

SUSTAINABILITY

REPORT

2020

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Chairman's statement

[102-14] [102-15]
GRI Standard reference

// Dear stakeholders,

The year 2020 presented challenges for the retail industry and society alike, as the COVID-19 pandemic forced companies to adjust their operational strategies to rapidly changing conditions. It was, however, also a year of opportunity. It allowed X5 to test the strength of its internal processes, risk control and decentralised management model, and its capacity to keep up with growing consumer demand. I am proud to say that thanks to the strong leadership and fast decision-making of our management team, this test translated into X5 achieving outstanding results, particularly in the online segment.

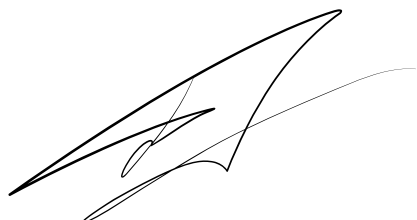
The COVID-19 pandemic underscored the importance of our health and safety measures. As Russia's largest retailer, X5 has sought to play a leading role on this front and has taken all possible measures to protect the health and safety of customers and employees, helping to mitigate risks across our store network and supply chain. Our initiatives in this area have become an integral part of our broader environmental, social and governance (ESG) programme and have contributed to our ranking as the #1 employer in Russian food retail.

The pandemic has proven that ESG is of increasing importance to businesses and governments alike, as both collectively strive to address social and environmental imperatives. We are proud of our efforts on this front and are delighted to be contributing to both international efforts and Russia's own National Development Goals. X5's sustainability strategy was launched in 2019 and is guided by the long-term Sustainable Development Goals adopted by the United Nations. We have prioritised four development goals where we believe we can have the greatest impact: Zero Hunger, Good Health and Well-being, Decent Work and Economic Growth, and Responsible Consumption and Production.

Recognising environmental, social and governance responsibilities as a licence to operate from society, the Board has committed to strengthening its impact on our strategic priorities going forward. In 2020, as part of X5's 30×30 sustainable development goals, the Board approved specific medium- and long-term targets that are being integrated into business practices across the Group. While these goals cover a range of different metrics, many concentrate around the central themes of reducing global greenhouse gas emissions (with the aim of becoming carbon-neutral by 2050), decreasing food waste and providing support to local communities where X5 operates. Particular efforts are being undertaken to boost sustainability awareness among our workforce through training programmes and interactive online courses on sustainable development and consumption. Meanwhile, we are making sure that all of our stakeholders are able to track our progress and ESG data through semi-annual performance updates, in combination with a dedicated ESG section on the Company's website.

It is impossible to speak about last year's successes without praising our employees and management team, whose hard work and determination made the exceptional results of the year behind us possible. To them, I would like to extend my gratitude for handling the unprecedented challenges with the flexibility and resourcefulness necessary to turn them into some of our greatest operational successes. In the years ahead, we will continue to ensure ESG plays a central role in our corporate strategy as we work towards achieving our target metrics and supporting global climate efforts. We are confident that this will not only help us strengthen our leadership in our sector, but that it will also create long-term benefits for our shareholders and other stakeholders for whom X5 strives to create value.

Peter Demchenkov
CHAIRMAN OF THE
SUPERVISORY BOARD



CEO's statement

[102-14] [102-15]



Dear stakeholders,

The year 2020 marked an unexpected period in our Company's history due to the onset of the COVID-19 pandemic. In the face of a unique set of challenges, we were forced to navigate the turbulence of national lockdowns and rapidly changing market conditions. Fortunately, the significant investments we made in our digital businesses in prior years put us in an excellent position to take advantage of rapidly shifting consumer trends. As a result, X5's online segment thrived in 2020, with digital sales growing by 362.2% year-on-year and our share in Russia's e-grocery segment climbing to 12.6%.

I have no doubt that these outstanding results would not have been possible without X5's commitment to upholding strict health and safety principles throughout the year. These efforts, which included protective equipment for store employees and comprehensive epidemiological inspections, ensured that our businesses were able to continue operating effectively with minimal disruptions so that both customers and employees felt safe within our stores. As public health initiatives advanced to the fore of our agenda, so did other environmental, social and governance (ESG) initiatives. Looking back on 2020, it is evident that ESG risks and opportunities became a defining aspect for both X5 and the broader industry.

As part of our strategy to 2023, we introduced specific ESG performance targets aligned with the United Nations Sustainable Development Goals. These goals will allow X5 to play a role in tackling important climate issues such as reducing carbon emissions, decreasing waste and promoting sustainable consumption. As part of these environmental efforts, we introduced shopping bags that contain recycled plastic and published a comprehensive set of sustainable supply chain recommendations. As part of our further efforts in this area, we are currently investigating ways to increase the share of renewable energy in our operations. We are already sourcing sustainable power for some of our distribution centres, and we are also exploring the use of solar energy for our logistics operations.

Our medium- and long-term goals for 2023 and 2030 are even more ambitious. By 2023, we aim to reduce our greenhouse gas emissions by 10% compared to 2019, utilise or recycle up to 40% of our food waste, and ensure that up to 95% of the recyclable solid waste from in-house operations is recycled through circular economy solutions. We also aim to increase our social support programmes, boosting the number of families receiving support from our Basket of Kindness food drives by 100%. Our long-term goals for 2030 aim to further these endeavours, while also increasing the share of renewable energy in our operations, decreasing our waste output and achieving a significant 30% reduction in our greenhouse gas emissions. Thanks to the hard work and diligence of our management team, I am confident that we are on track to meet these goals and that they will place us in a good position to capture growth in the years to come.

As sustainability gains momentum in corporate strategies around the world, X5's stakeholders have become increasingly vested in our ESG initiatives. I am therefore proud to present our first stand-alone sustainability report, prepared in line with GRI Standards with independent assurance. This report will enable our stakeholders to assess X5's environmental and social impact more easily, and facilitate comparison between X5 and its peers. We have endeavoured to further increase the quality and transparency of our disclosures by creating a new ESG section on the Group's website with performance data on specific ESG metrics. In addition, we inform our stakeholders through semi-annual performance updates on our goals and performance across key sustainability metrics. To enhance awareness of ESG issues, we have also launched sustainability training programmes for our business partners and management teams.

This past year has been a year of significant growth for X5, and I would like to extend my heartfelt gratitude to all employees working in our stores, offices and across our supply chain for their diligent work in 2020. Now that the most challenging stage of the pandemic is behind us and the transition to a green economy picks up speed, we remain strongly committed to contributing with a well-articulated long-term ESG strategy.



Igor Shekhterman
CHIEF EXECUTIVE
OFFICER



01.

About this Report

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Determination of material topics 6

Report methodology [102-32] [102-50] [102-51] [102-52] [102-54]

X5 Retail Group (X5, the “Company”) confirms that this Report has been prepared in accordance with the GRI Standards: Core Option. The Report discloses information on the Company’s progress in the area of sustainable development and its economic, environmental and social results. The 2020 Report is the first to be prepared in accordance with GRI Standards, and we plan to release such reports on an annual basis.

The information published in the Report covers the activities of the publicly traded limited liability company X5 Retail Group NV and its subsidiaries. The reporting period is from 1 January to 31 December 2020. Quantitative data is presented as of the end of the year.

The Report was reviewed and approved by the Supervisory Board. The Report has been published on the [Company’s website](#).

Determination of material topics [102-40] [102-44] [102-46] [102-47]

Identifying material topics is an integral part of determining the Report’s content. Material topics should reflect the Company’s contribution to various aspects of sustainable development and should be based on the views of its stakeholders.

The Company determined material topics in several stages.

In the first stage, the Company identified a wide range of material topics based on an analysis of the practices of companies in the industry and an assessment of essential business processes, while also taking into account its current strategic priorities in the area of sustainable development and the views of stakeholders.

Then, in the second stage, this list was refined based on an analysis of regular feedback received from customers. This step helped to determine a list of 22 important topics.

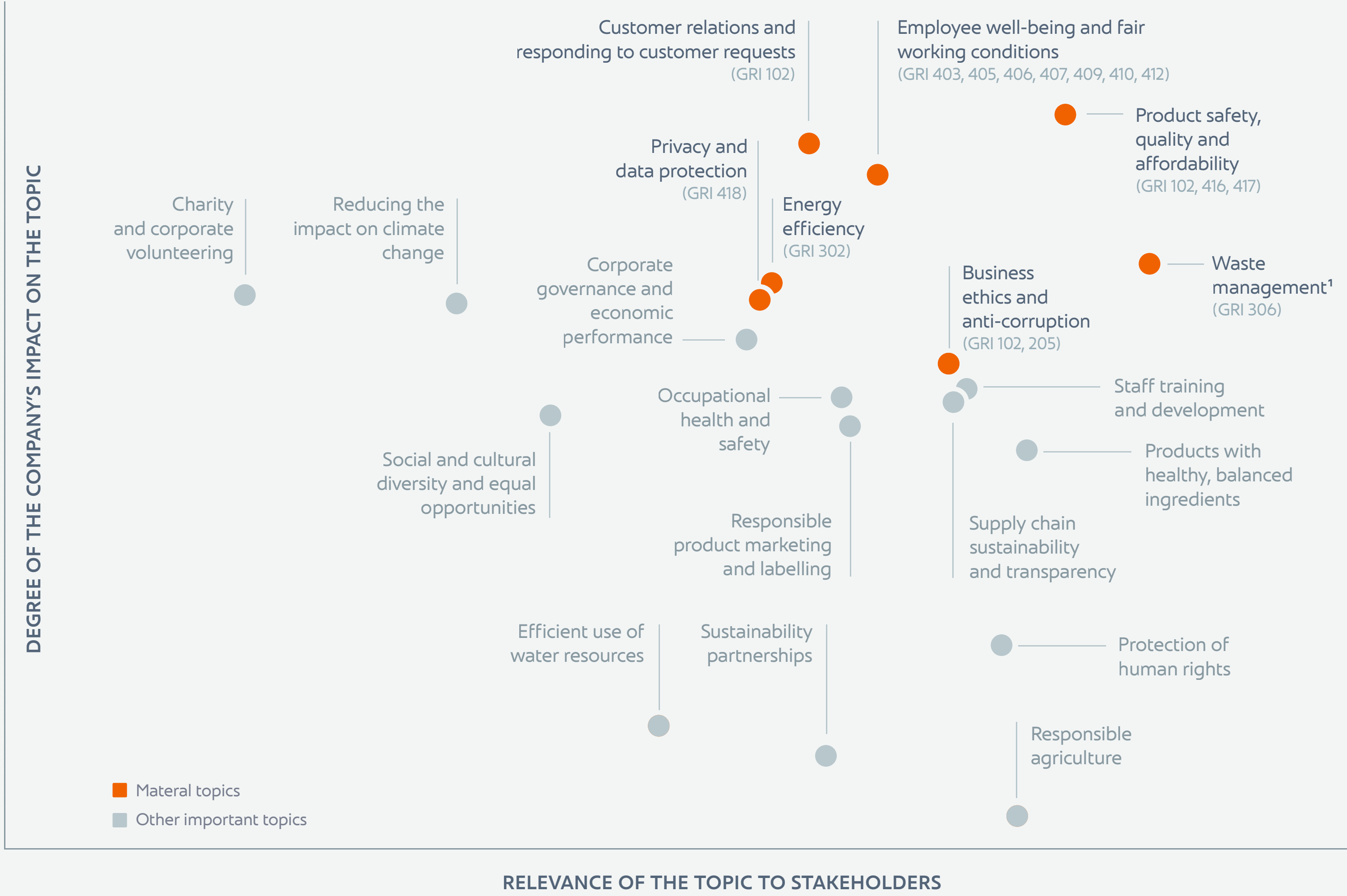
In the third and final stage of analysis, the Company conducted a stakeholder survey to rank the topics within the revised list.

In total, more than 3,700 respondents took part in the survey, including:

| STAKEHOLDER GROUP | NUMBER OF RESPONDENTS |
|---|-----------------------|
| Top management | 6 |
| Employees | 2,820 |
| Suppliers and contractors | 798 |
| Business partners | 40 |
| Government officials | 24 |
| Investors | 9 |
| Representatives of the expert community | 5 |
| NGO representatives | 4 |
| Other stakeholders | 13 |
| Total | 3,719 |

The results of the survey were analysed in order to prioritise the topics. As a result, seven of the 22 topics were identified as material; these were placed in priority level 1. These topics are given the most attention in the Report.

Due to the impact of the novel coronavirus pandemic during 2020, we have chosen to disclose additional information about the Company’s response to COVID-19.



1. This topic includes the subtopics of “sustainable packaging”, “food waste management” and “general waste management and plastic recycling”.



02.



About the Company

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Our approach, values and goals [102-16]

Approach

We aim to develop X5 Retail Group as a profitable, sustainable business that offers high-quality products and provides modern food retail services, both online and offline, to the Russian population in formats that are convenient and meet the demands of our customers.

We seek to identify and implement innovative technologies to power digital services such as express delivery and our Perekrestok Vprok online hypermarket, while also improving our operations to make X5 more efficient and profitable.

