner and Russia's first food bank, Foodbank Rus, purchases food baskets for pensioners using the proceeds from an online food drive held on the Basket of Kindness website.

Charitable spending and community investments, RUB mln



Charitable programmes

Food assistance

FOOD SHARING

We continued to grow the food-sharing project launched in partnership with the non-profits Foodbank Rus and Foodsharing in 2022. Under the project, we rescue food that is nearing its expiration date but is still safe to eat from going to waste by donating it to people in need.

In 2023, the project was joined by Perekrestok's distribution centre and Pyaterochka's dark stores to boost the total amount of donations and expand their range, which now encompasses close to 80 different SKUs from dark stores and over 120 ambient food categories from the distribution centre. The project footprint was also expanded to X5 outlets in Izhevsk, Krasnodar, Rostov-on-Don, and Voronezh, with our food-sharing project now covering a total of ten Russian cities.

In 2024, we are planning to have even more Company facilities join the food-sharing project, including X5's distribution centres and all Pyaterochka's dark stores, while extending the list of food items donated to fruits and vegetables.

The project's results in 2023:

95,012

people received help

56,812.6 KG

of food products were donated

74 COMPANY

facilities are involved in the project: 62 Pyaterochka and Perekrestok stores, 11 dark stores, and 1 DC

BASKET OF KINDNESS

10,799

participating stores

469,025

beneficiaries

936

tonnes of donations

Since 2015, we have been running the Basket of Kindness, a joint project with Foodbank Rus to donate food to people in need. The project currently covers 43 Russian regions, including the Far East, with each new Company store automatically joining the project once open.

During the year, we substantially increased the amount of donations and number of beneficiaries, while setting ourselves a target to ramp up these figures by at least 10%–15% per year.

In 2023, we also expanded the project to include new forms of support: along with food assistance in kind, beneficiaries can now receive a pre-loaded payment card designed to help cardholders purchase food items from one of 14 available categories (excluding tobacco and alcohol). In the reporting year, 1000 cards received pre-loaded payment under the project. Such cards were already issued to over 1,000 families.

Basket of Kindness results

	2020	2021	2022	2023
Number of participating stores	1,308	3,769	6,093	10,799
Amount of groceries collected, tonnes	267	356	518	936
Number of people who received support, ths	142	185	199	469

COLLABORATION WITH THE DEAF-BLIND SUPPORT FOUNDATION CON-NECTION

In the reporting year, we continued our collaboration with the Con-nection foundation started in 2017 and support for assisted living facilities for deafblind adults. As part of the project, we have been supplying free food to people living in houses overseen by the foundation in the villages of Puchkovo and Knyazevo every week over all these years.

Over this period of collaboration, the Company has donated a total of close to RUB 109.9 million to support a range of various programmes of the foundation, such as assisted living, the construction of 25 leisure centres across 16 regions, the operation of the Yaseneva Polyana resource centre, and so on.

Helping seriously ill children

In 2023, we continued our collaboration with the Life Line Charity Foundation by supporting its key activities and running our own campaigns to raise and donate funds to the foundation.

RUNNING FOR LIFE

On 13 August, we teamed up with the foundation to hold a charity race, with the registration fees paid by participants donated to finance the foundation's healthcare programmes and treatment for children.

8 MLN RUB

donated to cover medical treatment for four minor cancer patients

CYBER TELETHON

From 21 May to 31 May, X5 and Life Line Charity Foundation ran a charity livestream marathon featuring online influencers who raised donations for the foundation. The Company's own contribution multiplied the amount raised by five.

8.7 MLN RUB

donated to the foundation to purchase, among other items, medical equipment for the clean room of the Blokhin Russian Cancer Research Centre

CANDIES OF KINDNESS

Pyaterochka stores continued to run the Candies of Kindness project, under which its customers can purchase a Candy of Kindness at the checkout, with RUB 5 from the purchase donated to the Life Line Charity Foundation.

>17.4 MLN RUB

raised to treat 40 children in 2023

Since its launch in 2014, the project has collected a total of RUB 91.5 million, which has been donated to treat 203 children and has been used to purchase necessary medical equipment for several hospitals.

GIVE A RAY OF HOPE – A JOINT CAMPAIGN WITH AKULCHEV

Since 2016, all Perekrestok stores have been running the Give a Ray of Hope campaign, donating RUB 1 from every sale of Bonte-brand Viennese waffles made by Akulchev to the Life Line Charity Foundation.

~500 THS RUB

raised through the campaign in 2023 to pay for the treatment of three children

The campaign has collected a total of RUB 4.3 million overall, donated to treat 26 children.

CHILDREN'S DAY CAMPAIGN

On 1 June, RUB 1 from each purchase across all Pyaterochka stores in St Petersburg and the Northwestern Federal District was donated to the Life Line Charity Foundation.

~1.9 MLN RUB

raised in 2023 and donated to treat a seriously ill child

CHARITY FAIRS

In 2023, spring and New Year charity fairs were held at X5's offices. The proceeds were donated to the Life Line Charity Foundation.

~400 THS RUB

raised through charity fairs in 2023

We also held a fashion show to celebrate Perekrestok's birthday and collected RUB 1 million to treat five children.

LIFE LINE – DONATION BOXES

>10 MLN RUB

raised in 2023 and donated to 50 children, who were successfully treated with this money

A total of RUB 216 million has been collected since 2016 and donated to treat as many as 1,015 children, as well as to purchase medical equipment for a number of hospitals.

I'M CARRYING KINDNESS BAGS

In 2023, Perekrestok reviewed a project launched in late 2020 to sell eco-friendly cotton shopping bags bearing the tagline "I'm carrying kindness". Part of the proceeds from the sale of each bag is donated to the Gift to an Angel foundation. A total of around 146,000 bags have been sold since the project's launch.

>1 MLN RUB

donated to the Gift to an Angel foundation since project launch

The campaign's proceeds were used to pay for comprehensive rehabilitation courses for five children.

Assistance for lost or disoriented people

SAFETY ZONE

a joint project with the Centre to Search for Missing People and the LizaAlert volunteer search and rescue team

In 2023, our employees, project specialists, and rescue volunteers helped 1,511 lost or disoriented people safely return home, including 71 children and 33 people who required emergency medical assistance.

1,511

lost or disoriented people safely returned home in 2023 thanks to Safety Zones

We have installed media screens displaying photos of and information regarding missing people in 59 Pyaterochka stores in Moscow and the Moscow Region. This channel helped us spread information about more than 200 missing people on LizaAlert's search list.

ADVENTURE ISLANDS

In 2022, Pyaterochka teamed up with the Centre to Search for Missing People and LizaAlert to develop Adventure Islands, a safety class for older kindergarten groups and primary school children.

The project aims to teach children the basics of safety in the city and what to do when lost. As part of the project, experts coach teachers so that they are able to run classes themselves for their pupils. As at year-end, the programme covered 11 Russian regions. In 2024, we are planning to launch classes across 17 regions previously not covered by the programme.

23,656

children were taught city safety as part of the project in 2023, almost twice as many as in 2022

4,685

teachers were coached under the Adventure Islands project and now can teach children safety basics on their own

SAFETY CHARM ON YOUR ARM

In 2023, Pyaterochka teamed up with the Centre to Search for Missing People and was supported by the Good Stories Charitable Foundation to pilot the Safety Charm on Your Arm project in Samara. As part of this, we handed out safety bracelets featuring an NFC chip that contains information about the bearer to people who are at a high risk of going missing. This information can be read via QR code with any NFC-enabled phone. About 4,000 bracelets were issued to young children, elderly people, and people with intellectual disabilities. We also plan to scale up this project to other Russian regions.

Preventing social orphanhood

During the year, we continued our collaboration with the charity SOS Children's Villages to provide assistance to various families in need.

In 2023, funds donated by X5 to this organisation were used to support the operation of specialised centres in several Russian regions: the cities of Moscow and St Petersburg, and the Moscow, Leningrad, Orlov, Murmansk, and Pskov Regions.

During the year, a total of 726 families, including 882 children and 816 adults, received comprehensive support from X5.

Animal aid

BASKET OF KINDNESS FOR ANIMAL SHELTERS

Perekrestok and Pyaterochka stores involved in the Basket of Kindness project have containers where shoppers can drop off pet food bought in-store to be donated to animal shelters. In 2023, we installed 53 additional containers for pet food in selected Perekrestok stores and 72 in selected Pyaterochka stores.

From 18 September to 3 October, in the run-up to World Animal Day, X5 and Foodbank Rus held a joint online food drive.

Anyone could donate any amount starting from RUB 10 through the Basket of Kindness website (корзинадоброты.рф).

X5 contributed to the project by matching the amount of pet food purchased for the donations by a factor of 10, resulting in a total of 2.5 tonnes of food donated to 10 animal shelters hosting 559 cats and 2,326 dogs overall.

ECO-FRIENDLY REUSABLE SHOPPING BAGS TO SUPPORT HOMELESS ANIMALS

In July 2023, Perekrestok started selling I Help Betty eco-friendly reusable shopping bags, with some of the proceeds going to Foodbank Rus to purchase food and accessories for animal shelters. A total of 9,286 bags were sold over the first five months since project launch. We have released an additional batch of these bags and are planning to sell over 20,000 before 2024-end, as well as to collect and donate RUB 1 million by International Homeless Animals' Day on 17 August 2024.

9,415 KG

of pet food collected in Pyaterochka and Perekrestok in 2023

17

animal shelters received food donations

Pet food was donated to feed 5,000 dogs and over 1,500 cats

Community Centres

Our Community Centres project continues to grow: in 2023, the number of centres almost tripled to 1,350, including 1,000 launched during the year across 32 regions.

The project aims to create a welcoming atmosphere across our stores and hold events that get local communities interested. To this end, special bulletin boards and book exchange stands have been installed at the centres, with multiple master classes and other events held for local residents.

In 2023, the centres held a total of 9,365 events attracting a total of more than 7 mln people.

The project's key activities include:

- Financial literacy lessons in partnership with the Bank of Russia
- The Zero Drink-Driving campaign
- Healthy-eating themed store tours for school students
- Offering all seniors fruit on the International Day of Older Persons
- Good Post invites shoppers to write postcards to seniors living alone or in nursing homes
- A workshop for store visitors and employees on how to help blind people with guide dogs
- Various events to support people with disabilities
- Book exchange
- Exhibitions and much more

Book exchange

The book exchange initiative already covers as many as 243 Community Centres, including 15 centres that joined the project in 2023. Another 1,000 recently launched centres are slated to join the project in early 2024.

Special book exchange stands are installed at the centres, while in most stores local residents can bring their own books to fill stands. Generally, 20 to 200 books pass through every stand on a monthly basis. The stands can also be used for other swaps, including plug plants or fully grown plants, children's toys, festive decorations, and board games.

In July 2023, we fixed signs onto book stands at 355 centres across nine Russian regions bearing a QR code with a link to a specially created section on the website of the National Electronic Library (NEB) with a list of books for summer reading. The stands also feature posters informing shoppers about the campaign. All these steps help inform school students and their parents of the opportunities available to get the books they need free of charge via the NEB Light mobile app.

Corporate volunteering

>12.9 THS

employees took part in social projects in 2023

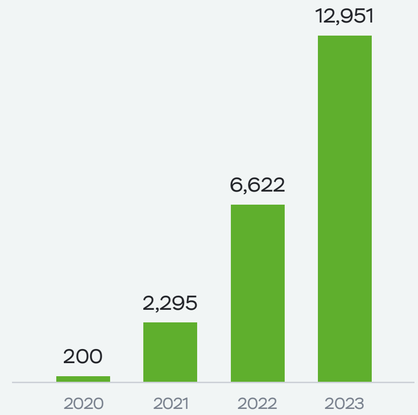
Employee volunteering is managed at the Company in the same way as wider charitable activities on the whole. We support several programmes at the corporate level while the Company's units can also launch their own volunteering initiatives.

X5 has in place an incentive programme to encourage volunteering. For instance, employees can earn special points for participating in relevant programmes and use them to acquire various corporate merchandise.

The number of employees involved in the Company's volunteering programmes almost doubled over the year. Our employees helped implement Company-wide programmes, such as Community Centres, the Basket of Kindness, and food sharing, as well as unit- and region-level initiatives, e.g. through participation in donor days, charity sports events, tree planting, and many more.

As part of our systematic approach to volunteering, we teamed up with the Help Needed Charitable Foundation to develop a special course on volunteer fundraising in 2023 and have already launched training courses that help our employees learn about what systematic charity and volunteer fundraising are, how to organise and launch charitable fundraising campaigns, and promote fundraising activities to help charitable foundations.

Total corporate volunteers



Plans for 2024

On top of plans under specific projects and initiatives, we are planning to launch our own X5 Group Corporate Charitable Foundation in 2024.

We are planning to further enhance existing X5 charitable projects while developing and launching new initiatives for every one of the above focus areas.

The foundation will focus on:

- achieving zero hunger
- supporting health and well-being
- building a safe and comfortable environment to make local communities more sustainable and drive equal opportunities for all

Appendices

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Determination of material topics

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In 2023, the Company maintained its approach to determining material topics for disclosure purposes in line with the requirements and recommendations of the GRI Standards for public non-financial reporting.

Material topics were determined in three stages:

1st

Drafting a list of potentially material topics based on a review of industry practices and guidelines from national and international standards

2nd

Running an online stakeholder survey involving over 7,700 respondents and ranking topics by importance based on the data received

3rd

Applying a multiplier to topics that align with the Company's strategic priorities, with the final ranking determined by materiality. The above multiplying factor was applied to topics such as Reducing the Impact on Climate Change and Improving Energy Efficiency; Promoting Responsible Business Practices among Suppliers; and Protection of Human Rights

In 2023, we changed the wording of some topics from the previous year's report to reflect the nature of the Company's relevant activities more correctly.

2022	2023
General waste management and recycling of plastics	Recycling and general waste management
Conservation of biodiversity	Caring for plants and animals
Social and cultural diversity and equal opportunities	Social and cultural diversity and equal opportunities
Products with healthy, balanced ingredients	Improved availability of products for a healthy lifestyle
Supply chain sustainability and transparency	Promoting responsible business practices among suppliers

We distinguish between three levels of topic materiality depending on each topic's materiality score using a 5-point scale. Topics from the first two levels are considered material topics for the purposes of the Sustainability Report.

Priority level 1 (score 4.3–5)	Change in materiality vs 2022
Reducing the impact on climate change and improving energy efficiency	+1 level
Managing food waste	No change
Recycling and general waste management	No change
Sustainable packaging	No change
Employee well-being and fair working conditions	No change
Occupational health and safety	No change
Training and development	No change
Privacy and data protection	No change
Protection of human rights	No change
Corporate governance and economic performance	+1 level
Business ethics and anti-corruption	No change
Product safety, quality, and affordability	No change
Customer relations and responding to customer requests	No change
Responsible product marketing and labelling	No change
Promoting responsible business practices among suppliers	No change

Priority level 2 (score 4.0–4.2)	Change in materiality vs 2022
Efficient use of water resources	+1 level
Social and cultural diversity and equal opportunities	No change
Improved availability of products for a healthy lifestyle	–1 level

Priority level 3 (score <4.0)	Change in materiality vs 2022
Charity and corporate volunteering	–2 levels
Caring for plants and animals	No change

Key risks

The risk factors that may have the highest impact on the achievement of the Company's strategic sustainability goals are listed below. The complete list of risks identified by X5 Group and a detailed description of the risk management system are presented in the 2023 Annual Report.
The Company pays particular attention to climate risks by reviewing them on an annual basis to adjust the business strategy accordingly.
For more details, see the TCFD Disclosure standalone appendix of this Report.

Risk factor	Risk description	Risk description
Market and macroeconomic environment	Changes in the macroeconomic environment, such as rising inflation, slowing economic growth, currency devaluation, and rising unemployment, can undermine financial performance of the Company and its ability to achieve its sustainability goals	• Driving innovation to cut expenses and reduce production costs
Supply chain	Risk of limited oversight of suppliers' environmental impact and human rights compliance throughout the supply chain	• Conducting supplier quality and safety audits • Developing sustainable packaging guidelines • Developing an educational portal for suppliers and training them on sustainable supply chains and environmental responsibility • Adopting the Human Rights Policy and having Company partners read it
Human resources	Risk of staff shortages, high staff turnover, insufficient staff training, and general lack of incentives	• Providing fair remuneration and regularly making cost-of-living adjustments • Developing employee engagement and motivation programmes • Providing voluntary health insurance for certain employee categories • Providing certain categories of employees with a choice between different employment formats
Legislation and litigation	Amendments to the laws of the Russian Federation on environmental protection as well as on product quality and safety	• Activities of the Audit and Risk Committee, which is responsible for ensuring the accuracy of X5's financial statements and the operation of the Company's internal control and risk management systems • Conducting internal audits for compliance with quality and safety standards
Data privacy and security	Leaks of users and partners' confidential data, which could entail legal, financial, and reputational losses for the Company	• Activities of the Security Operations Centre, which responds 24/7 to information security incidents • Signing confidentiality and information security agreements with suppliers and partners
Social	Risk of a possible decrease in household incomes and in the overall quality of life in the regions where the Company operates, which would affect purchasing power and the general state of society	• Running charitable programmes and providing food aid to people in need • Making products at the Company's stores more affordable, including by providing discounts to certain vulnerable categories of customers, e.g. to pensioners • Expanding the Chizhik hard discounter format
Environmental	The risk that the Company will have an adverse impact on the environment as a result of greenhouse gas emissions, waste, discharges, energy consumption, etc.	• Reducing the use of single-use plastic bags and packaging • Preparing sustainable packaging guidelines for suppliers, listing the preferred raw materials to be used • Training suppliers on sustainable development • Using low-carbon energy sources at stores • Sending food waste and non-expired items that are no longer in saleable condition to partner companies, including farms, for recycling and disposal

Stakeholder engagement

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We engage with a wide range of stakeholders every day, incorporating their views into our operations and development plans. The framework for sustainability communication targeting all stakeholders includes a dedicated website. The Company's sustainability activities, information on our sustainable development strategy, and relevant internal documents are published to the website. Additionally, stakeholders can submit their questions and suggestions using the contact details found on the website.

On top of that, dialogue with stakeholders is also maintained through direct interactions of participants directly involved in performing daily business tasks. Stakeholder views and suggestions are subsequently forwarded to the Company's management to be taken into account in strategic planning.

Based on the specific profile of the Company's business, experience, and interdependencies, we identify seven key stakeholder groups.

Stakeholder engagement performance highlights

2-29

Stakeholder group	Purpose of the engagement	Engagement format and key activities
Customers	• To meet expectations for product range and quality • To improve customer experience and the accessibility of stores for customers with special needs • To improve the availability of products, including products for a healthy lifestyle • To foster a culture of responsible consumption and promote sustainability practices among customers	Surveys, examination of queries and reports received through various feedback channels, and special studies conducted by independent consultants • Increasing the number of feedback channels and improving the system of routing incoming queries and reports • Running internal accessibility audits to ensure continued accessibility of stores for customers with special needs • Expanding the range of private-label products for a healthy lifestyle • Implementing activities to promote proper nutrition among school students
Employees	• To ensure decent working conditions and fair remuneration • To create equal opportunities for professional and personal development • To consider the special needs of employees with disabilities • To enhance employee engagement	Employee engagement and satisfaction surveys, existing feedback channels on the corporate portal, face-to-face meetings with management, and a hotline • >160,000 new hires in 2023 • >80% – employee engagement rate • 44% of X5's managers are women
Shareholders and investors	• To set strategic goals and KPIs • To drive business expansion and profitability	Investor presentations, financial and non-financial reporting, and meetings • +14.8% – increase in the number of stores and distribution centres • +20.8% – increase in revenue • +2.8% – increase in the number of regions where the Company's stores operate

Stakeholder engagement performance highlights

2-29

Stakeholder group	Purpose of the engagement	Engagement format and key activities
Suppliers and counterparties	• To widen the opportunities for cooperation • To promote sustainability practices and protect human rights across the supply chain • To improve products based on customer feedback	Developing the supplier portal and adding new features, including online and offline conferences for suppliers, and sustainability-related newsletters and tips • 1,200 suppliers attended the webinars hosted by X5 experts • 600 suppliers attended workshops featured on the Dialog.X5 platform • 53% – the share of small businesses among X5's suppliers • Offering advance payments to suppliers under agricultural contracts • Developing the Farmers' Markets programme • Launching the Agri-Aggregator programme to engage with small agricultural producers
Local communities	• To provide support in line with beneficiaries' actual needs • To search for additional ways of assisting local communities	Partnerships with charitable foundations, an internal corporate volunteering programme, and dedicated programmes to evaluate the performance of charitable programmes • >RUB 294 mln – charitable spending and community investments • >95,000 people benefitted from X5 Group's food-sharing project • 936 tonnes of food were donated under the Basket of Kindness project • 5,665 events were held at Local Community Centres • 12,900 employees took part in X5's social projects as part of corporate volunteering
Regulators and government bodies	• To ensure legal compliance • To interact with government officials on matters related to the Company's development • To develop mutually beneficial solutions that take into account the interests of the government, the Company, and producers	Regular reporting, monitoring of changes in applicable laws, and involvement in expert groups and councils • RUB 25,267 – tax payments in 2023
Russian banks	• To finance business development • To support producers in financing their projects as part of cooperation with X5 Group	Financial statements, investment memoranda, joint meetings, and project discussions • The Green Factoring programme for small and medium-sized businesses launched together with SberFactoring • Maintaining top credit ratings with major Russian agencies

TCFD compliance statement and index

Sustainable strategy

X5's business strategy incorporates a sustainability-led approach based on responsible business practices, effectively driving the Company's long-term value creation for shareholders and a broad range of stakeholders, and contributing to the UN Sustainable Development Goals (SDGs) and Russia's national development goals.

We see it as our mission to make high-quality food increasingly more available to consumers while consistently reducing our environmental impact by cutting food and non-food waste, as well as greenhouse gas and pollutant emissions. As another equally important focus area we promote responsible practices among suppliers to compound the impact of our environmental and social initiatives. As we grow our business, we also support the communities of which we are a part. We are committed to compliance with tax laws and regulations, including the timely payment of all the taxes that we are due as a Company; openness and transparency about our approach to tax is important and is supported by our overall business and ESG sustainability strategy[1].

Our approach to sustainability management integrates the focus on best practices recommended by the Dutch Corporate Governance Code and the recommendations of the Corporate Sustainability Reporting Directive (CSRD), in line with which the Company's plans to disclose relevant information as soon as required. Currently, X5 Group details its sustainability performance in a dedicated report that is prepared in accordance with the Global Reporting Initiative (GRI) methodology and independently verified by an external auditor.

In 2023, the Company continued to align its reporting with the EU Taxonomy, disclosing relevant information in a dedicated section of the Sustainability Report.



1 For more details on the approach to transparent taxation, see the relevant Planet chapter on pages 47–56 Sustainability Report.

The Company's strategic goals

In 2023, the Company reviewed its progress towards its ESG strategic goals[1], set goals to 2025, and updated several of its goals to 2030. These goals are highlighted by analysing the impact on key stakeholders and the areas in which X5 Group can make the biggest difference, taking into account the specifics of its business.

We take a risk-based approach to assess our potential impacts in a timely manner and manage associated risks effectively. In addition to risks, we also assess opportunities: the sustainability agenda is one of the Company's most important innovation drivers. For example, in the reporting year, we continued searching for and testing technologies aimed at improving resource efficiency, reducing waste generation, and managing waste sustainably, as well as developing logistics solutions.

Priority	Goals to 2025		Goals to 2030	UN SDGs
Planet	• Reduce GHG emissions (Scope 1 and 2) intensity per sqm of selling space by 15% compared with 2019 through improved energy efficiency • Reduce other indirect (Scope 3) GHG emissions intensity compared with 2020, t of CO_2e per sqm of selling space • Increase the share of renewable and low-carbon energy used in operations to 5% • Reduce the ratio of waste generated by retail chains to retail sales by 15% compared with 2019[2] • Send up to 95% of recyclable materials generated in own operations of X5's retail chains for recycling	• Increase the proportion of food products that can be reprocessed when no longer in saleable condition prior to their expiry date to 25% • Make 60% of private-label packaging sustainable by the end of 2025[3] • Improve water efficiency and reduce pressure on water resources • Make up to 100% of own production ready meal packaging recyclable by the end of 2025	• Reduce GHG emissions (Scope 1 and 2) intensity per sqm of selling space by 30% compared with 2019 through improved energy efficiency • Increase the share of renewable and low-carbon energy used in operations to 30% • Reduce the ratio of waste generated by retail chains to retail sales by 30% compared with 2019	**SDG 7, 11, 12, 13, 14, 15**
Health	• Increase sales of healthy lifestyle products[4] • Continuously improve a system to ensure the quality, freshness, and food safety of products	• Increase the number of regions covered by Pyaterochka's healthy lifestyle lessons for school students • Develop principles and practices to monitor that suppliers source goods responsibly[5]	• Ramp up sales of healthy lifestyle products listed on the Avocado Index	**SDG 3**
Employees	• Maintain an employee engagement rate of at least 80% • Enhance the recognition and appeal of X5 Group's employer brand	• Maintain an eNPS of at least 40 p.p. as the business grows[6]	• Enhance the recognition and appeal of X5 Group's employer brand • Establish a safe and healthy workplace	**SDG 5, 8, 10**
Community	• Grow the number of beneficiaries of food aid programmes by 10% annually • Roll out the Safety Zone programme to all Pyaterochka and Perekrestok stores[7] • Expand community care programmes; in particular, develop the Local Community Centres programme at Pyaterochka	• Develop partnership programmes with small and medium-sized businesses, farmers, and local producers • Develop accessible stores and services[8]	• Grow the number of beneficiaries of food aid programmes by 10% annually	**SDG 2**

1 For more details on the 2023 goals and progress against them, see page 16.

2 The calculations include Pyaterochka, Perekrestok, and Chizhik.

3 The calculations include the 150 top-selling PLUs in retail sales of private labels at Pyaterochka, Perekrestok, and Chizhik. The figure represents the proportion of PLUs in preferred packaging (in line with X5 Group's Recommendations) among the 150 top-selling retail PLUs. Calculated annually.

4 Breakdown by category based on the Avocado Index. The Avocado Index is a list of healthy products across 84 categories, compiled according to WHO recommendations and verified by a nutritionist.

5 Developing principles and practices for responsible sourcing refers to monitoring that goods comply with national certification.

6 Taking into account the differentiating metrics for businesses with a higher eNPS.

7 Chizhik will also join the programme by setting up internal communication events for employees to teach them to interact with people who appear lost.

8 The calculation uses the NPS survey results for the question "Which stores care about people with special needs, pensioners, and parents with small children?"

A long-term value creation model

This model helps to articulate our business metrics, enabling us to monitor sustainability risks, ensure business continuity, and quickly adjust our priorities.

	VALUE CREATION STAGE			
	Procurement	**Delivery to distribution centres and stores**	**Sales**	**Consumption**
OUR IMPACT	Engaging with suppliers on: • product quality control • using eco-friendly packaging • ensuring respect for human rights and reducing environmental impacts through sustainability guidelines	Optimising supply chain legs to minimise losses	Minimising food waste	Providing quality products to all demographics, including vulnerable groups

AT ALL VALUE CREATION STAGES

- Respecting human rights
- Complying with business ethics standards
- Reducing energy and water consumption
- Reducing carbon footprint
- Minimising waste generation and managing waste sustainably
- Caring for our people and minimising injuries
- Engaging in dialogue with stakeholders using feedback tools

Sustainability management

Governance

Embedded in the business strategy, the Company's agenda of sustainable long-term value creation is implemented by the Company's executive team, included in the LTI programme 2021–2023, and reviewed by the Supervisory Board and its committees, also as part of the Supervisory Board's responsibility in setting performance indicators under the Company's remuneration policies[1].