Since 2019, we have also integrated sustainability into our business strategy, with business processes aimed at helping us achieve goals that are aligned with the UN SDGs that we have determined as being most relevant to our business: Zero Hunger, Good Health and Well-being, Decent Work and Economic Growth, as well as Responsible Consumption and Production.



Values

X5 relies on a values-driven corporate culture to help every employee do their part to contribute to achieving our strategic goals.

Customer-oriented

- Our business decisions are based on our understanding of our customers.
- We strive to use technology to improve our understanding of our customers, to enhance their shopping experience and to share efficiency gains with our shoppers.
- We aim to develop and adapt our business to meet our customers' changing needs and expectations.

Trust

- Trust is a core element of our customer value proposition, and we aim to stand out among our peers as Russia's most trusted food retailer.
- We aim to earn the trust of local communities by implementing programmes aimed at protecting people and the environment in areas where we operate.
- We hold ourselves to high standards of integrity and honesty with our business partners and other stakeholders.

Respect and honesty

- In our interactions with all stakeholders, we respect their opinions, interests and emotions.
- We have zero tolerance for corruption, which is backed by strict policies and practices covering every aspect of our business, as well as our supply chain.
- We are constantly developing and improving the accuracy and completeness of the information that we provide about the goods we sell and the performance of our business.

Never settling for "good enough"

- We are not satisfied with being Russia's top food retailer, and we want to become a leader in the broader food market.
- We are constantly setting ambitious goals for ourselves and updating the goals that we have achieved.
- Our employees are rewarded for their achievements and encouraged to try new solutions that could further improve our business.

Our approach, values and goals [102-16]

Sustainability goals

X5’s sustainability policy uses the United Nations Sustainable Development Goals as a framework to identify and prioritize the ESG issues that are most relevant to the business.

The four key SDGs where we will have the greatest impact are Zero Hunger, Good Health and Well-being, Decent Work and Economic Growth, and Responsible Consumption and Production.

We have also identified secondary goals that our business contributes to through its day-to-day activities: Gender Equality, Affordable and Clean Energy, Reduced Inequalities, Sustainable Cities and Communities, Climate Action, Life Below Water and Life on Land.

Information on relevant UN SGD targets is provided in the “UN SDGs content index” Annex.



■ Primary goals: marked in block colors
□ Secondary goals: marked in white background color

Based on these focus areas, we developed a detailed set of targets for 2023 that will be included in management’s long-term incentive programme for 2021–2023. We are also putting in place the business processes needed to achieve them, as well as a set of ambitious 30×30 goals that we aim to reach by 2030.¹



1. Base year is 2019
2. The healthy lifestyle assortment includes gluten-free, no added sugar, organic, fresh from farm, natural ingredients, high protein, low calories, vegan.

Business model

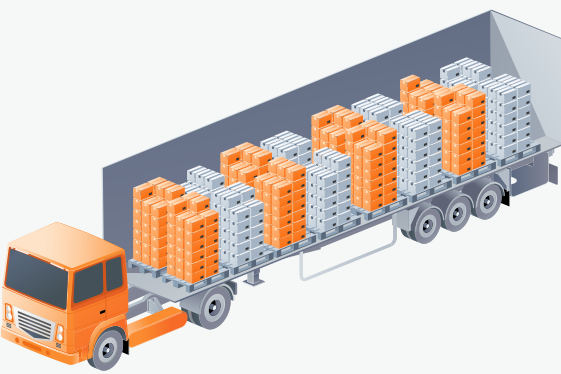
[102-2] [102-4] [102-6]

Our business model covers a wide range of functions that are essential to supporting our operations.

In a highly competitive and fast-changing sector like food retail, we must leverage efficiencies generated by the scale of our business while also remaining nimble and able to adapt as the competitive landscape and consumer preferences change.

We create value by putting the customer at the centre of our decisions when we focus on the expansion of our store and logistics networks, the CVP of our offline retail formats, our omnichannel offer, efficiency, innovation and sustainability.

It is this commitment to customer-centricity that helps us to create value for our stakeholders – from customers to employees, local communities, suppliers and ultimately shareholders.



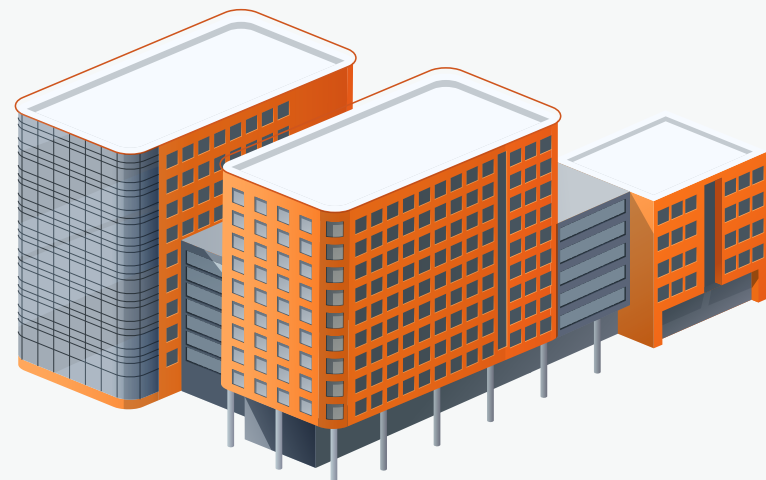
Suppliers

6,316

Suppliers

30.2%

share of top 30 suppliers in revenue



Corporate Centre

The Corporate Centre is responsible for maintaining key shared business infrastructure like IT systems, innovation and big data functions, logistics management, internal controls, as well as corporate finance, risk management and reporting. Overall strategic guidance and best practice sharing is also handled by the Corporate Centre.

Offline businesses

17,707

STORES

12.8%

MARKET SHARE IN FOOD RETAIL

66

REGIONS

Supply chain infrastructure

4

Direct import hubs

4,055

Company-owned trucks

45

distribution centres to support offline stores

Offline retail formats

16,709

Pyaterochka proximity stores in 66 regions in the mass-market price segment

933

Perekrestok supermarkets in 45 regions in the upper-middle price segment

56

Karusel hyper-markets (currently undergoing transformation) in the mass-market price segment

4

Chizhik hard discounters (in pilot) in the Moscow region in the low price segment

Digital businesses

362.2%

TOTAL DIGITAL SALES GROWTH YEAR-ON-YEAR

12.6%

MARKET SHARE IN E-GROCERY BY GMV

Perekrestok Vprok

12

Regions

5

Darkstores

550

light trucks

208%

Perekrestok Vprok total sales growth year-on-year

Express delivery, incl. Okolo

13

Regions

8

Dark stores

Express delivery from Pyaterochka and Perekrestok handled an average of 26,600 orders per day in Q4 2020, up from 745 in Q1 2020

Available from 992 stores
594 Pyaterochka, 398 Perekrestok

5Post e-commerce delivery

65

Regions

11,937

Pickup points

4,518

Parcel lockers

6.8 MLN

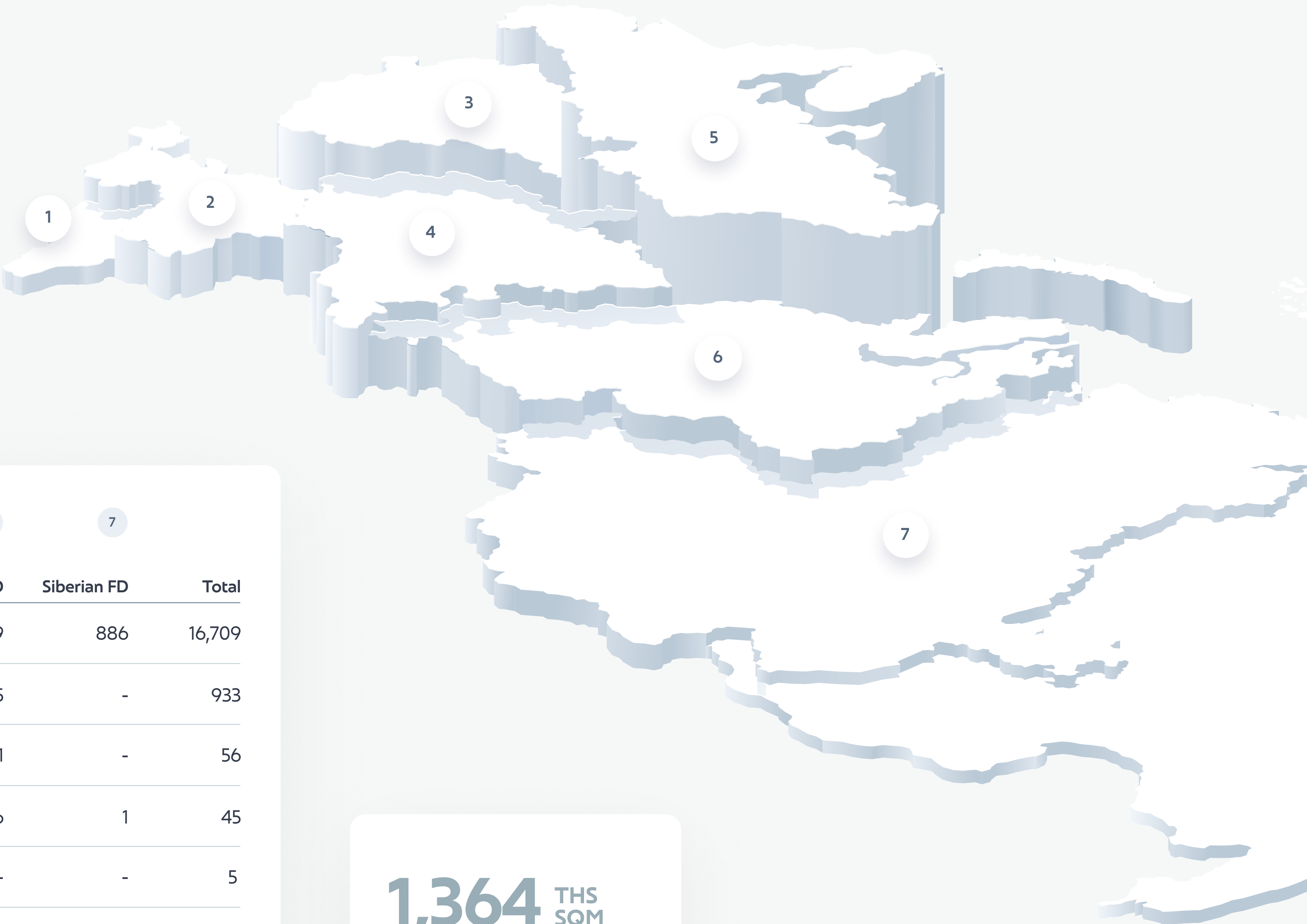
deliveries to pickup points and parcel lockers at Pyaterochka stores during 2020

Geography of operations




[102-4]

X5 operates 17,707 retail stores, five dark stores and 45 large distribution centres in 66 regions across seven of the eight federal districts in Russia.

In order to serve Russia’s population of nearly 146 million people living in 11 time zones, we maintain extensive logistics operations, including distribution centres and a fleet of modern trucks delivering a reliable assortment of high-quality goods to every single store.



Number of stores and DCs by federal district (FD)

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | |
|---|----------------------|-------------|------------|----------|----------------------|---------|-------------|--------|
| | North Caucasus FD | Southern FD | Central FD | Volga FD | North- Western FD | Ural FD | Siberian FD | Total |
|  Pyaterochka | 323 | 1,660 | 6,147 | 4,462 | 1,772 | 1,459 | 886 | 16,709 |
|  Perekrestok | 10 | 56 | 519 | 144 | 129 | 75 | - | 933 |
|  Karusel | 1 | 2 | 30 | 14 | 8 | 1 | - | 56 |
| Number of DCs | - | 5 | 18 | 9 | 6 | 6 | 1 | 45 |
| Number of dark stores | - | - | 3 | 1 | 1 | - | - | 5 |
| Number of pickup points / parcel lockers | 36 | 1,800 | 7,048 | 3,713 | 1,659 | 1,886 | 313 | 16,455 |

1,364 THS
SQM

Total warehouse space

See more details on our business model in the "Our formats" section of our 2020 Annual Report.

2020 key highlights

[102-7] [201-1]

Demonstrating leadership through challenging times

We entered 2020 planning to continue to ramp up our digital businesses while rolling out new concepts for our Pyaterochka proximity stores and Perekrestok supermarkets. Innovations and efficiency, which we have been investing in for several years, remained central parts of our plans. In many ways, it is thanks to our earlier groundwork that X5 was able to react so quickly to the changes brought on by the coronavirus pandemic.

With robust business practices in place, we were able to quickly implement new safety procedures across our network of 17,707 stores as well as in our multiple offices. Our digital transformation was already well underway, meaning new businesses like the online hypermarket Perekrestok Vprok, express delivery services and 5Post were already up and running.

This enabled us to continue serving our customers even as strict lockdown rules were introduced during March–June 2020, and to grow our digital businesses in response to significant and long-term changes in Russia’s food market landscape.

In 2020, X5 expanded its social initiatives in the wake of the COVID-19 pandemic, with the Group offering assistance in a variety of areas. In March–April 2020, the Company began employing people who had lost their jobs due to the introduction of quarantine measures.