When implementing its sustainability strategy, X5's executive team is supported by a dedicated Sustainability Committee operating in a cross-functional, cross-format manner, providing an effective interface between different business units and setting priorities and coordinating overall efforts to achieve strategic goals.

Each of the Company's business units and retail chains has dedicated teams responsible for their units' contribution to wider corporate goals by implementing various sustainability programmes. These teams can also make suggestions based on the strategy and propose and implement additional initiatives that play into the strategy.

PERFORMANCE BENCHMARKING OF GOVERNANCE

Long-term ESG KPIs for X5 Group's management are part of the long-term incentive programme 2021–2023. These KPIs include targets related to driving decarbonisation, increasing the share of recyclable packaging across private labels, and implementing projects to increase recycling rates.

In 2024, the Company plans to incorporate these KPIs into its short-term incentives for leaders of functions directly contributing to Company-wide sustainability strategy goals, primarily within X5's key retail chains Pyaterochka and Perekrestok.

5%

Of all management KPIs are linked to climate change

Sustainability risk management

As part of the overall business strategy, sustainability aspects and related risks, such as those associated with employees, information security, or business ethics, are addressed within a single risk management framework, which is detailed in the relevant section of this Sustainability Report.

Given the scale of potential impact, the Company takes climate-related risks and opportunities particularly serious and reviews them on an annual basis to adjust the business strategy accordingly. For more details, see the section of this Sustainability Report containing disclosures prepared in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Principal regulatory documents

X5's sustainability management system focuses on compliance with applicable laws as well as best practices described in dedicated internal regulations. Key documents include:

- Code of Business Conduct and Ethics
- Human Rights Policy
- Sustainable Development Policy
- Supplier Policy
- Equal Opportunities Policy
- Energy Efficiency and Climate Change Prevention Policy
- Waste Minimisation Policy
- Occupational Health and Safety Policy

These and other principal documents covering sustainability topics are available on the corporate website and are regularly reviewed and updated to adapt to changing laws or internal processes.

1 For more details on our sustainability management system, see page 21.

Stakeholder engagement

X5 Group's key stakeholders are its customers, employees, shareholders, investors, suppliers, local communities, regulatory bodies, and state authorities. The Company places a particular focus on engaging with vulnerable groups, such as elderly people, people with disabilities, and families in need.

X5 engages with stakeholders, taking their opinions into account in its work and development plans. A special website has been created for communication on sustainable development issues, where the Company publishes information on its sustainable development activities, goals and results of the Sustainable Development Strategy, as well as relevant internal documents. The website also provides contacts for stakeholders to send feedback, suggestions, or questions.

The Company also takes into account the interests of each stakeholder by engaging with them through various formats. For example, X5 regularly conducts customer and employee surveys, analyses all requests received through feedback channels and comments posted in open sources, organises personal meetings between employees and management, holds presentations for investors, develops a portal for suppliers, cooperates with charitable foundations, and participates in expert groups and councils.

In addition, the Company's dialogue with stakeholders takes the form of direct interaction with individual participants who are involved in carrying out everyday business tasks. Stakeholders' opinions and suggestions are taken into account during strategic planning.

In an effort to create value for all of its stakeholders, X5 engages in a direct dialogue with them while also encouraging dialogues between different stakeholders. For instance, the Company informs suppliers about packaging trends and consumer attitudes towards ESG and living a healthy lifestyle, and helps to communicate the position of small agricultural companies to relevant decisionmakers in the government, thus helping all parties find effective solutions and support measures for urgent needs.

In 2023, the Company developed its Stakeholder Engagement Policy describing its approach to stakeholder engagement. For more details on our stakeholder engagement methods and outcomes, please see page 84.

Community

X5 Group contributes to the development of local communities through a wide variety of charitable and social projects, as well as by supporting local producers and small businesses. In the reporting year, the Company continued to grow previously launched initiatives by expanding their geographic footprint and increasing their reach, and paid special attention to promoting inclusion in its stores to offer an even more inclusive space for employees and customers with special needs.

A particular focus was placed on automating data collection to unlock continuous tracking of social initiatives against goals and related KPIs, as well as on evaluating the performance of programmes implemented over the past five years.

SUPPORTING LOCAL PRODUCERS AND SMALL BUSINESSES

Supporting local producers and small businesses, the Company offers special franchise fees and rental rates, signs direct contracts for certain volumes of produce under the Agro-Aggregator programme, and runs special factoring programmes, as well as a Farmers' Market programme, enabling small local producers to broaden their consumer audience.

In addition, the Company holds regular events for small businesses, advising them how to become X5 Group partners and suppliers, explaining the required procedures, and answering questions from participants.

CHARITABLE AND SOCIAL PROJECTS

The Company's involvement in charitable and social projects is guided by the relevant internal policy outlining general principles and rules for such activities, priorities, and responsible employees.

When implementing social projects, priority is given to areas where the Company can make the strongest impact while meeting beneficiaries' actual needs to the extent possible. First of all, these projects include food support in a bid to promote food sharing and the Basket of Kindness project. The Company also implements numerous projects in other areas, including support in the search for missing people and the development of local community centres in X5 stores in selected locations.

In addition, we do our best to promote and encourage corporate volunteering, engaging our employees in charitable and volunteer projects.

53%
the share of small businesses among X5 suppliers

56 THS KG
of food was donated to people in need

>1,300
stores engaged in the Local Community Centres project

1,000
families received pre-loaded payment card

KEY 2023 HIGHLIGHTS AND RESULTS

- The share of small businesses among X5 suppliers grew to 53%, with small enterprises accounting for 27% and micro enterprises 26%.
- The Agro-Aggregator project was successfully piloted, enabling small agricultural producers to sell their produce at X5 Group chains via an aggregator company with which the Company has guaranteed order volumes.
- Over 56,000 kg of food was donated to people in need as part of the food-sharing project, benefiting more than 95,000 people. The project took the second of the top prizes at the Retail Week Awards in the Retail ESG Project of the Year category.
- Charitable support within the Basket of Kindness project was expanded to include new forms of support: along with food assistance in kind, beneficiaries can now receive a pre-loaded payment card designed to help cardholders purchase staple food items from one of 14 categories (excluding tobacco and alcohol) at X5 stores. In the reporting year, such cards were issued to over 1,000 families.
- We launched training courses and taught our employees to engage with customers with disabilities. A customised training course is available for each level of management, from cluster directors to line employees and couriers, taking into account the specifics of the employee's role.
- The Local Community Centres project was rolled out to over 1,300 stores. They served as venues for more than 5,000 events that reached over 7 mln participants.

PLANS FOR 2024

- Scale up the Agro-Aggregator project and start collaborating with at least ten aggregators across Russian regions
- Continue running regional training sessions to inform local producers about how to comply with X5 Group standards and become a partner. We plan to hold at least 10 to 15 such sessions
- Develop the Farmers' Market project and open at least 20 markets
- Increase the number of food assistance beneficiaries and expand the geography of participating stores, in particular leveraging dark stores and distribution centres
- Increase the number of volunteers among store employees, including by enhancing the incentive system
- Adapt delivery services, the mobile app, and the system of additional discounts for customers with disabilities and hold inclusive events as part of the Local Community Centres project

Planet

In line with its Sustainable Development Strategy, X5 Group continues to adopt approaches that contribute to its priority UN SDG: Responsible Consumption and Production. To do this, we focus on three key areas, deploying available innovations and seeking to maximise the impact of our efforts by engaging a wide range of stakeholders in each area. Our priorities in the reporting year included boosting efficiency, preventing food waste generation, rolling out energy-efficient solutions across retail chain stores, mitigating climate impact by increasing the share of renewable and low-carbon energy, switching to natural refrigerants, and optimising logistics.

REDUCING ENERGY CONSUMPTION

All new stores, as well as stores undergoing scheduled renovations, are equipped with a comprehensive Smart Store system that uses sensors and monitoring software to bring stores in line with current operational and maintenance processes and save energy through efficiency gains. Installation of refrigerated display cabinets with retrofit glass at new and refurbished Perekrestok stores.

REDUCING WASTE AND PROMOTING SUSTAINABLE PACKAGING

The Company makes continuous efforts to improve the accuracy of inventory management and enhance logistics and warehousing tools to reduce waste generation while running a number of programmes to roll out various innovative solutions for efficient waste management.

Each of our retail chain stores monitors how much recyclable waste is being generated, and employees take recycling training.

RECOMMENDATIONS FOR SUPPLIERS

The Company encourages suppliers to adopt a responsible approach to their environmental footprint via recommendations stemming from best practices, expert opinions, and open discussion with partners at regular meetings. The recommendations cover voluntary certifications confirming suppliers take a responsible approach to production processes and packaging materials used, and contain specific examples of practices available in Russia.

In addition, customised sustainability training materials are available to all existing and potential X5 Group suppliers on the Company website.

KEY 2023 HIGHLIGHTS AND RESULTS

- Pyaterochka received over 30 million kWh of green energy from ROSATOM.
- X5 Groups's distribution centres in 10 cities are using renewable electricity from hydropower.
- The Smart Store system was rolled out to over 6,400 Pyaterochka stores.
- More than 1,000 Pyaterochka stores participate in a project to switch to eco-friendly advertising materials.
- Pyaterochka launched a pilot project to convert refrigeration equipment to use natural refrigerants with zero ozone depletion potential and low global warming potential.
- Over 96% of X5 Group's ready-to-eat meals are sold in recyclable packaging.
- Pyaterochka has started adding a special label to its ready-to-eat meal packaging urging customers to dispose of it properly by recycling it. The label includes a link to eco.5ka.ru, a website that provides a detailed description of how to properly dispose of different materials.
- The Company has decided to change the terms of reference for private labels and ready-to-eat meals to make its packaging more eco-friendly.
- The list of recyclables has grown, and the amount of materials sent for recycling has increased.
- Over 900 Perekrestok stores have signed up to a programme that donates products that are within their expiry date but no longer fit for sale to farms; we have drafted a standardised list of fractions that can be donated, and the amount of donations in these categories has tripled.
- The amount of recyclables sent for recycling by Perekrestok Vprok has grown by 6%.
- Newsletters have been set up for suppliers to communicate information on legislative changes with regard to packaging, featuring explainers and advice; regular webinars are held to openly discuss sustainability with suppliers; and sustainable packaging has been made a key topic at the annual conference of X5 Group suppliers.

TCFD disclosure

Climate-related issues, in particular the systematic assessment of climate risk impact on the Company's operations and the management of such risks in 2023, remain essential and relevant for X5 Group. The Company strives to improve the level and scope of climate-related disclosures every year while developing and implementing relevant climate-related initiatives. The information in this section is correct as at 31 December 2023, unless stated otherwise.

Governance

The corporate governance framework is key to the success of decarbonisation measures taken as part of X5's long-term sustainable development strategy. Responsibility for managing climate-related issues as well as for climate risk review and assessment lies with the Company's senior management as well as its business units. The "three lines of defence" model used in X5's risk management system drives the effectiveness of our climate risk management. Learn more on X5's risk management system on pages 106–112 of our 2023 Annual Report.

As the second line of defence within X5's risk management framework, X5's Sustainability Department is responsible for the processes around identifying, analysing, and assessing climate risks. The Department informs the Supervisory Board and executive team about risks that may threaten the Company's business continuity in general and is also involved in relevant risk management efforts. The Department collaborates with the Risk Management team to provide methodological support to the business as regards ESG risk management.

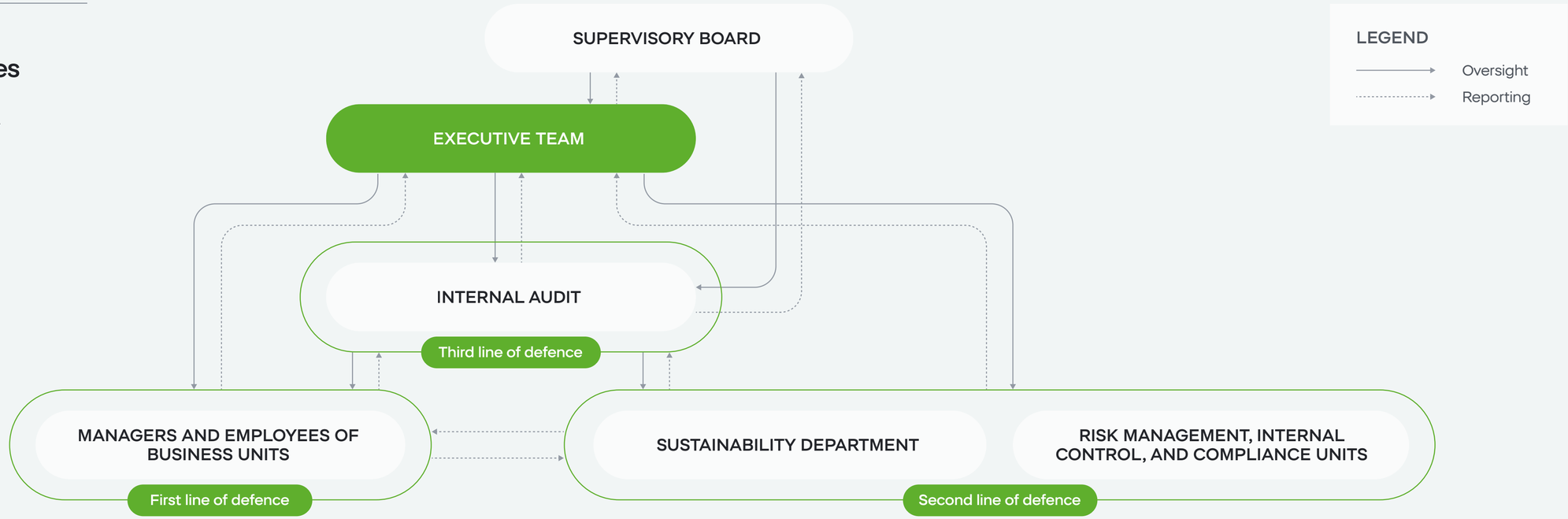
As part of adjustments in X5's overall risk management system in 2023, a substantial number of risk-related tasks were cascaded into the Group's retail chains and business units; future plans include transferring the tasks around day-to-day operational management of sustainability risks to them as well. Therefore, ESG risks will be addressed at the management level across retail chains and business units (first line of defence), getting these process participants more deeply involved in the Company's ESG activities while also enabling them to respond and adapt to external challenges faster and better. Climate-related issues that become more material are escalated to senior managers who decide how to address such issues.

Members of the executive team are responsible for strategy implementation and management of sustainability issues, driving the implementation of the climate strategy and action. The Supervisory Board supervises the activities of the executive team as regards strategy development and implementation of ESG projects. At least once per quarter, the Supervisory Board meets to review and approve the process for assessing corporate risks, including climate risk assessments within it.

The diagram below shows X5's governance structure around climate-related issues, including role and responsibility distribution among different levels of management.

Governance structure around climate-related issues

For more details on the Supervisory Board, see page 114 of our 2023 Annual Report.



Supervisory Board:

- approves X5's strategy of sustainable long-term value creation and supervises how such strategy is implemented
- supervises the corporate risk assessment process
- supervises performance across key projects and activities, including advances in climate risk mitigation measures while also overseeing progress against the sustainable development strategy and the impact of environmental projects
- approves the annual budget for the Company and its projects in line with the Group's strategic priorities, including climate-related initiatives

Executive team:

- is responsible for developing and implementing X5's strategy of sustainable long-term value creation, and handling day-to-day strategic and operational decisions that drive progress against the Company's overall strategy as well as its sustainable development strategy
- is involved in identifying and properly managing the risks that threaten the achievement of the Company's business objectives and the continuity of its operations
- holds monthly meetings and provides regular progress updates to the Supervisory Board regarding ongoing projects and material risks, including climate risks if they are material for the business in general

Internal Audit:

- conducts audits across all retail chains and business units
- runs tests of internal control systems
- evaluates the performance of the risk management system

Sustainability Department:

- supports the executive team in driving and coordinating ESG-related work across the Group and such
- coordinates and implements climate risk analyses and assessments and supports the preparation of non-financial reporting, including climate-related disclosures
- initiates new ideas and solutions to help promote the ESG agenda both within and outside the Company
- organises the development of a sustainable development strategy, which contains decarbonisation goals and activities
- organises and supports the implementation of climate-related activities and initiatives

Risk management, internal control, and compliance units:

- control and monitor sustainability risks, climate risks in particular

Managers and employees of business units:

- manage ESG risks on a regular basis
- are responsible for the implementation of ESG-related initiatives, including climate action and measures to mitigate climate risks

Strategy and climate risk assessment

X5's sustainable development strategy goes hand in hand with constantly evolving climate risk assessment processes. The impact of such risks on the Company's business, overall strategy, and financial planning are among the drivers behind the decarbonisation targets and measures set out in the strategy. Climate risk analysis and assessment help prioritise focus areas and response measures. We systematically review these risks and assess their financial implications for our strategy.

X5's 2030 sustainability goals can be found in our 30x30 agenda and other sections of the Planet chapter. Climate-related issues are also included in our updated short-term strategy to 2025.

As regards the impact on the Group's financial planning and investment decisions, in 2023, we amended the Company's investment policy to include more lenient payback criteria for sustainability projects, specifically those with a decarbonisation focus. In addition, the Company's budgeting process considers climate-related issues (e.g., the financial and operational feasibility of converting facilities to alternative energy sources is assessed).

Climate risk assessment

The climate risk assessment process is aligned with the Group's overall risk assessment process and complies with the requirements for the relevant procedures. Additional information on the Group's risk management system can be found on pages 106–112 of our 2023 Annual Report.

Analysing climate-related risks and opportunities helps the Company build specific steps to support the low-carbon transition. X5's decarbonisation activities and initiatives are driven by climate risk. For more details on the Company's approach to climate risk assessment, see pages 92–94 of our 2022 Sustainability Report.

The Company's business strategy and climate risk assessment are structured across three time horizons:

- **Up to 2025**, short term
- **2025–2030**, medium term
- **2030–2050**, long term

X5 conducts scenario analysis to efficiently identify and manage climate risks and develop effective decarbonisation measures. Our risk assessment process is informed by the following climate scenarios from the IPCC's Sixth Assessment Report (AR6) and IEA's up-to-date outlooks:

- The **1.5 °C scenario (scenario SSP1–2.6)** is the most ambitious scenario in terms of achieving the goals of the Paris Agreement, involving considerable adjustments to the Company's activities.
- X5 considers the **2.0 °C scenario (SSP2–4.5 scenario)** the primary one for the industry. This scenario is used in climate risk assessment as the most relevant and realistic. It is less drastic compared with the 1.5 °C scenario.
- **4.0 °C scenario (SSP5–8.5)**: under this scenario, the Company's activities do not need to change significantly, and operations would proceed as usual.

A detailed description of each of the three climate scenarios is available on page 91 of our 2022 Sustainability Report.

When analysing and assessing climate risks, the Company considers both physical and transition climate risks in line with global best practice. The impact of physical risks will be more significant over the longer term, which corresponds to the long-term time horizon (2030–2050) adopted by the Company. Transition risks are more volatile and are likely to manifest in the short or medium term, demanding more immediate focus and attention.

The Group introduced a climate risk analysis tool, which builds on previous quantitative and qualitative climate risk assessments and complements them with a geographic dimension. The tool factors in climate scenarios and their impacts on the Company's core business units as well as decarbonisation plans. A climate scenario can be selected on a dashboard to estimate the corresponding financial impact on specific assets over the selected time horizon. The tool enables fast and effective risk identification, assessment, and mitigation and provides the necessary data to make budget and investment decisions. Additional information on the Group's risk management system can be found on pages 106–112 of our 2023 Annual Report.

As part of its initial climate risk assessment, X5 conducted a comprehensive quantitative assessment of climate-related risks and opportunities, the results of which were presented in the form of a detailed risk register, reflecting both physical and transition risks. A full and complete disclosure of the risks analysed, their materiality estimates and potential consequences, as well as the corresponding mitigation activities, can be found in our 2022 Sustainability Report on page 90.

The results of a subsequent qualitative re-assessment of climate risks are available on pages 92–93 of our 2022 Sustainability Report. These results as well as the list of transition and physical climate risks remain current as at 2023-end. No climate risk re-assessment was conducted in 2023, but a quantitative risk re-assessment is scheduled for 2024. The table below summarises the assessment results for material climate risks across three time horizons under the SSP2–4.5 (~2.0 °C) scenario (the primary scenario for the industry).

Climate risk assessment

Risk	Risk component	Consequences	Scenario SSP2–4.5 (~2,0 °C)	Risk management initiatives
Changes in regulatory requirements (transition risk) Regulatory risk is associated with the emergence of new and/or tightening of existing fiscal and non-fiscal requirements regarding GHG abatement and climate change adaptation.	Payments for GHG emissions	Additional costs of payments for GHG emissions as well as increased logistics costs	2025 🟡 2030 🟡 2050 🟡	• Monitoring the volume of GHG emissions (Scope 1, 2, and 3) • Regular reporting on GHG emissions and other climate-related issues as well as ESG considerations in compliance with the current national legislation and international standards • Ongoing monitoring of regulatory changes and climate-related disclosure trends • Conducting a systematic climate risk assessment in line with TCFD and other relevant frameworks • Reducing overall GHG emissions across the value chain • Completing a comprehensive cost analysis of the transition to low-carbon operations, including the shift to more environmentally friendly equipment • Developing GHG emission-reduction initiatives, including the transition to refrigerants with a lower GWP • Increasing the share of on-site renewable and low-carbon energy generation • Considering an internal carbon price when discussing projects
	Changes in climate-related disclosure requirements of stock exchanges	Temporary suspension of trading at stock exchanges if the Company fails to comply with the requirement to disclose climate-related aspects of its operations	2025 🟢 2030 🟡 2050 🔴	
	Prohibition of the use of refrigerants with a high GWP	Higher cost and potential shortages of refrigerants due to restrictions on the supply and production of high-GWP refrigerants	2025 🔴 2030 🟡 2050 🟡	
	Higher electricity and heat costs	Potential increase in operating expenses driven by higher electricity and heat prices	2025 🟢 2030 🟢 2050 🟡	

🟢 Lowest impact 🟡 Medium impact 🔴 Highest impact

Climate risk assessment

Risk	Risk component	Consequences	Scenario SSP2–4.5 (~2,0 °C)	Risk management initiatives
Changes in investor behaviour (transition risk) Investors may have tougher requirements regarding a company's climate strategy and actions, particularly in terms of the scope of climate disclosures. ESG scores may influence investors' decision making, in particular low ESG scores will alert investors to increased climate risks and poor quality of management.	Insufficient climate-related disclosures	Potentially lower investment appeal of the Company	2025 2030 2050	• Monitoring developments in the reporting requirements of international stock exchanges and best practice for climate-related disclosures • Implementing best practices in responsible business and decarbonisation methods • Explaining the Company's decarbonisation strategy and explaining what challenges the Company may face during the transition • Providing a third-party assurance of climate-related data • Improving climate-related disclosures for key ESG ratings
Macroeconomic risk (transition risk) Market risk is associated with structural changes in supply and demand for energy resources (changes in a country's energy mix) and the accompanying increase in the cost of goods and services purchased by a company.	Lower purchasing power of Russian consumers	Lower revenues and profits due to potential slowdown in household income growth	2025 2030 2050	• Ongoing analysis of market changes to develop appropriate responses • Developing budget-friendly stores
Changes in precipitation regime (physical risk) This risk refers to changes in the precipitation regime typical for each region: deviations from climatic norms in the volume and intensity of precipitation.	Increase in wintertime precipitation	Temporary logistical issues due to heavier snowfalls: difficulties in unloading products at stores and traffic congestion in the first few days after heavy snowfalls	2025 2030 2050	• Engaging with suppliers to ensure smooth performance of shared logistics infrastructure • Visualising and mapping climate risks to track potential supply chain disruptions

Lowest impact Medium impact Highest impact

Goals and metrics

Since 2019, X5 has been assessing its GHG emissions on an annual basis in accordance with the Corporate Accounting and Reporting Standard of the GHG Protocol. This procedure enables the Company to get a holistic view of the main sources of GHG emissions and emission levels, which in turn allows it to quantify specific strategic decarbonisation targets. The outcomes of the 2023 GHG emissions estimate and the methodological approach will be detailed on page 107.

To enable better strategic decision making, the Company seeks to apply internal carbon pricing. The internal methodology and quantitative estimates are still contingent on continuous regulatory changes relating to GHG emissions; therefore, the instrument is still subject to regular review.

In 2023, X5 Group updated its targets under the 2025 sustainable development strategy, having set metrics for GHG emission reduction. Specifically, the Company strives to reduce GHG emissions (Scope 1 and 2) intensity per sqm of selling space by 15% compared with 2019 through improved energy efficiency. In addition, the updated strategy includes targets around waste management; their achievement will have a positive impact on Scope 3 emissions. For the full list of the Company's sustainability targets, see the X5 Sustainable Development Strategy.

In 2023, X5 took further confident steps to achieve the **set GHG emission reduction targets**, thus contributing, among other things, to climate risk mitigation:

- In 2023, the Company decided to launch a pilot to fit Pyaterochka stores with innovative refrigeration equipment using a natural refrigerant (R290) with a low global warming potential (GWP). The use of R290 refrigerant will improve energy efficiency and involve lower GWP, which will reduce direct emissions. As at the time of publication, **three retail facilities** featuring such equipment were already in operation, with plans **to roll out to ten more facilities**. On top of that, Pyaterochka is gradually replacing traditional freon in air conditioners within its spaces with more energy-efficient compressors using the R32 refrigerant with a lower GWP.
- In addition, the terms of reference for opening new Pyaterochka stores and Chizhik distribution centres were supplemented with requirements to prioritise low-carbon refrigeration equipment using propane (R290). These requirements are subject to building-specific utility system constraints.
- In 2023, freon level monitoring was rolled out to all retail chains (Pyaterochka, Perekrestok, and Chizhik) and distribution centres running on a proprietary data collection and business process automation system (WRS). These ambitions earlier translated to updates in standard agreements with contractors who service refrigeration equipment. Under the new conditions, contractors must send us data on the amount of freon refilled each month. This initiative enables regular tracking and management of their environmental impact and will help curb contractors' future GHG emissions, where possible.
- The ESG dashboard launched in 2023 is used, among other things, to upload and aggregate electricity, freon, and heat consumption data across X5's retail chains. The dashboard tracks changes in consumption in real time and enables fast responses to deviations as well as automatic calculations of retail chains' GHG emissions. Furthermore, in the near future, the tool will be able to update and display renewable energy metrics – the number of renewable facilities in use, types of generation units, and the form of energy generation (self-generation or energy purchased under free bilateral agreements (FBAs)).

Additional information on X5's other environmental initiatives is provided in various sections of the Planet chapter on pages 47–56.

PLANS FOR 2024

- Expand the Smart Store programme by opening new and refurbishing existing stores. The programme is planned to be expanded by 102 stores for Perekrestok alone
- Install waste compacting equipment at new distribution centres and purchase additional plastic grinding equipment
- Expand projects to donate unsold products to farms
- Roll out packaging labelling encouraging proper disposal to the entire assortment of Pyaterochka's ready-to-eat meals and all private-label SKUs
- Engage franchise stores in returning recyclables centrally to Pyaterochka distribution centres
- Update packaging recommendations to manufacturers

Health

One of the key purposes of the Company's sustainability strategy is making quality products increasingly more available to customers while encouraging healthy lifestyles. To achieve these goals, we are closely monitoring compliance with product safety and quality criteria, expanding our offering of healthy and affordable products, and sharing healthy lifestyle and eating tips. In 2023, we focused on automating quality control systems, increasing our assortment of healthy products, and promoting healthy eating and healthy lifestyle practices among our younger customers.