Over the course of the quarantine, X5 employed a total of approximately 40,000 people. Pyaterochka and Perekrestok also provided discounts to social workers and volunteers (ranging from 5% to 10% depending on the day and region) during the quarantine period and beyond. In order to keep employees safe, the Company also provided personal protective equipment to both employees and customers, and organised stores in such a way that customers could maintain social distancing while shopping. Pyaterochka even became the #1 favourite brand during the COVID-19 pandemic, according to an independent survey by Romir conducted in September 2019.

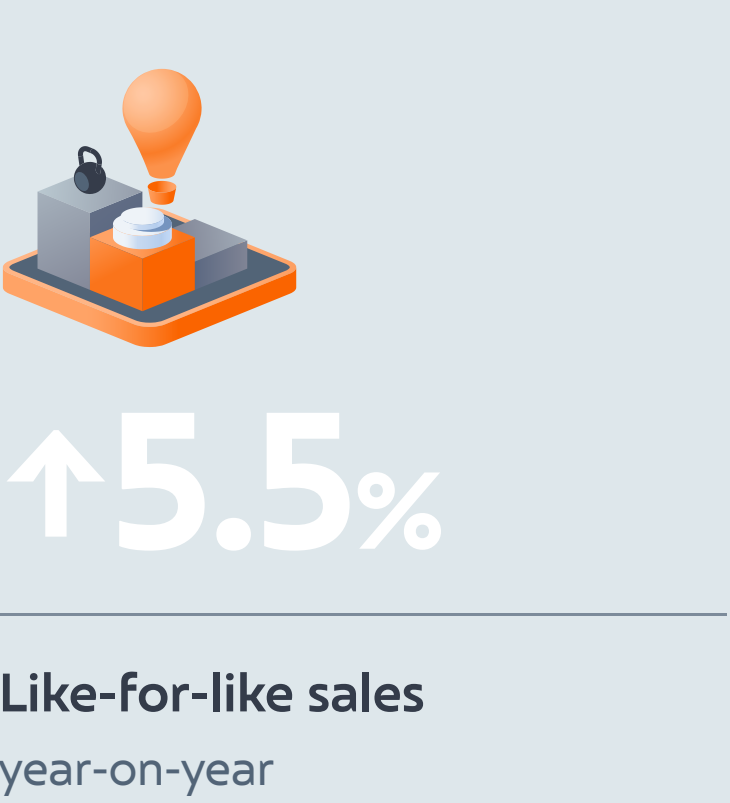
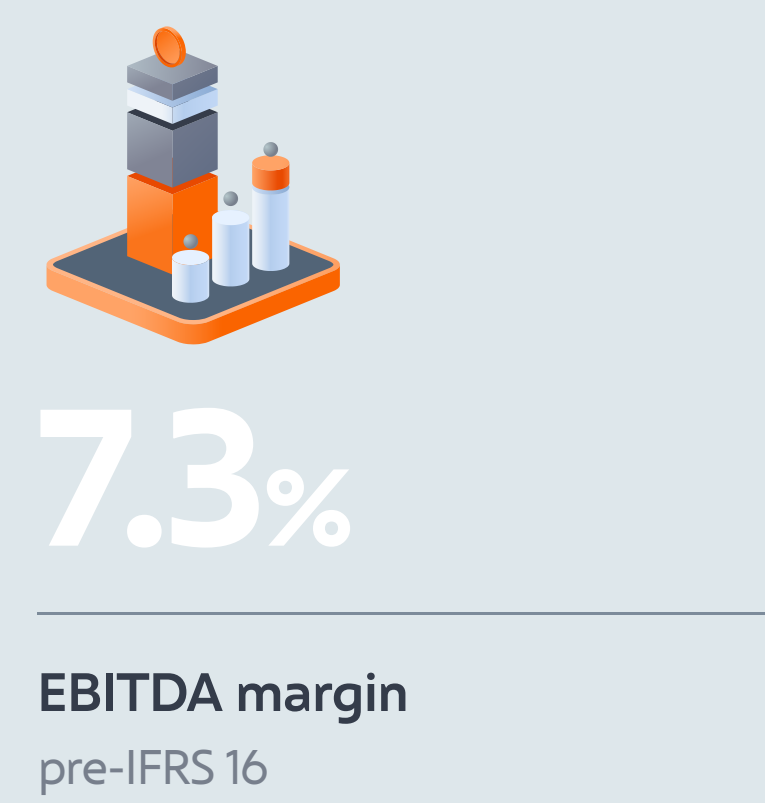
In 2020, the Company experienced significant growth in the online segment. According to data published by Infoline, X5 was the largest online food retailer in the Russian market at the end of 2020. The GMV (cumulative turnover) of X5’s online businesses in 2020 amounted to RUB 21.9 billion (including VAT), with the Company completing a total of 7.9 million online orders from its web and mobile platforms in 2020, up from 1.4 million in 2019.

Economic value retained

| RUB MLN | 2019 | 2020 |
|--|-----------|-----------|
| Direct economic value generated (revenues) | 1,747,031 | 1,994,051 |
| Economic value distributed | 1,746,512 | 1,821,492 |
| operating costs | 1,544,846 | 1,575,267 |
| employee wages and benefits | 141,581 | 159,351 |
| payments to providers of capital | 43,218 | 66,763 |
| payments to government by country | 16,795 | 20,045 |
| community investments | 72 | 66 |
| Economic value retained | 519 | 172,559 |

The growth in economic value retained was driven by the positive operating leverage effect due to increased demand during the COVID-19 pandemic.

Note: X5 Retail Group operates only in Russia.



Strategic highlights

[102-10] [102-15]

Expanded digital businesses



X5 Retail Group became the #1 e-grocery operator in Russia by gross merchandise value (GMV) in 2020, according to Infoline, with a 13% market share in this segment.

Perekrestok Vprok, our online hypermarket, expanded its logistics infrastructure with new dark stores with a total area of 30,484 square metres and 267 new delivery trucks, as it began offering home delivery services in eight new cities during 2020.

Express delivery from Pyaterochka and Perekrestok stores was available in 13 regions by the end of the year, which enabled the Company to increase the number of daily orders fulfilled from 300 in January to 35,000–38,000 at the end of December. Our 5Post e-commerce delivery service offered a convenient way to pick up packages from e-commerce retailers at 12,985 (number at year end) X5 stores via lockers and pickup points.

We launched the Okolo delivery aggregator in Q4 2020, starting in Moscow, which will have Pyaterochka and Perekrestok as its core grocery providers and will add new clients from among HoReCa (hotel, restaurant, cafe), pharmaceuticals and local non-food retailers to cover most day-to-day consumer needs via express delivery. As we expand the role of digital technologies in our business, we have also introduced X5.ID, a convenient single sign-on that customers can use across all our digital platforms.

Adapting to changing market landscape



In addition to expanding our digital businesses and the ongoing rollout of new proximity and supermarket store concepts, we opened four Chizhik hard discounter stores to provide low-price grocery shopping with a limited assortment. We plan to review the performance of these pilot stores in 2021 and intend to open at least 50 new Chizhik stores across the regions where we operate. We have also elaborated a strategy for expanding our role in the food market more broadly, with the aim of creating our own digital ecosystem that ranges from food-related online content, though not limited to food purchases, to an expanded digital marketplace for food and FMCG goods and payment services.

We strengthened X5's leadership with its market share increasing by 1.3 p.p. to 12.8% in 2020. We continued to downsize our offline hypermarket operations, reducing our Karusel network by 35 stores (25 of which were transferred to Perekrestok), finishing the year with 56 stores.

Maintained profitability levels



Even as we rapidly grew our digital businesses, which have a strategic profitability horizon of three years, we maintained the overall profitability of X5 Retail Group during 2020, with an EBITDA margin pre-IFRS 16 for the full year of 7.3%.

Updated CVPs



We continued to roll out new store concepts for both our Pyaterochka and Perekrestok formats, with new layouts aimed at addressing different shopping missions, increased ready-to-eat and ready-to-cook assortments and convenient in-store cafe areas to make shopping trips more enjoyable.

All new stores feature self-checkouts, in addition to regular cashier desks and 5Post pickup points. In addition to the new store designs, safety and sustainable business practices have become key elements of the updated CVPs. We reached 13% of Pyaterochka stores and 12% of Perekrestok supermarkets operating under the new concept by the end of 2020, contributing to stronger client retention and attracting younger shoppers, as well as generating higher LFL and NPS compared with the previous concept.

Updated dividend policy



Thanks to overall business growth, combined with strong cash flows and profitability, the Supervisory Board approved a new dividend policy that introduces interim dividend payments and maintains the target net debt/EBITDA (pre-IFRS 16) at <2.0x. The Board has also recommended a final dividend for 2020 of RUB 30 billion, which will bring total dividend payments for the year to RUB 50 billion.

Innovation



While the main focus in 2020 was on digital businesses, we maintained our focus on innovation across our operations. In October 2020, we launched the first fully automated, cashierless Pyaterochka #naletu store that allows customers to walk in, pick up what they want to buy and leave with full confidence that they will be automatically charged for the items they selected via a mobile app. Another new technology, which was identified through our international startup scouting programme, was the introduction of new food labels that change colour to help customers understand an item's remaining shelf life.

We successfully piloted a QR-based payment technology via the national Faster Payments System, which could serve as a cheaper alternative to regular card payments.

ESG leadership



After approving our ESG strategy in 2019, we conducted a comprehensive review of business practices in 2020. We established a detailed set of sustainability goals for 2023, as well as ambitious targets for 2030. We continued to improve our ESG disclosures during the year, introducing a semi-annual ESG performance update and conference call, and published an ESG databook. At the end of the year, we launched a special ESG section on the X5 website.

X5 Retail Group received upgrades to several ESG ratings during 2020, including from MSCI ESG, Sustainalytics, Bloomberg ESG and S&P Global CSA (formerly Robeco SAM). X5 was ranked among the top 25 Russian companies in a rating in the field of sustainable development by RAEX-Europe. This rating also named X5 Retail Group as the leader among Russian retailers.

Operational, financial and sustainability highlights

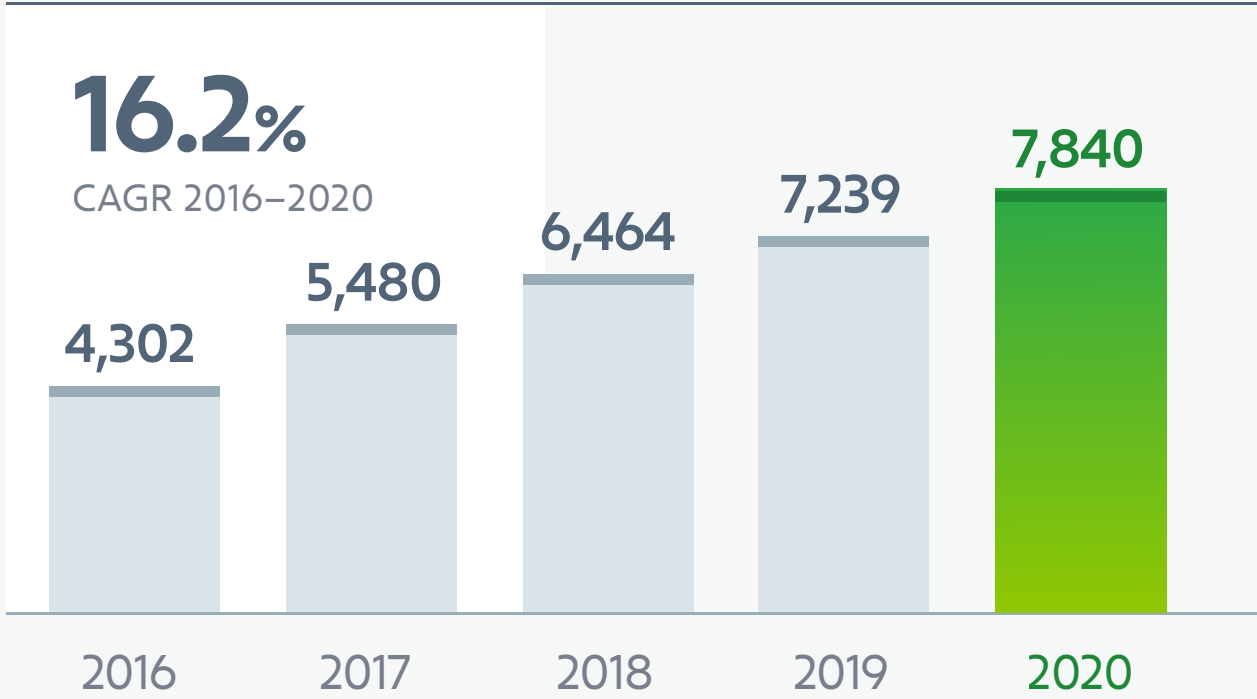
[201-1]

Operational highlights

Net retail sales, RUB bln



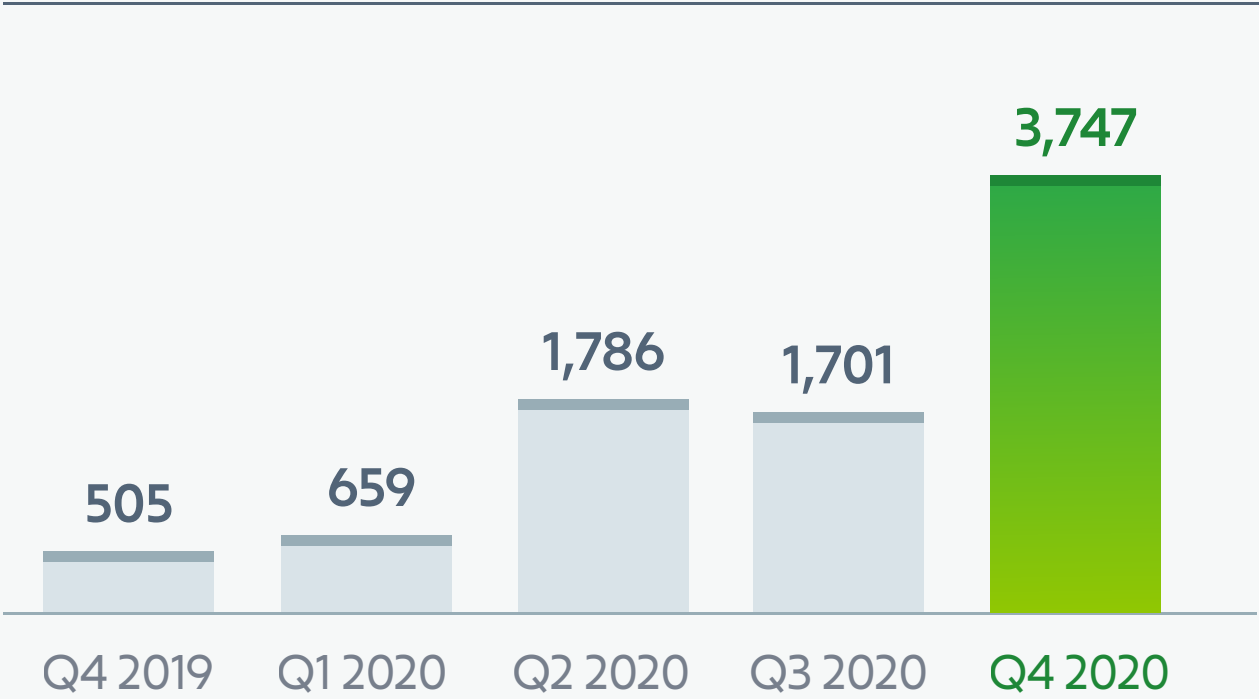
Selling space, ths sqm



Number of stores

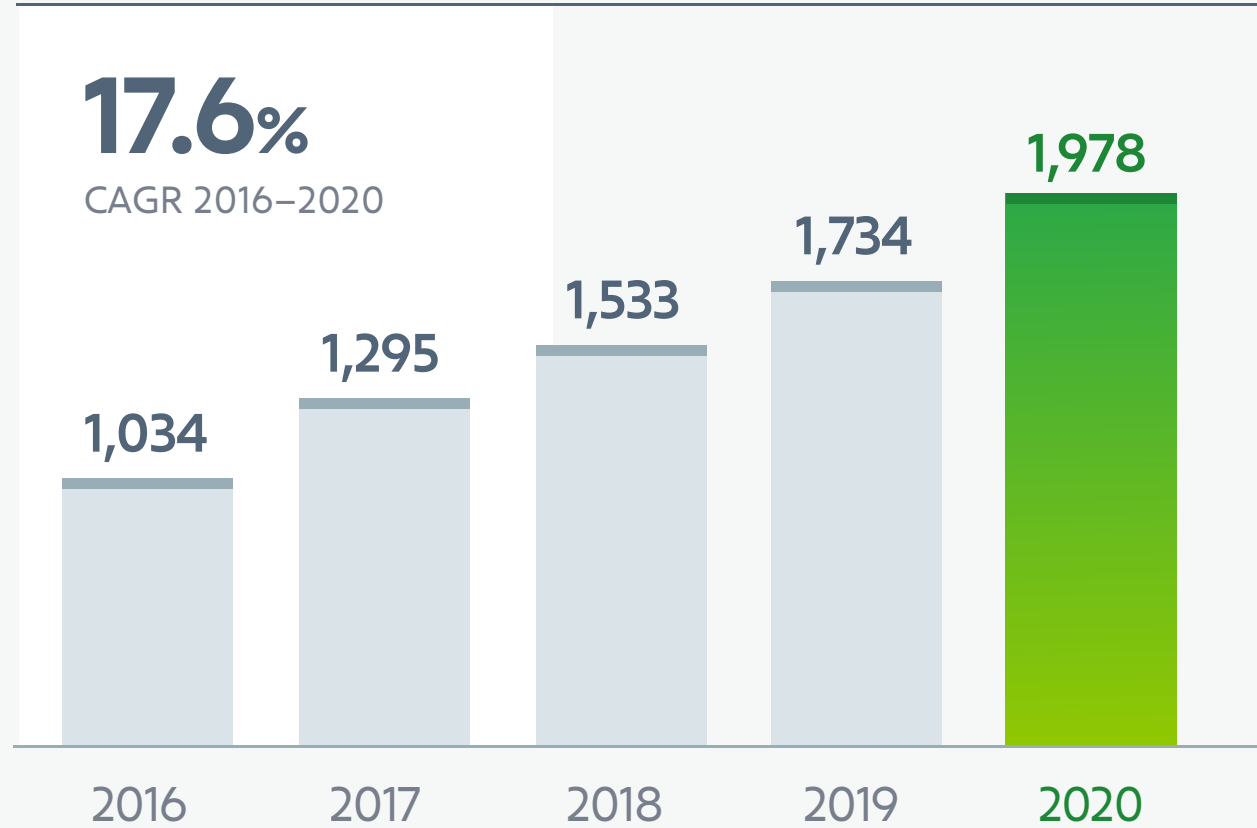


Number of orders in digital businesses

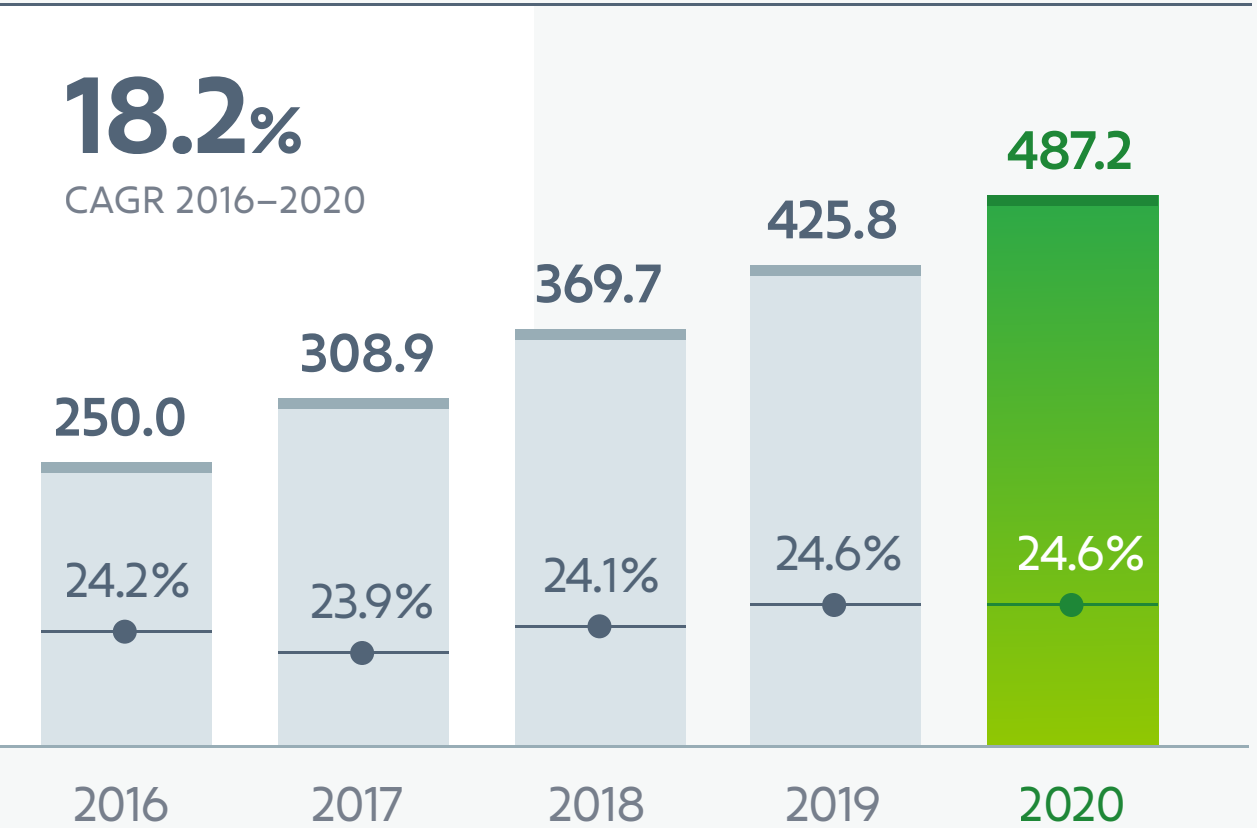


Financial highlights (pre-IFRS 16)