PRODUCT QUALITY

X5 Group's quality control system provides for both supplier audits and inspections of products on store shelves and own production of deli foods for compliance with the Hazard Analysis and Critical Control Points (HACCP) principles. Quality control also covers the performance of private labels, including regular checks for compliance with corporate requirements regarding composition of ingredients, production process, and taste.

Additionally, we carefully review all feedback that we constantly receive from consumers. All incoming queries are received and processed by a single automated system. The resulting reports are used to review the number of queries received and spot any trends in these data to flag up product groups generating complaints, identify goods or stores that trigger the most feedback, and follow up on turnaround times by quality control employees.

HEALTHY PRODUCTS

X5 Group has been continuously expanding its offering of fresh, organic, and farm products across its stores, including under private labels. The formulations of products offered under private labels are reviewed by Company experts on a regular basis, with requests and recommendations prepared to encourage suppliers to use healthier and more nutritious alternatives.

We launch special festivals and awareness campaigns on a regular basis to promote healthy eating and products, emphasising that healthy products can be affordable to anyone.

KEY 2023 HIGHLIGHTS AND RESULTS

- Quality control over private-label suppliers has been reinforced. For Perekrestok alone, the number of audits has doubled.
- The quality control system has been updated at all direct import hubs, including procedures around monitoring leftover stocks, pre-shipment checks, processing checks, etc.
- Additional quality certificates have been prepared for fruit and vegetables.
- Our own quality lab project has been rolled out to all X5 Group's retail chains to automate laboratory workflows and expand research areas to match our growing assortment and evolving needs.
- Over 18,000 quality-related queries from consumers were handled by Pyaterochka's automated control system during the year, pushing the number of responses for key product categories sent within our target turnaround time to 98%.
- Perekrestok's assortment of healthy products marketed under its Green Line private label has been expanded by more than 200 SKUs.
- Over 300 lessons were delivered to school students to help them build healthy eating and lifestyle habits.
- Our platform Food.ru has launched a special section – Affordable Healthy Living – spotlighting healthy recipes verified by a nutrition specialist.

PLANS FOR 2024

- Develop key focus areas to automate residual shelf live monitoring
- Increase the number of product quality diagnostic tools based on customer feedback
- Scale up the supplier rating system within the direct import business
- Develop and deploy a HACCP-based quality management system at Perekrestok Vprok and train dark store staff on quality management
- Ramp up sales of healthy lifestyle products listed on the Avocado Index
- Scale up the programme of lessons for school students on healthy eating and healthy lifestyle practices

Employees

X5 Group continues to reinforce its image as a stable and reliable employer to drive sustainable business growth. To this end, we consistently work on strengthening our employer brand by improving working conditions, expanding career growth opportunities, and building our corporate culture. In 2023, a special focus was placed on programmes to mitigate staff shortage risks, enhance employee engagement and motivation, and promote inclusion.

It is important for us that people of different ages, nationalities and health conditions can work together comfortably in X5 Group. The Company creates opportunities for the continuous development of all employees. As described in the Company's Equal Opportunities Policy, as updated in 2023, we apply a zero-tolerance policy towards discrimination or harassment, and guarantee equal treatment of employees regardless of gender, race, religion and other personal characteristics. X5 actively develops a safe, inclusive and comfortable working environment in its stores and business units, also complying with all legal requirements to provide workplaces for people with disabilities.

TRAINING AND DEVELOPMENT

X5 Group aims to provide its employees with extensive opportunities for professional development and career growth, both within their current units as well as at other Company units.

Most existing training programmes are consolidated into the X5 Shelf online corporate university / development portal, designed as an education marketplace. The portal featured more than 2,000 pieces of content at year-end, while the number of users increased from 15,000 to 80,000 year-on-year.

The system of committees set up at the Company to address employee development enables us to identify the most talented and motivated succession pool candidates, as well as determine areas for growth for incumbent managers under the succession programme.

MAINTAINING A SAFE AND HEALTHY WORKPLACE

Employee health and safety is top of mind for us. As a responsible employer, X5 upholds the right of every employee to a favourable working environment that meets national health and safety regulations. Our key principles and commitments in this area are set out in our Occupational Health and Safety Policy.

Our occupational health and safety (OHS) management system complies with OHSAS 18001 and rapidly identifies potential hazards while enabling quick responses to bring working conditions in line with existing requirements. The Company provides its managers and employees with regular health and safety training, including specialised training tailored to their roles and responsibilities.

MOTIVATION AND FAIR REMUNERATION

The remuneration and motivation system at X5 Group is built on unified corporate rules and is focused on increasing employee productivity and efficiency. It takes into account the specifics of each of our divisions: retail formats, digital business and developing business units.

Moreover, the Company ensures that its employees' pay keeps pace with industry benchmarks and offers them other support and motivation measures depending on the employee's specific role, such as flexible working, hybrid working, and corporate and partner discounts.

EMPLOYER BRAND AND RECRUITMENT

During the year, we focused on programmes to reinforce our employer brand strength among young people, as well as on working with training units and offering internships and jobs for young talents and graduates.

BUILDING CULTURE

Company units share a common strategy, purpose and mission, as well as values, leadership and engagement practices, and an open forum for feedback. Our employees may ask any question or bring any suggestion via several dedicated feedback channels, from anonymous online channels to in-person meetings with management.

We run employee surveys several times a year to gauge job satisfaction at the Company, review opinions and suggestions, and develop measures to handle the most relevant and pressing issues.

KEY 2023 HIGHLIGHTS AND RESULTS

- Updated the Company's mission, vision and values.
- Launched the X5 Booster pilot project to enhance efficiency, as well as the Line Staff project to ensure that the Company has line staff by 2027.
- Continued to develop the Store Director – Partner programme. By the end of 2023, Pyaterochka already had more than 5,700 Director – Partners, while Perekrestok formed a "Store Director – Partner Club," which includes 65 of the retail network's most effective store directors.
- Resumed the executive training programme Leaders of X5. Skolkovo.
- Renewed the CEO-1 and CEO-2 succession programme.
- Launched a unified recruitment system for X5 Group.
- X5 Technologies opened an artificial intelligence lab based on AI Talent Hub, an ML-master's programme from ITMO and Napoleon IT. The lab is organised to develop AI-based products and train ML and DS specialists capable of posing and solving applied problems in the field of artificial intelligence in retail.
- Our annual project to help stores during the high season, X5 Friday, attracted a record number of participants among office employees, with 11,000 participants and 21,000 entries.
- Completed the transformation of the Karusel hypermarket format: in February 2023, the last store under this brand was closed. During the transformation period, 30% of released employees were employed by other businesses of X5 Group.

PLANS FOR 2024

- Further increase labour productivity and efficiency, roll out automation and RPA solutions
- Develop the Store Director – Partner programme to modernise the role of store manager
- Prepare special guidelines for recruiting disabled employees to accommodate for their special needs
- Improve the driving safety monitoring programme and include additional control parameters to reduce accident rates



EU Taxonomy for sustainable activities

This section is X5's third disclosure in accordance with the requirements of the EU Taxonomy. Similar to previous reports, we disclose economic metrics that can be attributed to economic activities that satisfy the Taxonomy criteria for two of its objectives: climate change mitigation and climate change adaptation.

This information is presented in accordance with Regulation (EU) 2020/852, as supplemented by Commission Delegated Regulation (EU) 2021/2139 and Commission Delegated Regulation (EU) 2021/2178 (EU Taxonomy).

Activities conducted by X5 business units that align with the economic activities described in the EU Taxonomy

X5 Group activities	EU Taxonomy activities
X5 Transport supplies goods to X5 Group's chain stores. The majority of the Group's operations use trucks, but as part of its operations, in remote small towns, use rail transport. In 2023, the Company also launched regular autonomous freight transportation.	6.2 Freight rail transport 6.6 Freight transport services by road
The X5 Real Estate business unit is responsible for implementing investment and construction/refurbishment projects as well as for selling and operating non-core assets.	7.2 Renovation of existing buildings

Economic activities covered by the EU Taxonomy

The above activities are not revenue-generating for X5 Group; therefore, the proportion of turnover that can be considered eligible is 0%.

In 2023, capital expenditure calculation continued to include only asset categories associated with Taxonomy-eligible activities. For X5 Transport this included the acquisition of new trucks, and for X5 Real Estate this included all materials and the salaries of workers taking part in the renovation of existing buildings, since these expenses were capitalised.

Our operating expenses were calculated based on direct expenditures relating to the day-to-day servicing of CAPEX taxonomy-eligible assets. These are mainly expenses on fuel, lubricants, and vehicle repair. No OPEX is associated with the renovation of buildings.

X5 Group EU Taxonomy indicators, RUB mln/percentage[1]

Economic activities	Code	Absolute turnover	Proportion of turnover	Absolute CAPEX	Proportion of CAPEX	Absolute OPEX	Proportion of OPEX
Taxonomy-eligible activities	–	0	0%	58,294	39%	11,940	2.8%
Freight rail transport	6.2	0	0%	0	0%	145	0%
Freight transport services by road	6.6	0	0%	25,364	17%	11,795	2.8%
Renovation of existing buildings	7.2	0	0%	32,930	22%	0	0%
Activities that are not Taxonomy-eligible	–	3,145,859	100%	89,912	61%	411,943	97.2%
Total	–	**3,145,859**	**100%**	**148,206**	**100%**	**423,883**	**100%**

In 2023, the Corporate Sustainability Reporting Directive (CSRD) entered into force. All Company disclosures will have to be CSRD-compliant in 2025. X5 Group will provide partial and full disclosure, where possible, by developing practices and initiatives to facilitate such disclosures.

1 The values may not add up to the total due to rounding.

2023 key sustainability highlights

The Company's 2023 quantitative data on non-financial metrics for environmental protection, employees, compliance, occupational health, and local community support are summarised below. A dash in the tables indicates that data for a certain period have not been consolidated.

Our team in numbers

2-7 2-8 401-1 401-3 404-3 405-1 405-2

Headcount at the end of the reporting period[1]

	2021	2022	2023
External employees (FTE)	56,941	62,308	62,850
Employees, including:	283,987	282,466	299,786
Men	72,740	68,394	71,740
%	26%	24%	24%
Women	211,248	214,071	228,047
%	74%	76%	76%

Full-time equivalent, persons

	2021	2022	2023
Employees	246,813	248,789	270,537
External employees	50,737	58,253	58,254

Number of employees by age

	2021	2022	2023
<30 years	75,375	71,668	70,920
30–50 years	170,480	169,656	180,239
>50 years	38,132	41,142	48,627

Number of employees by federal district[2]

	2023
Central FD	128,459
Volga FD	62,980
North-Western FD	33,767
Ural FD	25,266
Southern FD	28,688
Siberian FD	14,670
North Caucasus FD	4,595
Far Eastern FD	1,362

1 Total headcount, disclosed in the Annual report (372,000), includes both X5 employees and outsourced staff. The difference between data in Annual and Sustainability report is due to difference in calculation methodology and scope.

2 This metric was measured for the first time in 2023.

Number of employees by position

	2021	2022	2023
Managers	23,179	24,962	28,343
Employees	260,809	257,504	271,443

Number of employees by type of employment

	2021	2022	2023
Employees with permanent employment contract, including:	–	256,746	274,207
Full-time employees	–	249,931	263,351
Part-time employees	–	6,815	10,856
Employees with fixed-term employment contract	–	25,719	25,623
Non-guaranteed hours employees (outsourced employees)	–	62,308	62,850

Number of employees with permanent employment contract by gender

	2021		2022		2023	
	Men	Women	Men	Women	Men	Women
Full-time employment	–	–	61,762	188,169	64,438	198,913
Part-time employment	–	–	1,592	5,223	2,498	8,357

Number of managers[1] by age

	2021	2022	2023
<30 years	–	93	120
30–50 years	–	1,634	2,040
>50 years	–	97	113
Total	–	1,824	2,272

1 CEO-1, CEO-2, CEO-3, and CEO-4 managers.

Number of women in leadership roles

	2021	2022	2023
Number of women in leadership roles, including:	615	797	1,000
CEO-1 roles	5	4	4
CEO-2 and CEO-3 roles	193	230	289
CEO-4 roles	417	564	707
Proportion of women in leadership roles, %, including:	43%	44%	44%
Proportion of women in CEO-1 roles, %	36%	31%	28%
Proportion of women in CEO-2 and CEO-3 roles, %	38%	39%	39%
Proportion of women in CEO-4 roles, %	47%	46%	46%

	2021	2022	2023
Proportion of women on the Supervisory Board, %	11%	14%	17%
Proportion of women on the of X5 Retail Group N.V., %	33%	38%	33%
Proportion of women in the leadership team, %	38%	39%	39%

Management positions filled internally, %

	2021	2022	2023
Share of management positions filled internally, %, including:	71%	88%	71%
Share of CEO-1 and CEO-2 roles filled internally	36%	70%	43%

Number of new employee hires by gender and age

	2021	2022	2023
Men	52,780	43,682	46,599
Women	108,410	101,417	113,434
<30 years	75,400	68,314	71,068
30–50 years	73,876	64,725	72,924
>50 years	11,914	12,060	16,041
Total	161,190	145,099	160,033

Number of new employee hires by federal district

	2021	2022	2023
Central FD	–	56,262	59,962
Volga FD	–	29,332	31,364
North-Western FD	–	17,452	16,516
Ural FD	–	16,093	17,197
Southern FD	–	15,563	18,535
Siberian FD	–	7,702	11,811
North Caucasus FD	–	2,695	2,895
Far Eastern FD	–	–	1,753

Employee turnover rate by gender and age, %

	2021	2022	2023
Men	48%	44%	47%
Women	32%	30%	32%
<30 years	55%	54%	60%
30–50 years	31%	27%	29%
>50 years	23%	22%	24%
Total	36%	33%	36%

Employee turnover rate by federal district, %

	2021	2022	2023
Central FD	–	33%	34%
Volga FD	–	30%	32%
North-Western FD	–	34%	39%
Ural FD	–	38%	41%
Southern FD	–	37%	38%
Siberian FD	–	42%	44%
North Caucasus FD	–	38%	31%
Far Eastern FD	–	–	75%