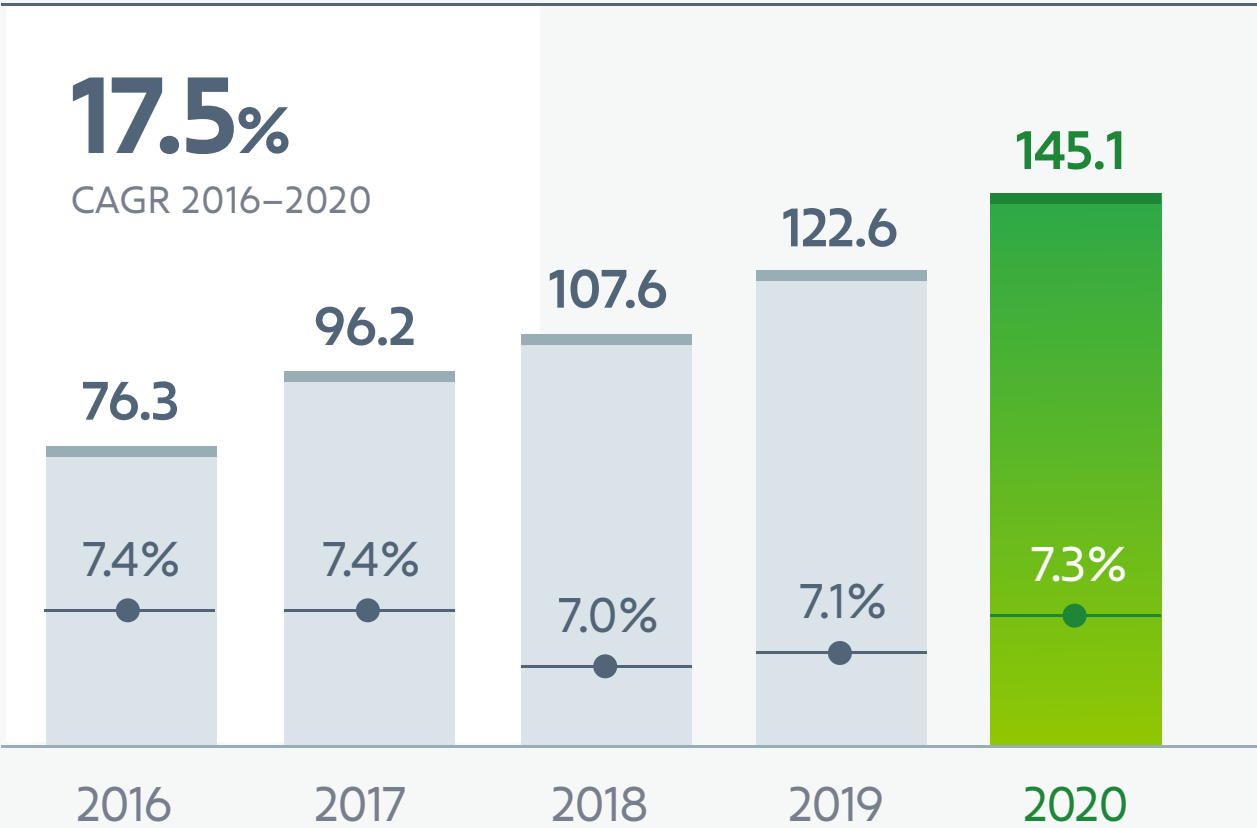
Revenue, RUB bln



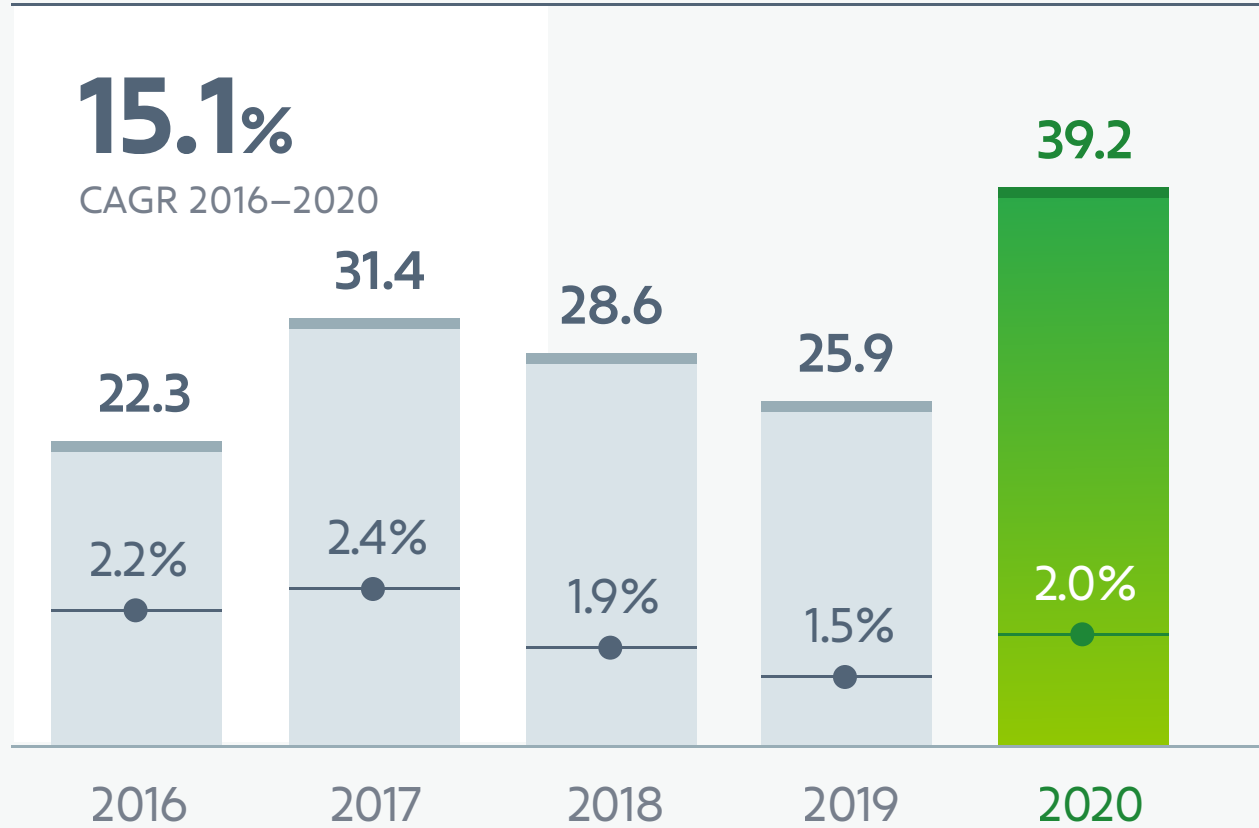
Gross profit, RUB bln



EBITDA, RUB bln

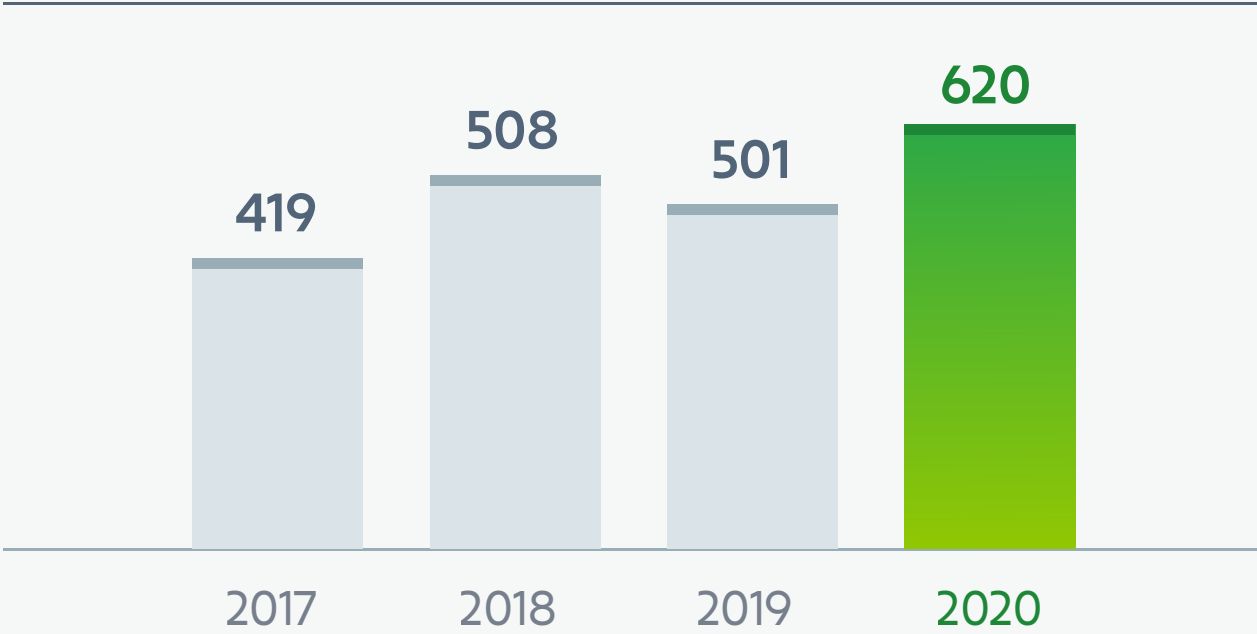


Net profit, RUB bln

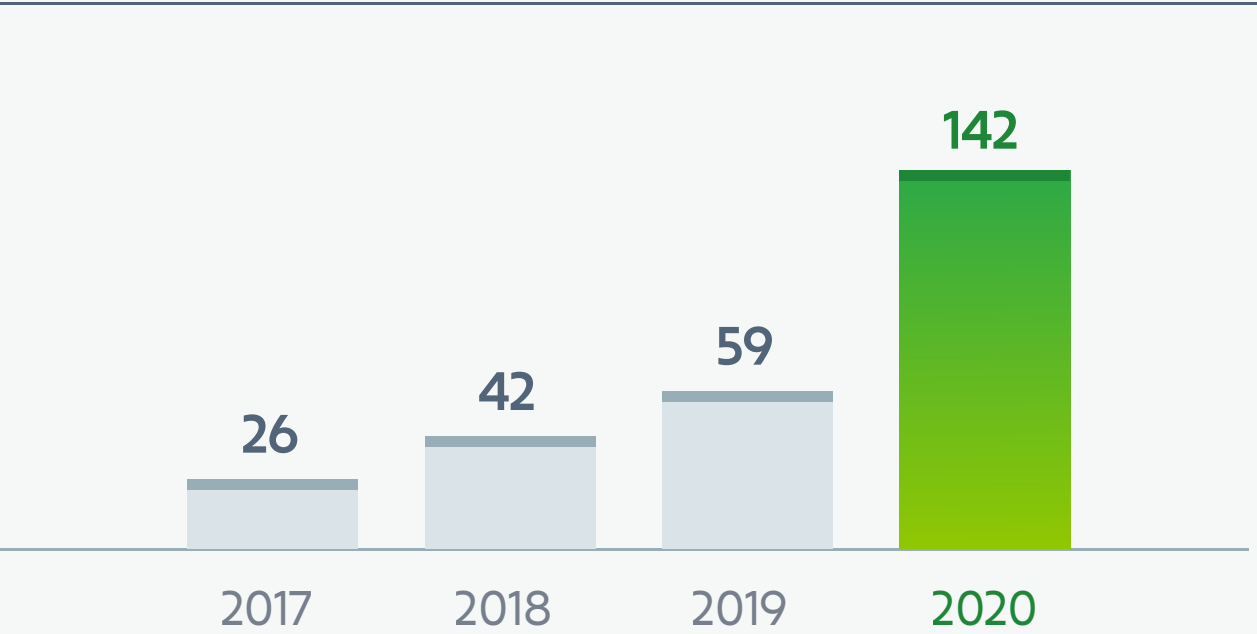


Sustainability highlights

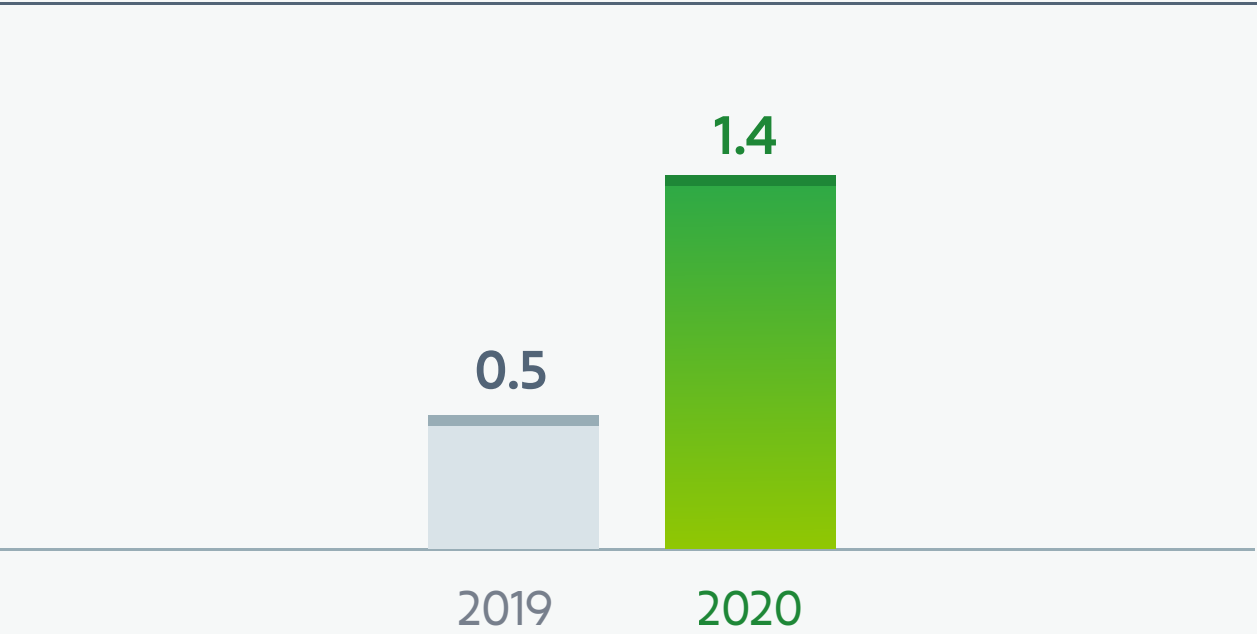
Amount of recyclable waste sold, ths tonnes



Number of people who received support, ths people



Sales of healthy lifestyle products, RUB bln



Total GHG emissions intensity (Scope 1+2 per 1 m² of selling space), t of CO₂e /m²





03.



Sustainable development and the Company's business

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Our approach to sustainable development

[102-12] [102-18] [102-26] [102-44]

Dear stakeholders,

As the pace of climate change accelerates, the years ahead are critical to ensuring a healthy future. We strongly acknowledge that the long-term success of X5 depends on our contribution to a healthy and sustainable planet. Our sustainable development strategy is based on the 17 Sustainable Development Goals (SDGs) adopted by the United Nations in 2015.

In the longer term, X5 is working towards what we call our 30×30 goals, which include a 30% reduction in GHG emissions, a 30% share of renewable energy used in X5 operation, and a 30% reduction in the ratio of waste generated to retail sales, all by 2030. We’re also aiming to increase the share of solid waste from our operations that is recycled to 95% over the next three years, along with other targets presented on pages 19–20 of this report. We are also actively working towards achieving carbon neutrality by 2050.

This represents a worthwhile but significant investment. To ensure our sustainability initiatives are as meaningful as possible, X5 has chosen to focus on four areas where we are best positioned to have an impact.



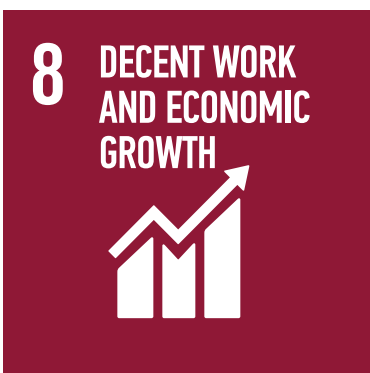
Zero Hunger

To eradicate hunger, X5 is focused on promoting a healthy lifestyle and the availability of quality and wholesome foods. We do this by supporting local communities through expanding social investments and charity programmes.



Good Health & Well-being

X5's goals towards achieving this SDG are designed to support healthy lifestyles, to facilitate accessibility across Group operations to an assortment of high-quality and to healthy foods, and monitor the production of the food and non-food goods we sell “from farm to fork” to ensure both quality and safety.



Decent Work and Economic Growth

Our work to ensure decent working conditions and equal opportunities for employees is a vital component to the success of the Company. This, too, involves monitoring the production of the food and non-food goods we sell, but for social impact, and we also aim to improve the productivity of every employee in support of economic growth.



Responsible Consumption and Production

Advancing responsible consumption and use of resources is perhaps the most complex and wide-reaching SDG in terms of X5's actions. Key goals include reducing of our energy consumption, developing of sustainable packaging, decreasing the amount of waste sent to landfills and, again, monitoring the production of goods, this time from an environmental impact standpoint.

These goals are being integrated into business practices, as we prioritise areas like introducing sustainable packaging to reduce waste, reducing greenhouse gas emissions and improving energy efficiency, as well as caring for the communities where we operate.

To ensure our progress on environmental, social, and governance (ESG) issues is truly sustainable, we’ve developed detailed plans and metrics through 2023, which are tightly integrated into the overall business strategy of the Company. Our ESG goals are – and will continue to be – equally as important as our financial goals, and sustainability has become a strategic imperative for us as we seek to support global endeavours to address sustainable development, including climate change.

Through the implementation of comprehensive ESG strategies, the retail sector has a prime opportunity to establish advanced policies and programmes. We are proud of our progress so far, and we’re ready to focus on the work ahead that is vital not only to our own success but also for the health and future of our planet.



Yana Synesiou
SUSTAINABLE DEVELOPMENT
DIRECTOR, X5 RETAIL GROUP

Yana is responsible for implementation of the sustainable development strategy as well as coordination of various ESG pilots and initiatives. She joined X5 in 2016 as head of strategic projects and then held the role of director of strategic planning before her appointment as director of sustainability. Prior to X5, Yana spent over 10 years working in the United Kingdom, where she primarily focused on corporate and functional strategy development for the retail and consumer goods sector. She holds economics degrees from the London School of Economics and the University of Warwick.

Our approach to sustainable development

[102-12] [102-18] [102-26] [102-44]

X5 won the East Capital Awards in the category “Best Corporate Governance” for its transparent capital allocation structure and strong management team, which the investment company noted is one of the most gender-balanced in Russia.

See more details on our approach to corporate governance in the "Corporate Governance" section of our 2020 Annual Report.

X5 Sustainable Development Governance Model

[102-20] [102-26] [102-29] [102-31]



Supervisory Board

RESPONSIBILITIES

Overseeing integration of ESG into broader business strategy and risk management;
Overseeing ESG goal-setting;
Identifying relevant metrics to measure, manage and communicate progress;
Overseeing ESG communications and reporting.

Frequency of sustainability-related aspects review: semi-annual (Strategy Committee).

Executive Board

RESPONSIBILITIES

Monitoring sustainability risks and opportunities;
Approving strategy and policies;
Setting goals;
Monitoring results.

Frequency of sustainability-related aspects review: four times per year.

Corporate Communication Director

RESPONSIBILITIES

Managing Sustainability Team;
Implementing programmes;
Reporting Results.

REPORTS TO

CEO

Sustainable Development Director

RESPONSIBILITIES

Developing strategy and policies;
Implementing programmes;
Reporting Results;
Day-to-day monitoring of ESG principles;
Achieving KPIs.

Sustainable development strategy

[102-12] [102-15] [103-2] [103-3] [404-2]

X5 Retail Group developed and approved a long-term sustainable development strategy in December 2019 based on the 17 Sustainable Development Goals that the UN adopted in 2015.

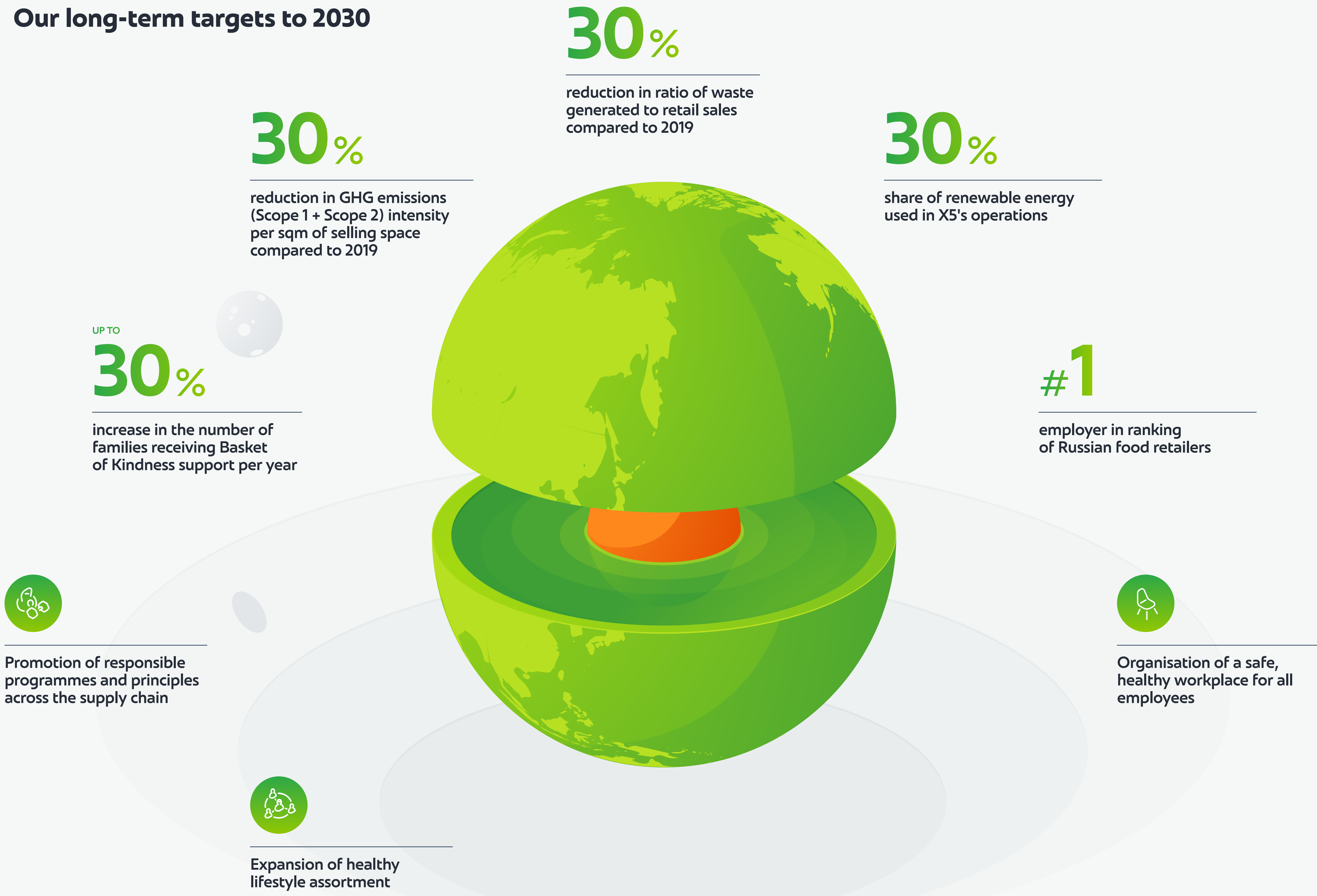
In addition to setting long-term targets to 2030, the Company has also developed detailed plans and metrics for those targets to 2023 and integrated them into its business strategy. Work on programmes aimed at achieving these goals will enable X5 to contribute to the implementation of Russia's National Development Goals to 2030: preservation of the population; human health and well-being; decent, productive work and successful business; and a comfortable and safe living environment.

For each ESG area, processes, documents and metrics have been identified for measuring our progress. Programmes, investments in different areas and metrics are closely integrated into the Company's overall strategy, and its sustainability goals are considered to be key measures of performance in addition to financial and operating goals.

The Supervisory Board approved strategic goals to 2023 and long-term targets to 2030.

30x30

Our long-term targets to 2030



Sustainable development strategy

[102-12] [102-15] [103-2] [103-3] [404-2]



| UN SDGs | Key achievements in 2020 | Our goals to 2023 ¹ | Long-term targets to 2030 ¹ |
|--|---|--|---|
| <div>PRIMARY</div> <div>2 ZERO HUNGER</div> <div></div> | <ul style="list-style-type: none">Food drive initiatives at X5 stores and at korzinadobroty.rf (корзинадоброты.рф) brought in over 267 tonnes of food products, an increase of almost 100 tonnes from 2019146.5 tonnes of food products were collected at the Company's retail stores, 45.3 tonnes were purchased with donations received through the initiative's website, and 75.9 tonnes were provided to health workers by X5142,092 people were given Baskets of KindnessStore employees and rescue volunteers helped 991 lost people, including 76 children, return home through our Safety Zone programme | <ul style="list-style-type: none">Double the number of families receiving food aid through the Basket of Kindness project compared to 2019Develop community care programmesDevelop partnership programmes with small and medium-sized businesses, farmers and local producersAll stores engaged in Help for Lost People programme | <ul style="list-style-type: none">Increase the annual growth rate in the number of families receiving assistance through the Basket of Kindness programme up to 30% per year |
| <div>PRIMARY</div> <div>3 GOOD HEALTH AND WELL-BEING</div> <div></div> | <ul style="list-style-type: none">Updated the agreement on quality audits for private label goods between our three formats: Pyaterochka, Perekrestok and KaruselDeveloped a set of rules and regulations that encompass the entire supply chain from production to consumption for Pyaterochka | <ul style="list-style-type: none">Increase the share of fresh produce, fruits and vegetables in our assortment to 50% compared to 2019Increase the share of buyers who believe that X5's retail chains help them lead a healthy lifestyleExpand the range of products for a healthy lifestyleContinue to develop the product quality control system | <ul style="list-style-type: none">Expand our range of products for a healthy lifestyleDevelop principles and practices for monitoring suppliers' responsible sourcing of goods |

1. Base year is 2019

Sustainable development strategy

[102-12] [102-15] [103-2] [103-3] [404-2]



| UN SDGs | Key achievements in 2020 | Our goals to 2023 ¹ | Long-term targets to 2030 ¹ |
|---|--|---|--|
| <div><div>PRIMARY</div><div><div>8</div><div>DECENT WORK AND ECONOMIC GROWTH</div><div></div></div></div> <div><div>SECONDARY</div><div><div>5</div><div>GENDER EQUALITY</div><div></div></div><div><div>10</div><div>REDUCED INEQUALITIES</div><div></div></div></div> | <ul style="list-style-type: none">• Staff turnover decreased to 37.9% in 2020 from 48.9% in 2019• Advanced a flexible digital HR management system based on big data analytics, electronic services, continuous feedback from employees and the creation of flexible HR tools | <ul style="list-style-type: none">• Achieve an employee engagement rate of above 75%• Become the leading food retailer in rankings of Russian employers• Arrange a safe, healthy workspace for all employees | <ul style="list-style-type: none">• Maintain our #1 position among food retailers in rankings of Russian employers• Ensure the introduction of an appropriate standard for a safe, healthy workspace for all employees |
| <div><div>PRIMARY</div><div><div>12</div><div>RESPONSIBLE CONSUMPTION AND PRODUCTION</div><div></div></div></div> <div><div>SECONDARY</div><div><div>7</div><div>AFFORDABLE AND CLEAN ENERGY</div><div></div></div><div><div>11</div><div>SUSTAINABLE CITIES AND COMMUNITIES</div><div></div></div><div><div>13</div><div>CLIMATE ACTION</div><div></div></div><div><div>14</div><div>LIFE BELOW WATER</div><div></div></div><div><div>15</div><div>LIFE ON LAND</div><div></div></div></div> | <ul style="list-style-type: none">• Bag collection from customers' doorsteps: our online hypermarket Perekrestok Vprok collected around 248,000 bags in 2020 that were used for deliveries• Our retail formats have been especially successful in reducing plastic waste: Perekrestok supermarkets now require that plastic bag suppliers use 35% recycled plastic• Vending machines that take in trash: our pilot programme has so far installed 20 reverse vending machines that collect plastic packaging for recycling at our stores and offer coupons to customers who use them• Published sustainability recommendations for suppliers in June 2020, and detailed sustainable packaging recommendations in March 2021 | <ul style="list-style-type: none">• Reduce greenhouse gas emissions (Scope 1 and Scope 2) intensity per sqm of selling space by 10% compared to 2019• Increase use of renewable energy in our operations• Reduce the ratio of waste generation to retail sales by up to 10% compared with 2019• Increase the share of recyclable solid waste generated in retail chains that is sent for recycling to as high as 95%• Increase the share of food products that cannot to be sold before their sell-by date because of their appearance that are sent for reprocessing to up to 40%• Develop principles and practices for tracing suppliers' responsible sourcing of goods• At least 20% of suppliers promote sustainable packaging• Increase the share of private label goods in environmentally friendly packaging to 50% or more | <ul style="list-style-type: none">• Reduce greenhouse gas emissions (Scope 1 and Scope 2) intensity per sqm of selling space by 30% compared to 2019• Increase share of renewable energy used in our operations to 30%• Reduce the ratio of waste generation to retail sales by 30% compared to 2019 |

1. Base year is 2018 for employee engagement, 2019 for other targets

Sustainable development strategy

[102-12] [102-15] [103-2] [103-3] [404-2]



As part of its sustainable development strategy, X5 Retail Group has also developed separate policies concerning its goals:

- [Sustainable Development Policy](#)
- [Waste Minimisation Policy](#)
- [Occupational Health and Safety Policy](#)
- [Equal Opportunities Policy](#)
- [Policy on the Promotion of Healthy Lifestyles and Healthy Eating Habits](#)
- [Energy Efficiency and Climate Change Policy](#)
- [Responsible Marketing Policy](#)

Existing documents were also updated:

- [Charity Policy](#)
- [Policy on Relations with Suppliers for Non-commercial Procurement \(supplemented by sustainable development principles\)](#)
- [Policy on Working with Suppliers of Goods Intended for Sale in Retail Chains \(supplemented by sustainable development principles\)](#)

In the spring of 2020, X5 Retail Group became the first Russian retailer to join the United Nations Global Compact, an international business initiative in the area of corporate social responsibility and sustainable development. In December 2020, the Company also joined the international Science Based Targets initiative: X5 committed to setting scientifically based greenhouse gas reduction targets in line with the Paris Agreement.