Parental leave metrics, persons

	2021	2022	2023
Employees that took parental leave during the reporting period, including:	12,701	10,154	10,136
Men	140	165	159
Women	12,561	9,989	9,977
Employees that returned to work after parental leave ended, including:	–	4,835	5,899
Men	–	74	80
Women	–	4,761	5,819
Employees that returned to work after parental leave ended that were still employed 12 months after their return to work, including:	–	–	3,327
Men	–	–	50
Women	–	–	3,277

Average hourly wage of store and distribution centre employees, RUB/hour[1]

	2023	
	Stores	DCs
Central FD	350	599
Volga FD	278	485
North-Western FD	343	575
Ural FD	317	531
Southern FD	290	497
Siberian FD	304	567
North Caucasus FD	255	447
Far Eastern FD	381	–
Total by region	321	553

Labour productivity metrics

	2021	2022	2023
Labour productivity, RUB/hour	5,402	6,333	6,912
Labour productivity, RUB ths/person	–	–	11,251
Number of hours worked by Company employees	462,289,874	462,849,717	496,887,281
Number of hours worked by contractors	–	–	109,298,429
Overtime work, hours	–	–	0

Employee training metrics

	2021	2022	2023
Number of employees trained	–	–	255,961
Average training costs per employee, RUB/person	2,163	1,313	1,422

Employee engagement and performance metrics, %

	2021	2022	2023
Employee engagement	83%	–	85%
Proportion of employees who participated in the engagement survey	54%	–	71%
Proportion of employees subject to performance evaluation	95%	93%	98%

1 This metric was measured for the first time in 2023.

Occupational health and safety metrics

Number of work-related injuries and ill health cases

403-9 403-10

	2021	2022	2023
Total number of cases of work-related ill health	0	0	0
Lost time injuries (LTI), including:	251	203	332
Employees	248	203	331
External employees	3	0	1
High-consequence work-related injuries, including:	21	24	23
Employees	21	24	22
External employees	0	0	1
Minor injuries, including:	227	179	309
Employees	227	179	309
External employees	3	0	0
Fatal accidents, including:	4	3	3
Employees	4	3	3
External employees	0	0	0
Total number of fatalities as a result of work-related ill health	0	0	0
Number of days lost due to incapacity for work	–	9,612	15,019
Employees with disabilities due to occupational disease	–	–	0
Employees performing hazardous activities	–	–	2,635

Number of hours worked

403-9

	2021	2022	2023
Employees	462,289,874	462,849,717	496,701,635
External employees	–	–	109,226,269

Accident and injury frequency rates[1]

403-9

	2021	2022	2023
Lost time injury frequency rate (LTIFR), including:			
Employees	0.55	0.45	0.67
External employees	–	–	0.04[2]
Fatal accident rate (FAR), including:			
Employees	8.65	6.48	6.04
External employees	–	–	0.00
Total recordable injury frequency rate (TRIFR), including:			
Employees	0.50	0.39	0.63
External employees	–	–	0.04[2]
Lost time injury severity rate (LTISR), including:			
Employees	–	21.00	30.24
External employees	–	–	137.50

Other occupational health and safety metrics

403-8

	2021	2022	2023
Number of Company employees covered by an occupational health and safety management system which has been audited			
Employees	–	277,382	284,512
%	–	100%	100%
Number of Company and contractor employees covered by an occupational health and safety management system which has been audited or certified by an external party, including:			
Employees	–	11,416	13,999
%	–	0.04%	5%
Number of blue-collar employees, managers, and specialists trained in occupational health	109,628	116,456	125,681

1 Fatality and injury rates are per 1,000,000 hours worked.

2 Data collection scope is different for external employees and does not include Pyaterochka's data.

Environmental metrics

302-1 302-3 305-1 305-2 305-3 305-4 305-5 306-3 306-4 306-5

Direct and energy indirect GHG emissions (Scope 1 and 2)

	Unit	2019	2020	2021	2022	2023
Total GHG emissions (Scope 1 and 2)	t of CO_2e	3,265,995	3,151,046	3,444,302	3,528,518	3,804,238
Total GHG emissions (Scope 1, 2, and 3)	t of CO_2e	–	31,298,911	31,900,741	32,991,097	35,990,955
Direct GHG emissions (Scope 1)	t of CO_2e	1,280,659	1,239,770	1,393,170	1,471,703	1,671,134
GHG emissions from refrigerant leaks	t of CO_2e	893,364	828,116	981,039	1,026,038	1,195,228
Emissions from fuel consumption by vehicles	t of CO_2e	387,269	411,653	411,774	444,842	475,327
Emissions from fuel consumption for energy generation	t of CO_2e	26	1	358	823	579
Energy indirect GHG emissions (Scope 2)	t of CO_2e	1,985,336	1,911,276	2,051,132	2,056,815	2,133,104
Emissions from electricity consumption[1]	t of CO_2e	–	–	1,481,679	1,461,025	1,525,649
Emissions from electricity consumption[2]	t of CO_2e	1,196,229	1,317,398	1,508,387	1,495,066	1,566,676
Emissions from heating consumption	t of CO_2e	789,107	593,879	569,453	595,791	607,455
Other indirect GHG emissions (Scope 3)	t of CO_2e	–	28,147,865	28,456,439	29,462,579	32,186,717
Total GHG emissions (Scope 1 and 2) intensity per sqm of selling space (average for the period)	t CO_2e/sqm	0.478	0.419	0.424	0.412	0.405

Other indirect GHG emissions (Scope 3) by category[3]

Emissions category, t of CO_2e	2020	2021	2022	2023
Purchased goods and services	22,257,018	22,022,287	23,475,130	24,904,189
End-of-life treatment of sold products	4,109,039	4,445,998	4,361,478	5,009,361
Fuel- and energy-related activities	150,969	622,508	618,774	653,542
Capital goods	728,314	699,364	430,987	907,088
Waste generated in operations	568,327	304,338	298,585	358,583
Employee commuting	281,016	280,409	186,801	196,260
Upstream transportation and distribution	45,618	59,861	79,214	137,200
Business travel	7,565	13,516	11,610	20,495
Downstream transportation and distribution	–	8,159	–	–
Total	28,147,865	28,456,439	29,462,579	32,186,717

Other indirect GHG emissions (Scope 3) intensity

	Unit	2020	2021	2022	2023
Other GHG emissions (Scope 3) intensity per sqm of selling space	t CO_2e/sqm	3.74	3.50	3.44	3.43

1 Market-based method.

2 Location-based method.

3 2022 results for fuel- and energy-related activities, capital goods, and upstream transportation and distribution have been restated due to data refinements.

Electricity and heating energy consumption[1]

		2021					2022					2023				
	Unit	Pyaterochka	Perekrestok	Chizhik	Other	Total	Pyaterochka	Perekrestok	Chizhik	Other	Total	Pyaterochka	Perekrestok	Chizhik	Other	Total
Electricity consumption, total[2]	MWh	3,155,518	928,337	6,695	145,334	4,235,884	3,281,257	823,820	41,328	52,038	4,198,44	3,478,707	748,055	117,135	55,641	4,399,539
Electricity consumption from non-renewable sources (from grid)[3]	MWh	3,096,490	928,337	6,695	145,334	4,176,855	3,220,609	823,820	41,328	52,038	4,137,796	3,362,231	748,053	116,942	55,641	4,282,866
Electricity consumption from renewable sources, including:	MWh	59,028	–	–	–	59,028	60,648	34,947	–	–	95,596	116,477	2	194	–	116,673
On-site renewable energy generation	MWh	32	–	–	–	32	139	–	–	–	139	147	–	–	–	147
Direct agreements with energy suppliers[4]	MWh	58,996	–	–	–	58,996	60,509	–	–	–	60,509	116,330	2	194	–	116,526
Renewable energy certificates (I-REC)	MWh	–	–	–	–	–	–	34,947	–	–	–	–	–	–	–	–
Heating	Gcal	1,224,995	283,238	7,016	98,598	1,613,847	1,286,245	301,617	50,400	50,228	1,688,490	1,403,321	212,499	64,661	41,066	1,721,547
Energy consumption[5]	MWh	4,581,526	1,257,742	14,854	260,116	6,114,238	4,778,539	1,174,780	99,943	111,962	6,165,224	5,111,091	995,498	192,336	104,930	6,403,855
Energy intensity[6]	MWh/ths sqm of selling space	674	1,191	1,394	–	746	657	1,075	1,157	–	721	645	916	647	–	682

Total fuel consumption

	Unit	2021	2022	2023
Diesel consumed by transportation	l	153,016,459	153,467,892	166,692,916
Gasoline (petrol) consumed by transportation	l	301,492	383,634	276,813
Compressed natural gas consumed by transportation[7]	cubic m	12,718,267	11,478,888	8,492,433
Diesel consumed by diesel generators	l	142,873	302,029	212,508

Key water management metrics

Metric	Unit	2021	2022	2023
Water withdrawal	mln l	9,326	11,015	10,141
Withdrawal from groundwater	mln l	232	159	158
Withdrawal from municipal supply	mln l	9,094	10,856	9,983
Wastewater discharge	mln l	9,298	11,012	10,141
Water consumption	mln l	28	3	0

1 The values may not add up to the total due to rounding.
2 The final value for electricity consumption does not take I-REC certificates into account.
3 Data on electricity consumption from non-renewable sources are provided without taking into account the energy covered by I-REC certificates.
4 Some X5 facilities are provided with energy from nuclear and hydroelectric power plants.
5 This metric includes the total consumption of electricity and heating as well as diesel fuel used in diesel generators.
6 The ratio of the total consumption of electricity and heating as well as diesel fuel used in diesel generators to selling space.
7 In the reporting period, the approach to data collection was optimised and refined.

Amount of waste by disposal method and waste type[1]

		2021					2022					2023				
	Unit	Pyaterochka	Perekrestok	Chizhik	Other	Total	Pyaterochka	Perekrestok	Chizhik	Other	Total	Pyaterochka	Perekrestok	Chizhik	Other	Total
Total waste by disposal method	ths tonnes	1,041	182	0	18	1,241	1,052	173	6	14	1,245	1,146	186	50	22	1,404
Amount of waste sent to landfills	ths tonnes	411	67	0	7	486	402	76	2	6	486	420	68	6	13	507
Amount of waste sent to landfills from food waste write-offs	ths tonnes	367	60	0	6	433	359	68	2	3	432	374	59	5	6	445
Amount of waste sent to landfills from non-food waste write-offs	ths tonnes	3	1	0	0	3	3	1	0	0	4	4	2	0	0	5
Amount of waste sent to landfills, other (household waste)	ths tonnes	41	7	0	1	50	40	8	0	2	51	42	7	1	6	56
Amount of non-hazardous waste	ths tonnes	1,041	182	0	13	1,236	1,052	173	6	13	1,245	1,146	186	44	21	1,398
Amount of non-hazardous waste sent to third parties for processing	ths tonnes	630	115	0	6	751	650	97	4	8	759	726	118	44	8	897
Amount of hazardous waste	ths tonnes	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Amount of hazardous waste sent to third parties for processing	ths tonnes	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Amount of waste sent for treatment	ths tonnes	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Amount of recyclable waste sold for recycling	ths tonnes	546	111	0	5	662	560	93	4	7	663	638	107	42	6	792
Cardboard	ths tonnes	271	50	0	4	324	300	46	2	3	351	332	47	13	3	395
Banana boxes	ths tonnes	12	2	0	0	14	14	2	1	0	17	16	2	0	0	18
Plastic	ths tonnes	11	2	0	0	13	15	3	0	0	17	17	2	0	1	20
Polyethylene	ths tonnes	25	3	0	1	29	30	3	0	1	34	28	3	1	1	33
Pallet scrap	ths tonnes	227	52	0	0	279	201	37	2	2	241	245	52	27	1	325
Other[2]	ths tonnes	0	1	0	–	19	0	1	0	0	1	0	0	0	1	1
Amount of non-expired goods sold that were not in saleable condition	ths tonnes	83	4	0	2	89	90	4	1	1	96	89	11	3	2	105
Total amount by waste type	ths tonnes	1,041	182	0	24	1,247	1,052	173	6	13	1,245	1,146	186	50	22	1,404
Inventories written off	ths tonnes	454	64	0	12	530	452	73	2	5	532	466	72	8	9	555

1 Metrics are presented according to the GRI standards.

2 Includes several categories not highlighted separately in the Amount of Recyclable Waste Sold for Recycling category, namely tires, batteries, scrap metal, waste oils, and others.

Compliance and business ethics

Communication and training about anti-corruption policies and procedures

205-2

	2021	2022	2023
Total number of employees that the anti-corruption policies and procedures have been communicated to	3,716	6,794	3,645

Compliance metrics[1]

2-27 416-2 417-2

	2021	2022	2023
Number of paid fines for instances of non-compliance with laws and regulations	-	0	0
Amount of fines for instances of non-compliance with laws and regulations that occurred during the reporting year, RUB	-	0	0
Incidents of non-compliance with laws and regulations resulting in a fine or penalty	-	-	0
Incidents of non-compliance with regulations and/or voluntary codes concerning marketing communications	-	-	0
Incidents of non-compliance concerning the health and safety impacts of products and services resulting in a fine or penalty	-	0	0
Substantiated complaints about non-compliance concerning product labelling resulting in a fine or penalty	-	0	0

1 In the reporting year, the Company revised its accounting and disclosure approach for information concerning the number and amount of fines. Data presented are for material fines. Fines that entailed one or more of the following consequences are significant for the Group: – a significant public outcry; – the suspension of activities in one or more regions of operation of a Group legal entity or division. Due to the change in approach mentioned above, the 2022 figures that were published in the report for the relevant period have been restated.

Local communities

Charitable spending and community investments, RUB mln

	2021	2022	2023
Charitable spending	21.00	0	2.24
Community investments	157.18	268.84	273.83

Metrics for the Basket of Kindness programme

	2021	2022	2023
Amount of food collected under the Basket of Kindness programme, tonnes	355.70	518	936.10
Number of stores participating in the Basket of Kindness programme	3,769	6,093	10,799
Number of beneficiaries of the Basket of Kindness programme	184,923	199,156	469,025
Annual increase in the number of the programme's beneficiaries, %	30.1%	7.7%	135%[1]

1 The increase is due to a change in the system of counting beneficiaries.

GRI content index

X5 Group's 2023 Sustainability Report was prepared in accordance with GRI Standards. The table below provides references to locations in the Report where the relevant disclosures are reported while also giving necessary explanations.

GRI Standard	Disclosure	Location	Comment
GRI 2: General Disclosures			
2-1	Organisational details	–	Legal name – X5 Retail Group N.V. (Naamloze Vennootschap, public joint stock company). The Company's head office is located in Amsterdam, the Netherlands. Retail stores and distribution centres are located in 72 constituent entities of the Russian Federation.
2-2	Entities included in the organisation's sustainability reporting	About this Report: Scope of the Report	The scope of the Company's economic performance and operating results coincides with the scope of its audited consolidated financial statements for 2023, except for interests in Krasny Yar and Slata Groups.
2-3	Reporting period, frequency and contact point	About this Report: Contacts	The Sustainability Report is published annually. The reporting period for financial reporting aligns with the period for sustainability reporting. Publication date of this Report: 25 April 2024.
2-4	Restatements of information	–	The Report contains a number of clarifications of the previously reported information, as indicated in the text.
2-5	External assurance	Independent practitioner's assurance report	–
2-6	Activities, value chain and other business relationships	About the Company: Company profile; Geography of operations Sustainable development and the Company's business: Diagram of X5 Group's business model Responsible business conduct: Responsible supply chain	More information on the Company's activities, value chain, and other business relationships is also disclosed in the Company's 2023 Annual Report.
2-7	Employees	Employees: Employer brand, candidate recruitment, and onboarding Appendix. 2023 key sustainability highlights: Our team in numbers	Information is incomplete. We do not keep records on permanent, temporary, and non-guaranteed hours employees broken down by region and on the number of temporary employees broken down by gender. The Company is working on the possibility of providing full analytics in the next reporting periods.
2-8	Workers who are not employees	Appendix. 2023 key sustainability highlights: Our team in numbers	–
2-9	Governance structure and composition	Sustainable development and the Company's business: Sustainability management	Information in this Report is partially disclosed due to the confidential nature of some data. For more details on the Company's governance structure, see the Company's 2023 Annual Report.
2-10	Nomination and selection of the highest governance body	The process of nominating and selecting the highest governance body is disclosed in the Company's 2023 Annual Report.	The process of nominating and selecting the highest governance body is disclosed in the Governance Structure section of the Annual Report.
2-11	Chair of the highest governance body	–	The Chairman of the highest governing body is not the executive director of the Company.

GRI Standard	Disclosure	Location	Comment
2-12	Role of the highest governance body in overseeing the management of impacts	Sustainable development and the Company's business: Sustainability management	–
2-13	Delegation of responsibility for managing impacts	Sustainable development and the Company's business: Sustainability management	–
2-14	Role of the highest governance body in sustainability reporting	About this Report	X5 Group's Sustainability Reports are submitted to the Supervisory Board for review and approval prior to publication. The Sustainable Development Director is responsible for sustainability reporting as well as for the process of identifying material topics. Responsibility for the process of identifying and managing material topics is delegated to a senior management team that includes, in particular, the X5 President and the Sustainable Development Division, the latter of which is part of the Corporate Communications Department. Notification of all changes in material topics and information on the results of stakeholder surveys and on the material topics identified is provided to the Executive Board, which is also able to manage changes.
2-15	Conflicts of interest	Responsible business conduct: Compliance and business ethics	The Company has no dedicated mechanisms for public disclosure of conflicts of interest. Information on conflicts of interest is also provided in the Company's 2023 Annual Report.
2-16	Communication of critical concerns	–	A report is prepared twice a year for the Supervisory Board's Audit Committee on the operations of the Company's ethics hotline, including on critical violations (if there were any). There were no critical comments in 2023.
2-17	Collective knowledge of the highest governance body	–	Measures taken to maintain the collective competencies of the highest governance body on sustainable development topics include conducting regular analysis of industry-wide trends, reviewing changes in applicable laws, and attending conferences on relevant topics. In addition, all members of the highest governance body have the knowledge and skills required to effectively manage the Company, including its sustainability agenda.
2-18	Evaluation of the performance of the highest governance body	Sustainable development and the Company's business: Sustainability management	The Company has adopted a Sustainable Development Strategy and set relevant targets, the achievement of which is one of the measures used to evaluate the highest governance body's performance. The reliability of metrics used to set targets is verified by a professional external auditor.
2-19	Remuneration policies	Sustainable development and the Company's business: Sustainability management	The Management Board Remuneration Policy and the Supervisory Board Remuneration Policy adopted by the Company are described on the Company's website. The Company's approach to remuneration is also described in the Company's 2023 Annual Report.
2-20	Process to determine remuneration	–	Information on the Company's process for determining remuneration can be found in the Company's 2023 Annual Report as well as in the Supervisory Board Remuneration Policy and the Management Board Remuneration Policy posted on the Company's website.
2-21	Annual total compensation ratio	–	The ratio of the percentage increase in annual total compensation for the Company's highest-paid employee to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) is 12 p.p. The ratio of the annual total compensation for the Company's highest-paid employee to the median annual total compensation for all employees (excluding the highest-paid individual) is 320. In 2023, the highest-paid employee was the CEO (Chief Executive Officer). The ratio of his total compensation, consisting of the base salary and payments under the short-term incentive (STI) programme, to the median compensation for all employees (excluding the CEO) for the reporting period was used to calculate this metric. Given their irregular nature, bonuses under the long-term incentive (LTI) programme were not included in the ratio calculation.
2-22	Statement on sustainable development strategy	Chairman's statement; X5 President and X5 CEO's statement	–
2-23	Policy commitments	–	The Company's principal commitments are reflected in the description of the management approach on respective topics. The basic principles, approaches to their implementation, and responsible divisions are specified directly in the relevant policies with some of them publicly available on the corporate website.
2-24	Embedding policy commitments	–	The Company's principal commitments are reflected in the description of the management approach on respective topics. The basic principles, approaches to their implementation, and responsible departments are specified directly in the relevant policies with some of them publicly available on the corporate website.

GRI Standard	Disclosure	Location	Comment
2-25	Processes to remediate negative impacts	Responsible business conduct: Compliance and business ethics, Incorporating customer feedback	–
2-26	Mechanisms for seeking advice and raising concerns	Responsible business conduct: Compliance and business ethics	–
2-27	Compliance with laws and regulations	Appendix. Tables with non-financial disclosures. Disclosures on compliance with laws and regulations	In 2023, there were 1,709 cases of violations of regulatory requirements, fines for which amounted to RUB 54 million. The Company did not identify any significant penalties in 2023. Cases that entailed one or more of the following consequences are significant for the Group: • A significant public response • The suspension of activities in one or more regions of operation of a Group legal entity or division As of now, we do not keep records on non-financial sanctions.
2-28	Membership associations	–	The Company is a member of the National ESG Alliance, Efficient Consumer Response (ECR), the National Working Group on Voluntary Forest Certification, Retail Companies Association (RCA), Donors Forum, and Online Retail Association (Pyaterochka, Vprok.ru).
2-29	Approach to stakeholder engagement	Appendix. Stakeholder engagement	–
2-30	Collective bargaining agreements	–	We do currently keep records of this metric; however, the Company does not limit the ability to negotiate collective bargaining agreements.
GRI 3: Material Topics			
3-1	Process to determine material topics	Appendix. Determination of material topics Appendix. Stakeholder engagement	The Company identifies its actual and potential impacts on the economy, environment, and people based on stakeholder dialogues and review of industry practices as well as through engagements with independent consultants.
3-2	List of material topics	Appendix. Determination of material topics	–
3-3	Management of material topics	–	Our approach to the management of material topics is described at the beginning of the chapters covering the relevant material topics.
201-1	Direct economic value generated and distributed	About the Company: 2023 ESG highlights	–
201-2	Financial implications and other risks and opportunities due to climate change	Appendix. TCFD disclosure	–
201-3	Defined benefit plan obligations and other retirement plans	–	Pursuant to Russian laws, the Company transfers a certain percentage of employees' compensation to pension funds of their choice.
202-1	Ratios of standard entry-level wage by gender compared to local minimum wage (in locations with significant operations)	Employees: Motivation and fair remuneration	In 2023, the minimum wage in Russia was RUB 16,242 based on a 40-hour working week. All Company employees were paid above this level.
203-1	Infrastructure investments and services supported	Care for the community: Our approach and 2023 highlights; Charitable programmes Appendix. 2023 key sustainability highlights: Local communities	–
204-1	Proportion of spending on local suppliers	–	As of now, the Company does not keep records of the proportion of spending on local suppliers. The Company is a nationwide retailer, and the nature of our business means that the vast majority of all purchases are made from local suppliers, by which the Company means suppliers registered and operating in the Russian Federation.

GRI Standard	Disclosure	Location	Comment
205-1	Operations assessed for risks related to corruption	–	In 2023, all business processes underwent an annual assessment of the level of risks associated with misconduct, including fraud and corruption. When the risk of misconduct is high, we take additional measures, such as in-depth risk assessments, including through engagements with external consultants. In the reporting year, 85% of all business processes underwent in-depth assessment.
205-2	Communication and training about anti-corruption policies and procedures	Responsible business conduct: Compliance Appendix. 2023 key sustainability highlights: Compliance and business ethics	The Company does not keep detailed records of this metric broken down by employee category and region and does not track the percentage of business partners that the Company's anti-corruption policies and procedures have been communicated to. We communicate them to all new partners who register on our portal. No such communication was made to current partners who registered before the implementation of this functionality. New employee hires have to take training on anti-corruption policies and procedures. In 2023, 49% of newly hired employees were trained on anti-corruption policies and procedures.
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	Responsible business conduct: Compliance	During the reporting year, there were no legal actions regarding anti-competitive behaviour or violations of anti-trust and monopoly legislation.
207-1	Approach to tax	Responsible business conduct: Compliance	In early 2020, the Company switched to a tax monitoring regime, under which we provide tax authorities with remote access to our tax and accounting systems.
207-2	Tax governance, control and risk management	Responsible business conduct: Compliance	–
302-1	Energy consumption within the organisation	Appendix. 2023 key sustainability highlights: Environmental metrics	–
302-3	Energy intensity	Appendix. 2023 key sustainability highlights: Environmental metrics	–
302-4	Reduction of energy consumption	Planet. Reduced climate impact and energy efficiency	–
303-1	Interactions with water as a shared resource	Planet. Responsible water consumption	–
303-2	Management of water discharge-related impacts	Planet. Responsible water consumption	–
303-3	Water withdrawal	Planet. Responsible water consumption	The data are disclosed only partially since the Company does not keep records of water consumption data by region. Most Russian regions are not classified as water-stressed regions.
303-4	Water discharge	Planet. Responsible water consumption	The data are disclosed only partially since the Company does not keep records of water consumption data by region. Most Russian regions are not classified as water-stressed regions.
303-5	Water consumption	Planet. Responsible water consumption	The data are disclosed only partially since the Company does not keep records of water consumption data by region.
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	–	The Company has no operational sites located in protected areas or areas of high biodiversity value.
304-2	Significant impacts of activities, products and services on biodiversity	–	The nature of the Company's operations does not have any significant impact on biodiversity.
305-1	Direct (Scope 1) GHG emissions	Planet. Reduced climate impact and energy efficiency Appendix. 2023 key sustainability highlights: Environmental metrics	–

GRI Standard	Disclosure	Location	Comment
305-2	Energy indirect (Scope 2) GHG emissions	Planet. Reduced climate impact and energy efficiency Appendix. 2023 key sustainability highlights: Environmental metrics	–
305-3	Other indirect (Scope 3) GHG emissions	Planet. Reduced climate impact and energy efficiency Appendix. 2023 key sustainability highlights: Environmental metrics	–
305-4	GHG emissions intensity	Planet. Reduced climate impact and energy efficiency Appendix. 2023 key sustainability highlights: Environmental metrics	–
305-5	Reduction of GHG emissions	Planet. Reduced climate impact and energy efficiency Appendix. 2023 key sustainability highlights: Environmental metrics	–
306-1	Waste generation and significant waste-related impacts	Planet. Waste management and sustainable packaging	–
306-2	Management of significant waste-related impacts	Planet. Waste management and sustainable packaging	–
306-3	Waste generated	Appendix. 2023 key sustainability highlights: Environmental metrics	–
306-4	Waste diverted from disposal	Appendix. 2023 key sustainability highlights: Environmental metrics	–
306-5	Waste directed to disposal	Appendix. 2023 key sustainability highlights: Environmental metrics	–
308-1	New suppliers that were screened using environmental criteria	–	The Company is in the process of setting up a system to track this metric. Wherever possible and economically practicable, we strive to give preference to those suppliers who have the least environmental impact. For example, we have expanded our partnership with ROSATOM, a low-carbon energy supplier, in 2023.
401-1	New employee hires and employee turnover	Employees. Employer brand, candidate recruitment, and onboarding Appendix. 2023 key sustainability highlights: Our team in numbers	–
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Employees. Motivation and fair remuneration	The Company provides all statutory benefits to all of its employees. Additional benefits are subject to an employee's specific role and type of employment and may vary depending on various factors and their combinations.
401-3	Parental leave	Appendix. 2023 key sustainability highlights: Our team in numbers	–
402-1	Minimum notice periods regarding operational changes	–	The minimum notice period for significant changes in the Company's operations complies in full with the requirements of the Labour Code of the Russian Federation. The Company does not prevent employees from negotiating collective bargaining agreements but does not keep separate records of them.