Education and awareness [404-2]

ESG is a team effort, and our progress depends on X5 employees understanding our key sustainability concepts and being aware of what X5 is doing to reach our goals.

X5 deploys three educational strategies: creating awareness, providing training and encouraging informal engagement.

- Launched online sustainable development training for all current and new employees of the Company's retail stores and offices. The 45-minute interactive lesson is divided into four thematic blocks: global trends in sustainable development and why they are important, the UN SDGs, X5 Retail Group's sustainable development strategy, and our company goals with information on how employees can help achieve them.
- Developed dashboards for each of our networks and business units to track progress towards our sustainability targets. This information supports internal engagement on sustainability.

COVID-19 response

[203-1] [403-6] [413-1]

Alongside our digital strategy, the sustainable development strategy laid the foundation for our robust and rapid response to the emergence of COVID-19.

We entered 2020 planning to continue to ramp up our digital businesses while rolling out new concepts for our Pyaterochka proximity stores and Perekrestok supermarkets. Innovations and efficiency, which we have been investing in for several years, remained central parts of our plans. In many ways, that work enabled us to quickly and effectively react to the pandemic and how it changed the way most of the world worked and learned and shopped.

With robust business practices in place, we were able to quickly implement new safety procedures across our network of 17,707 stores as well as in our multiple offices. Our digital transformation was already well underway, meaning new businesses like the online hypermarket Perekrestok Vprok, express delivery services and 5Post were already up and running. This enabled us to continue serving our customers even as strict lockdown rules were introduced during March–June 2020.

Key highlights of response to the pandemic in 2020:

- Established emergency management team that held daily virtual meetings in March–June
- More than 90% of office employees using a “phygital office” for remote work, starting in March 2020
- All employees at warehouses and stores provided with personal protective equipment (PPE) for the workplace
- Increased deliveries to stores of key staples in order to ensure shelf availability throughout peak periods of demand
- Established backup mobile offices and procedures for centralised treasury and corporate finance functions in order to guarantee uninterrupted payments to employees, suppliers and other counterparties
- Created additional mobile teams for in-store and supply chain operations to cover operations in the event of a COVID-related team quarantine
- Introduced zero commercial markup on a number of basic goods to support the lowest-income consumers during challenging economic times
- Reserved additional hours at the end of each working day in stores for additional disinfection using a certified third-party provider
- Built up additional stock of food and non-food consumer staples in January and February to guarantee sufficient supply during peak demand
- Added to the assortment of personal and home sanitisers, masks and gloves for customers
- Offered new options and procedures for contactless delivery of online orders
- Accelerated commissioning (one month ahead of schedule) of an additional Moscow dark store for Perekrestok Vprok operations to increase order fulfilment capacity, as well as utilisation of additional third-party vehicle capacity for delivery of online orders during peak times (April–May)
- Expanded geography of express delivery and online hypermarket services to 13 new regions
- Paid additional bonuses to in-store and supply chain employees for their work during the COVID lockdown period
- Offered rent holidays for SMEs that were subletting space in X5 stores for the lockdown period of March–June
- Supplied free-of-charge lunches to medical staff in three Moscow hospitals in April–December
- Renegotiated rent payments by X5 supermarkets and hypermarkets located in shopping centres due to the decline in consumer traffic during the lockdown period
- Conducted additional charity work, such as organising volunteers to deliver food to elderly people who were shielding at home
- Dedicated special morning time slots to serving elderly customers at higher risk of contracting COVID-19 during the lockdown
- Offered special delivery time slot preferences for Perekrestok Vprok and express delivery to elderly customers
- Additional costs (including rent holidays to sub-lessees and reduced commercial markups) associated with COVID totalled RUB 3.5 billion (0.2% of revenue)
- X5 Retail Group supplied food to hospitals in order to help doctors treating coronavirus patients. In total, 75.9 tonnes of food were sent to 79 hospitals in 17 regions, helping over 70 thousand doctors.
- In March–April 2020, X5 offered temporary employment to 40 thousand people who had lost their jobs when other companies shut down as a result of COVID-19.

In 2020, we adapted our existing Basket of Kindness programme to focus on online food drives, helping to support our local communities during the pandemic. Our Smart Kitchen, which produces ready-to-eat food for our stores, provided free high-quality meals to medical staff in and around Moscow working hard to treat coronavirus patients.



Stakeholder engagement

[102-40] [102-42] [102-43] [102-44]

We interact with a wide range of stakeholders as part of our day-to-day business, and we believe that maintaining a regular dialogue with our stakeholders enables us to create value and grow our business in a sustainable and profitable way. For the convenience of our stakeholders, a separate sustainability website was launched in November 2020: esg.x5.ru. The new website is fully dedicated to X5’s sustainable development strategy and provides information about the Company’s sustainability goals, programmes and progress. Corporate sustainability policies, reports and news on ESG-related topics are also published on this website.

We have identified six groups of key stakeholders:


- customers
- employees
- shareholders and investors
- suppliers and business partners
- society and local communities
- regulators and government officials

Stakeholders were identified based on both the extent to which our activities affect each group and the extent to which their opinions influence our decision-making. Below is a description of our key interactions with each group and highlights of our stakeholder engagement activities.





Stakeholder engagement

[102-40] [102-42] [102-43] [102-44]

| STAKEHOLDERS | WHY WE INTERACT | HOW WE INTERACT | 2020 PERFORMANCE HIGHLIGHTS |
|---|---|--|--|
| <div></div> <div>Customers</div> | <ul style="list-style-type: none">• Ensure customers are aware of the value propositions of our retail formats• Differentiate ourselves from other food retailers• Encourage use of loyalty programmes and CVM (customer value management) to offer more individualised experience• Facilitate customer feedback, which helps us improve our assortment and business processes• Answer customers’ questions and address their complaints• Stay ahead of the curve in responding to changing consumer trends and emerging demand• Encourage more sustainable shopping practices, such as reusable and recycled bags, plastic bag collection and reverse vending machines for recycling | <ul style="list-style-type: none">• Maintain over 20 channels for interaction with customers, ranging from chatbots in messenger apps to social media and a telephone hotline• Integrate feedback and rating tools into our apps and website to enable collection and analysis of customer preferences• Measure customer satisfaction by conducting a country-wide Net Promoter Score (NPS) assessment• Use big data analytics of customer transactions to help X5 and our suppliers make more informed decisions about customer demand | <ul style="list-style-type: none">• Over 5.3 billion customer visits in 2020• Pyaterochka and Perekrestok NPS scores improved year-on-year by 3 and 6 points, respectively• Accelerated development of digital businesses like express delivery, Perekrestok Vprok and 5Post in response to consumers’ rapid shift to online shopping during the COVID-19 pandemic• Rolled out CVM tools to provide more individualised offers based on automated, big data–powered tools• Further refined CVPs of store formats, including making in-store safety for staff and customers a key element of our offering during the COVID-19 pandemic• Continued rollout of big data analytics products to automate assortment and pricing, enabling us to meet demand more accurately and efficiently, and share the benefits with our customers• Launched a variety of joint pilots in all of our formats to promote sustainability principles, including sustainable consumption courses for customers and lectures on healthy lifestyles |
| <div></div> <div>Employees</div> | <ul style="list-style-type: none">• Facilitate the professional growth and well-being of employees• Prepare our employees for the future of retail by enhancing their understanding of and ability to contribute to our digital and omnichannel businesses• Develop a corporate culture that helps us achieve our strategic goals• Further improve occupational health and safety across our operations• Provide training and other tools to encourage employee engagement in our sustainability initiatives• Ensure that employee ideas that will further improve our operations are heard and can be acted upon• Efficiently retain and develop a workforce of skilled and motivated employees• Further improve our reputation as an attractive employer for current and potential employees• Educate employees about X5’s sustainable development strategy and goals, and how they impact our business | <ul style="list-style-type: none">• Provide meaningful career opportunities in addition to competitive, fair and transparent salaries and motivation schemes• Added and improved employee feedback mechanisms, enabling us to better shape the agenda in areas like working conditions, compensation, management and corporate culture• Increased use of digital tools to link training, skills assessment and overall career growth• Offer the X5 Digital Academy and other professional learning programmes to help our employees grow and develop in line with our strategic priorities• Uphold our human rights policy and ensure that employees are provided with all the freedoms they are entitled to• Implement strict occupational health and safety policies, including in response to the COVID-19 pandemic, and inform employees about workplace health and safety requirements• Support employees in need in cases of long-term illness or accidents, bereavement or loss of property• Recognise significant contributions to the Company’s performance• Create opportunities to engage with the corporate social responsibility agenda and make a positive social impact | <ul style="list-style-type: none">• All members of the X5 management team sacrificed 4% of their annual base pay to provide financial support to employees affected by COVID-19• The X5 Digital Academy trained 839 people, enhancing skills in key areas like big data analysis, machine learning and digital business development• Adapted workplace practices in response to COVID-19, providing enhanced protective procedures for store staff and enabling most office staff to work from home• Implemented diversity and human rights policies |

Stakeholder engagement

[102-40] [102-42] [102-43] [102-44]

| STAKEHOLDERS | WHY WE INTERACT | HOW WE INTERACT | 2020 PERFORMANCE HIGHLIGHTS |
|---|---|--|---|
| <div></div> <div>Shareholders and investors</div> | <ul style="list-style-type: none">• Inform investors about X5’s business and sustainability goals, current financial and operating performance and other significant events• Explain how we plan to increase the value of our business• Engage in a dialogue to receive feedback that may help us further improve the business• Ensure investor support for X5’s capital markets activities• Support growth in market capitalisation over the long term | <ul style="list-style-type: none">• Disclose information on updates and shifts in our strategic priorities• Upgrade our ESG disclosure practices to align them with globally recognised best practices• Explain our view of the food market and competitive environment, and how it will develop• Implement corporate governance systems that are in line with global best practice• Regularly publish timely, accurate and relevant information about Company performance via our investor website with annual reports, financial statements, press releases and presentations• Hold virtual and in-person roadshows• Participate in virtual and in-person investor conferences• Conference calls• Group meetings with analysts and investors | <ul style="list-style-type: none">• Updated dividend policy first introduced in 2017 to enable investors to more regularly participate in X5’s successful performance• Adapted investor relations practices to COVID-19 restrictions, ensuring access to management for investors even when in-person meetings were not possible• Held frequent phone calls, video calls and meetings with investors and analysts• Held 8 roadshows (all of which all were virtual) and participated in 18 investor conferences (16 of which were virtual)• Held virtual Capital Markets Day to present new strategy• Published 35 press releases via a regulatory information service• Added dedicated ESG section to corporate website• Disclosed first semi-annual sustainability performance report• Created ESG databook that is available on corporate website |
| <div></div> <div>Suppliers and business partners</div> | <ul style="list-style-type: none">• Ensure the reliable and timely supply of high-quality goods• Facilitate access to X5’s network of stores for local producers across the regions where we operate• Help suppliers better understand consumer demand and offer more efficient promos• Implement systems to ensure the health and safety of the products we sell• Work with suppliers to enhance the sustainability of packaging• Continuously improve the efficiency of our supply chain | <ul style="list-style-type: none">• Use big data–powered tools to provide suppliers with access to better analytics about customer demand and preferences• Uphold high standards of business relations based on trust and respect• Provide information and training for regional producers to increase the share of local goods offered across our formats• Work with suppliers to develop responses to customer ratings and complaints• Train suppliers on how to work efficiently with X5’s logistics infrastructure• Enable access for both large federal and smaller local suppliers to our transport and logistics infrastructure• Develop the Dialogue X5 events into a virtual platform for suppliers to communicate with X5 and access information that will help them to better understand consumer needs• Conduct regular surveys and other activities to collect and analyse supplier feedback | <ul style="list-style-type: none">• Added 1,703 new suppliers in 70 Russian regions and 58 foreign countries• Expanded exclusive private label lines with selected suppliers• Launched the Dialogue X5 virtual platform, which offers suppliers access to key tools to manage supplies and promo for X5 customers• Maintained a top-three ranking position among retailers according to an annual survey of suppliers regarding their interactions with retailers, conducted by Advantage• Worked across the whole value chain together with suppliers and other stakeholders to develop recommendations on sustainable packaging for our suppliers• Developed detailed informational materials to guide our suppliers on our new recommendations• Incorporated our packaging recommendations and recommended certifications into our purchasing policies for suppliers |