GRI Standard	Disclosure	Location	Comment
403-1	Occupational health and safety management system	Employees. Occupational health and safety	–
403-2	Hazard identification, risk assessment, and incident investigation	Employees. Occupational health and safety	–
403-3	Occupational health services	Employees. Occupational health and safety	–
403-4	Worker participation, consultation, and communication on occupational health and safety	Employees. Occupational health and safety	The Company has no OHS committees with the joint participation of management and employees.
403-5	Worker training on occupational health and safety	Employees. Occupational health and safety	–
403-6	Promotion of worker health	Employees. Motivation and fair remuneration	–
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Employees. Occupational health and safety	–
403-8	Workers covered by an occupational health and safety management system	Employees. Occupational health and safety Appendix. 2023 key sustainability highlights: Occupational health and safety metrics	The Company's occupational health and safety management system covers, among others, contractors whose work and/or workplace is controlled by the Company. We did not calculate this metric for external employees due to the lack of an appropriate system to record these data.
403-9	Work-related injuries	Employees. Occupational health and safety Appendix. 2023 key sustainability highlights: Occupational health and safety metrics	–
403-10	Work-related ill health	Employees. Occupational health and safety Appendix. 2023 key sustainability highlights: Occupational health and safety metrics	–
404-1	Average hours of training per year per employee	Employees. Training and development	–
404-2	Programmes for upgrading employee skills and transition assistance programmes	Employees. Training and development	–
404-3	Percentage of employees who received a regular performance and career development review during the reporting period	Appendix. 2023 key sustainability highlights: Our team in numbers	Information is incomplete. As of now, the Company does not keep records on the percentage of total employees by gender and by employee category who received a regular performance and career development review during the reporting period. Only aggregated data are provided in the Appendix.
405-1	Diversity of governance bodies and employees	Appendix. 2023 key sustainability highlights: Our team in numbers	–
405-2	Ratio of basic salary and remuneration of women to men	Appendix. 2023 key sustainability highlights: Our team in numbers	–
406-1	Incidents of discrimination and corrective actions taken	–	In 2023, the Company identified seven incidents of discrimination. In all cases, the responsible individuals followed standard procedures in investigating and assessing the incident, and interviews were conducted with the individuals who had violated regulations with appropriate disciplinary measures taken.
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	–	In 2023, no significant risks or violations of the right of employees to exercise freedom of association and collective bargaining were identified within the Company's operations or among its suppliers.

GRI Standard	Disclosure	Location	Comment
408-1	Operations and suppliers at significant risk for incidents of child labour	–	In 2023, no significant risks or cases of child labour were identified within the Company's operations or among its suppliers.
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	–	In 2023, no significant risks or cases of forced or compulsory labour were identified within the Company's operations or among its suppliers.
411-1	Incidents of violations involving rights of indigenous peoples	–	No incidents of violations involving rights of indigenous peoples were identified in 2023.
413-1	Operations with local community engagement, impact assessments, and development programmes	Care for the community: Our approach and 2023 highlights; Charitable programmes; Corporate volunteering Appendix. Stakeholder engagement	X5 Group's Socio-Economic Impact Assessment Report is available on the website.
413-2	Operations with significant actual and potential negative impacts on local communities	–	In 2023, there were no cases where our operations had negative impacts on local communities.
414-1	New suppliers that were screened using social criteria	–	Information on the percentage of new suppliers that were screened using social criteria is not available. Social criteria for screening new suppliers were not applied. Nevertheless, the Company encourages suppliers to conduct socially responsible business, which is reflected in the "Responsible supply chain" section of this Report.
415-1	Political contributions	Care for the community: Our approach and 2023 highlights	The Company does not take part in any political activity and does not participate in political processes.
416-1	Assessment of the health and safety impacts of product and service categories	Product quality and healthy lifestyle. Product quality and safety assurance	–
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	–	No incidents of non-compliance concerning the health and safety impacts of products and services were identified in 2023. Cases that entailed one or more of the following consequences are significant for the Group: • A significant public response • The suspension of activities in one or more regions of operation of a Group legal entity or division
417-1	Requirements for product and service information and labelling	Product quality and healthy lifestyle. Product quality and safety assurance	Information is incomplete. As of now, the Company does not keep records of the percentage of significant product or service categories covered by an assessment for compliance with these requirements for product and service information and labelling. The existing labelling fully complies with applicable Russian laws.
417-2	Incidents of non-compliance concerning product and service information and labelling	–	No incidents of non-compliance concerning product and service information and labelling were identified in 2023. Cases that entailed one or more of the following consequences are significant for the Group: • A significant public response • The suspension of activities in one or more regions of operation of a Group legal entity or division
417-3	Incidents of non-compliance concerning marketing communications	–	No significant incidents of non-compliance concerning marketing communications were identified in 2023. Cases that entailed one or more of the following consequences are significant for the Group: • A significant public response • The suspension of activities in one or more regions of operation of a Group legal entity or division
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Responsible business conduct: Privacy and data protection	No significant incidents of substantiated complaints concerning breaches of customer privacy and losses of customer data were identified in 2023. Cases that entailed one or more of the following consequences are significant for the Group: • A significant public response • The suspension of activities in one or more regions of operation of a Group legal entity or division

SASB content index

SASB code	Accounting metric	Reference
Activity Metrics		
FB-FR-000.A	Number of (1) retail locations and (2) distribution centres	About the Company: Geography of operations
FB-FR-000.B	Total area of (1) retail space and (2) distribution centres	About the Company: Company profile
FB-FR-000.C	Number of vehicles in commercial fleet	Responsible business conduct: Responsible supply chain
Management of Environmental & Social Impacts in the Supply Chain		
FB-FR-430a.3	Discussion of strategy to manage environmental and social risks within the supply chain	Sustainable development and the Company's business: Respecting human rights Responsible business conduct: Responsible supply chain Planet: Waste management and sustainable packaging
FB-FR-430a.4	Discussion of strategies to reduce the environmental impact of packaging	Planet: Our approach and 2023 highlights, Waste management and sustainable packaging
CG-EC-410a.2	Discussion of strategies to reduce the environmental impact of product delivery	Responsible business conduct: Responsible supply chain Planet: Our approach and 2023 highlights
Fleet Fuel Management		
FB-FR-110a.1	Fleet fuel consumed, percentage renewable	Appendix. 2023 key sustainability highlights: Environmental metrics
Labour Practices		
FB-FR-310a.2	Percentage of active workforce employed under collective agreements	The Company does not prohibit collective bargaining agreements but does not keep separate records of employees employed under such agreements.
FB-FR-310a.1	(1) Average hourly wage and (2) percentage of in-store and distribution centre employees earning minimum wage, by region	Appendix. 2023 key sustainability highlights: Our team in numbers
FB-FR-310a.3	(1) Number of work stoppages and (2) total days idle	There were no strikes and/or days idle in 2023.
Energy Management		
FB-FR-130a.1	(1) Operational energy consumed, (2) percentage grid electricity, and (3) percentage renewable	Appendix. 2023 key sustainability highlights: Environmental metrics
Water Management		
FB-PF-140a.1	(1) Total water withdrawn, (2) total water consumed; percentage of each in regions with High or Extremely High Baseline Water Stress	Planet: Responsible water consumption
FB-PF-140a.2	Number of incidents of non-compliance associated with water quantity and/or quality permits, standards, and regulations	There were no significant incidents of non-compliance during the reporting year. The Company defines "significant incidents of non-compliance" as those that cause a public outcry or lead to a suspension of operations.
FB-PF-140a.3	Description of water management risks and discussion of strategies and practices to mitigate those risks	Planet: Responsible water consumption

SASB code	Accounting metric	Reference
Air Emissions from Refrigeration		
FB-FR-110b.1	Gross global Scope 1 emissions from refrigerants	Appendix. 2023 key sustainability highlights: Environmental metrics
Food Waste Management		
FB-FR-150a.1	(1) Amount of food waste generated, (2) percentage diverted from the waste stream	Planet: Waste management and sustainable packaging
Employee Recruitment, Inclusion & Performance		
CG-EC-330a.2	(1) Voluntary and (2) involuntary turnover rate for all employees	Appendix. 2023 key sustainability highlights: Our team in numbers
CG-EC-330a.3	Percentage of gender and racial/ethnic group representation for (1) management, (2) technical staff, and (3) all other employees	Employees: Employer brand, candidate recruitment, and onboarding
CG-EC-330a.1	Employee engagement as a percentage	Employees: Engagement and feedback
Food Safety		
FB-FR-250a.1	High-risk food safety violation rate	There were no significant incidents of non-compliance during the reporting year. The Company defines “significant incidents of non-compliance” as those that cause a public outcry or lead to a suspension of operations.
FB-FR-260a.2	Discussion of the process to identify and manage products and ingredients related to nutritional and health concerns among consumers	Product quality and healthy lifestyle: Product quality and safety assurance
Product Labelling & Marketing		
FB-FR-270a.1	Number of incidents of non-compliance with industry and/or regulatory labelling or marketing codes	Appendix. 2023 key sustainability highlights: Compliance and business ethics
FB-FR-270a.2	Total amount of monetary losses as a result of legal proceedings associated with marketing and/or labelling practices	There were no monetary losses as a result of legal proceedings associated with marketing and/or labelling practices during the reporting year.
Data Security		
CG-EC-220a.1	Number of users whose information is used for secondary purposes	The Company does not use user information for any purposes other than those authorised by users.
CG-EC-220a.2	Description of policies and practices relating to behavioural advertising and user privacy	Responsible business conduct: Privacy and data protection
FB-FR-230a.1	(1) Number of data breaches, (2) percentage involving personally identifiable information, (3) number of customers affected	Responsible business conduct: Privacy and data protection
FB-FR-230a.2	Description of approach to identifying and addressing data security risks	Responsible business conduct: Privacy and data protection

Independent practitioner's assurance report

NEW CHALLENGES
NEW SOLUTIONS

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Independent practitioner's assurance report

To the Supervisory Board of X5 Retail Group N.V.

Subject matter

We have been engaged by X5 Retail Group N.V. (hereinafter "the Company") to perform a limited assurance engagement, as defined by International Standards on Assurance Engagements, (herein "the Engagement"), to report on the X5 Retail Group N.V. Sustainability Report (hereinafter "the Report") as of 31 December 2023 or for 2023 (hereinafter "the reporting period").

Under this engagement, we did not perform any procedures with regard to the following:

- Forward-looking statements on performance, events or planned activities of the Company;
- Statements of third parties included in the Report;
- Correspondence between the Report and Sustainability Accounting Standards Board standards, recommendations of the Task Force on Climate-Related Financial Disclosures, thresholds under EU Taxonomy, requirements and recommendations of the London Stock Exchange, compliance with Directive 2014/95/EU.

Applicable criteria

In preparing the Report the Company applied Global Reporting Initiative Sustainability Reporting Standards (hereinafter "GRI Standards") ("in accordance" option) and the sustainability reporting principles of the Company as set forth in the Section "About this Report" of the Report.

The Company's management responsibilities

The Company's management is responsible for selecting the Criteria, and for preparation of the Report in accordance with the Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the Report, such that it is free from material misstatement, whether due to fraud or error. In addition, the Company's management is responsible for ensuring that the documentation provided to the practitioner is complete and accurate.

Practitioner's responsibilities

We conducted our assurance engagement in accordance with International Standard for Assurance Engagements (revised) *International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* (hereinafter "ISAE 3000"). ISAE 3000 requires that we plan and perform our engagement to obtain limited assurance about whether, in all material respects, the Report is prepared in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our conclusion.

Our independence and quality management

We apply International Standard on Quality Management 1, *Quality Management for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, which requires our firm to develop, implement and ensure operation of quality management system that includes policies or procedures with regard to compliance with ethical requirements, professional standards and applicable laws and regulations.

We comply with the professional ethical and independence requirements of the Code of professional ethics for auditors and the Independence rules of auditors and audit organizations and also the IESBA Code of Ethics for Professional Accountants (including international independence standards), which establishes the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Summary of work performed

The assurance engagement performed represents a limited assurance engagement. The nature, timing and extent of procedures performed in a limited assurance engagement is limited compared with that necessary in a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is lower.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within information technology systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the Report and related information, and applying analytical and other appropriate procedures.

Our procedures included:

- Inquiries of the representatives of the Company management and specialists responsible for its sustainability policies, activities, performance and relevant reporting;
- Analysis of key documents related to the Company sustainability policies, activities, performance and relevant reporting;
- Obtaining understanding of the process used to prepare the information on sustainability performance indicators of the Company;
- Analysis of material sustainability issues identified by the Company;
- Identification of sustainability issues material for the Company based on the procedures described above and analysis of their reflection in the Report;
- Review of data samples regarding key human resources, environmental protection, health and safety, and charitable activities indicators for the reporting period, to assess whether these data have been collected, prepared, collated and reported appropriately;

NEW CHALLENGES
NEW SOLUTIONS

- Collection on a sample basis of evidence substantiating other qualitative and quantitative information included in the Report at the headquarters level;
- Assessment of compliance of the Report and its preparation process with Company's sustainability reporting principles;
- Assessment of compliance of information and data disclosures in the Report with the requirements of the "in accordance" option of reporting with the GRI Standards (2021).

We also performed such other procedures as we considered necessary in the circumstances.

Conclusion

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the Report is not prepared fairly, in all material respects, according to the Criteria.

E.N. Lezhankova
Partner
TSATR – Audit Services Limited Liability Company

24 April 2024

Details of the independent practitioner

Name: TSATR – Audit Services Limited Liability Company
Record made in the State Register of Legal Entities on 5 December 2002, State Registration Number 1027739707203.
Address: Russia 115035, Moscow, Sadovnicheskaya naberezhnaya, 77, building 1.
TSATR – Audit Services Limited Liability Company is a member of Self-regulatory organization of auditors Association "Sodruzhestvo". TSATR – Audit Services Limited Liability Company is included in the control copy of the register of auditors and audit organizations, main registration number 12006020327.

Details of the entity

Name: X5 Retail Group N.V.
Record made in the State Register of Legal Entities on 13 August 1975, State Registration Number 33143036.
Address: 1077 XV, Zuidplein, 196, Amsterdam, The Netherlands.

Contacts

We would be happy to answer any questions regarding this Report and X5 Group’s sustainability agenda.



Please send your requests to the Sustainability and Investor Relations departments:

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