Stakeholder engagement

[102-40] [102-42] [102-43] [102-44]

| STAKEHOLDERS | WHY WE INTERACT | HOW WE INTERACT | 2020 PERFORMANCE HIGHLIGHTS |
|---|---|---|---|
| <div></div> <div>Society and local communities</div> | <ul style="list-style-type: none">Secure our licence to operate from society by ensuring that we contribute to the development and well-being of local communitiesConduct surveys and other activities to enhance our understanding of local communities’ priorities and concernsSupport the health and well-being of communities where we operateContinuously monitor and strengthen the reputation of our brandsUse a variety of channels to communicate with local communities, from in stores to local and national media and social media | <ul style="list-style-type: none">Continue to expand initiatives such as the Basket of Kindness food bank and Liza Alert search-and-rescue operations, adapting them to the COVID-19 pandemic where neededImplement programmes that empower our customers to donate to good causes together with X5Identify and execute events that are priorities for local communities like tree planting, green-up days, Victory Day celebrations and othersEnsure that our operations are compliant with environmental regulationsReport about our environmental performance, including measures to reduce emissions, consumption and waste generated by our activitiesWork with municipal, regional and federal governments to facilitate initiatives aimed at supporting disadvantaged groups such as pensioners | <ul style="list-style-type: none">Paid over RUB 126 billion in local, regional and federal taxesProvided convenient, modern and reliable food retail services to people in 66 regions in RussiaCollected 267 tonnes of food that were delivered to 120 thousand people in need as part of food drives organised by Basket of KindnessIntroduced volunteer programmes to deliver food orders to elderly people who were self-isolating or shielding at home during the COVID-19 pandemicCollected RUB 11 million in donations from customers for charitable causes |
| <div></div> <div>Regulators and government officials</div> | <ul style="list-style-type: none">Engage in regular dialogue with local authoritiesEnsure we are informed about local policies or regulatory changes that could impact our businessEngage in a dialogue and provide constructive input regarding regulations and legislation that may impact our businessEnsure that regulators understand the priorities of X5 and our industryInform government officials about X5’s contribution to Russia’s social and economic development, and how we create value for stakeholders in the countryEnsure management is informed about current and planned regulatory or legislative initiatives that may impact our business | <ul style="list-style-type: none">Support and play an active role in industry associations that represent the interests of retailers with regard to regulation and legislationEngage with relevant government officials at key events such as DC openings in order to show how X5 is creating jobs and supporting local producersEngage in working groups on issues relevant to X5 Retail Group at federal and regional levelsFacilitate testing of technological changes such as labelling for various categories of goods, electronic document exchange and electronic signaturesMaintain an open dialogue with the industry association AKORT and provide X5’s position on matters that are important for retailers, such as environmental and sanitary legislation, charity, etc. | <ul style="list-style-type: none">Food retail industry reached agreement with government to ensure affordability of key food staples and avoid strict price controls during the pandemicSuccessfully cooperated with various government bodies to ensure smooth operations of food retail and avoid potential disruptions in the supply chain and other operationsMaintained all necessary permissions and licences for X5 operations across our entire value chainRegulations barring food retailers from selling medical masks and gloves were rescinded, helping make these items more accessible during the pandemicAligned remote work governance with the need for greater flexibility for office employees to work from homeFacilitated various initiatives to ensure efficiency and continuity in import operations from various geographies |



04.



Responsible business conduct

- Risk management 28
- Compliance and business ethics 29
- Responsible supply chain 34
- Care for our customers 36

Risk management

[102-11] [102-15] [102-30] [103-1] [103-2] [103-3] [201-2]

The Management Board, supported by the Executive Board and the Risk Management team, is responsible for designing, implementing and operating an adequately functioning risk management system for the Company. A detailed discussion of X5 Retail Group’s risk management function is available on pages 153–158 of the 2020 Annual Report. The section below contains highlights relevant to X5’s sustainability practices.

The aim of our risk management system is to ensure that the extent to which the Company’s strategic and operational objectives are being achieved is understood, that the Company’s reporting is reliable and that the Company complies with relevant laws and regulations. At the operational level, there are three lines of defence to monitor and control risks:

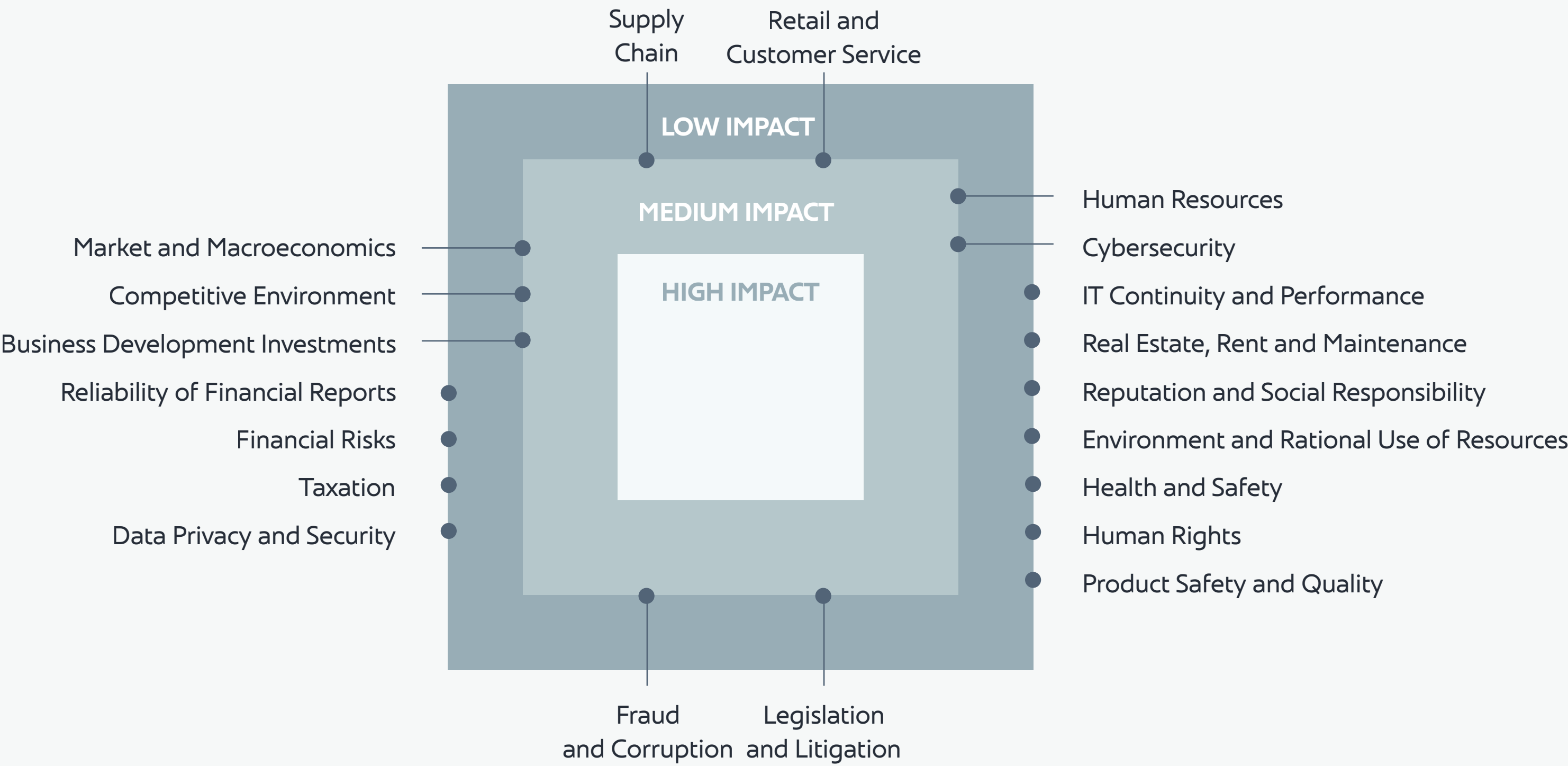
| FIRST LINE | SECOND LINE | THIRD LINE |
|--|---|--|
| Business unit/ risk owners | Risk Management, Internal Control and Compliance | Internal Audit |
| Manage risks on a daily basis and provide assurance regarding the effectiveness of controls | Steer, monitor and support line management in (1) managing risks and (2) developing and maintaining an adequate framework for control and compliance | Conduct audits and test the internal control and compliance framework for assurance of the effectiveness of control |

Principal risks

X5’s principal risks are those that may impede the achievement of X5’s objectives on strategy, operations, compliance and reporting, and are marked in the medium impact zone on the heat map below. It should be noted that there are additional risks that management considers immaterial or common to companies in the same line of business.

In addition to monitoring and managing the principal risks described our 2020 Annual Report, the Company has similarly robust processes to monitor sustainability risks, which may become material risks in the future. Please refer to the specific sections of this Report for discussion of how we manage risks related to sustainability topics, including product quality and safety and the environment. We note that our risk map already includes risks related to our sustainability activities, including those concerning health and safety, human rights and product safety and quality.

In addition, X5 has undertaken a climate risk assessment and scenario analysis.¹ This review included an assessment of both transition and physical risks according to three climate scenarios for short-term, mid-term and long-term planning. Our goal is to develop a clearer understanding of the potential implications of climate-related risks and opportunities for our Company and to take corresponding actions to strengthen our resilience. Please refer to the section TCFD Disclosures of this Report for further information, including in relation to risk management.



1. X5 uses the Task Force on Climate-related Financial Disclosures (TCFD) recommendations for the assessment of climate-related risks.

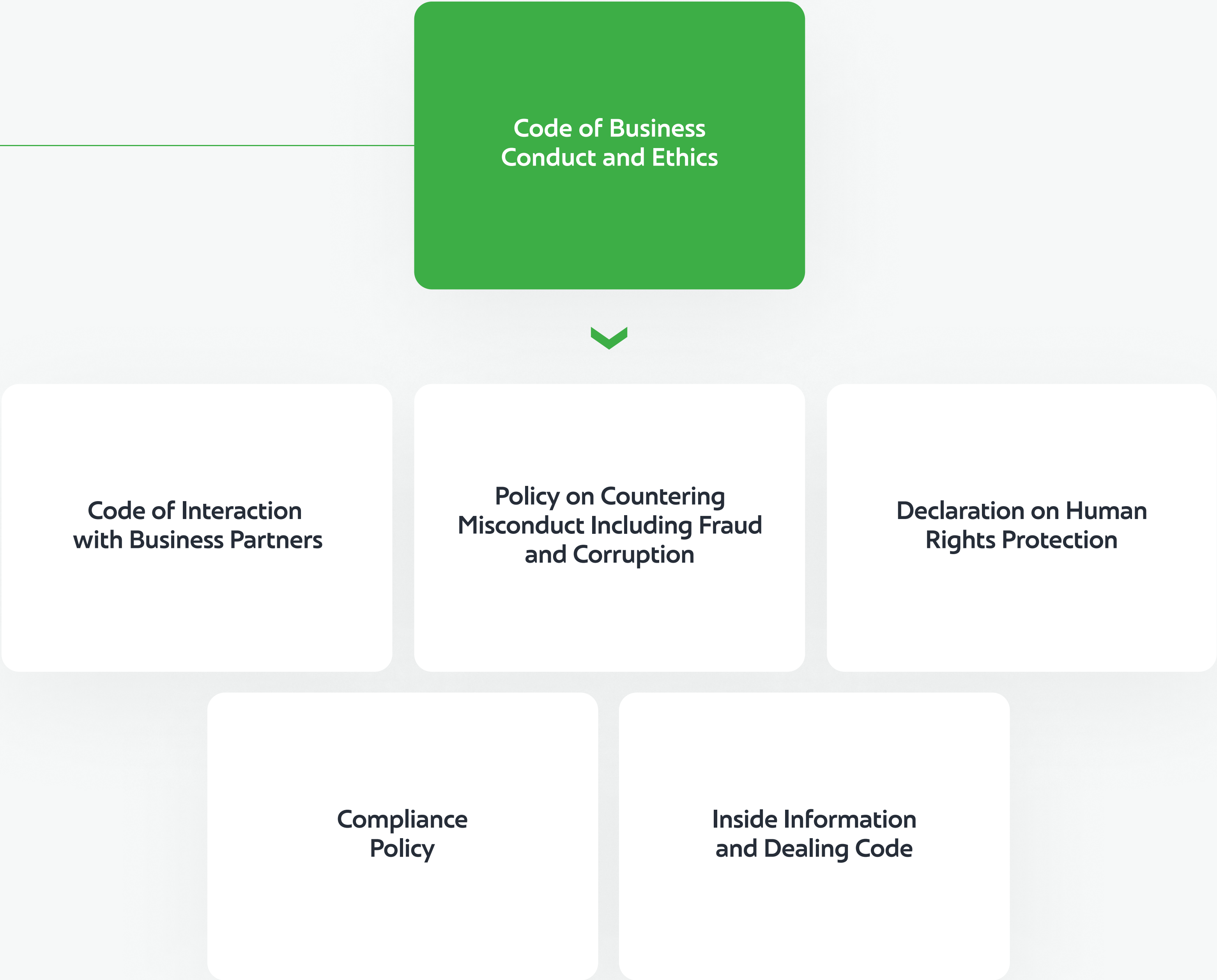
Compliance and business ethics

[102-16] [102-17] [102-20] [102-25] [205-2] [205-3] [412-2]

Principal documents

When conducting business, X5 Retail Group is committed to a corporate culture of shared values based on ethical standards, mutual respect and compliance with applicable laws and regulations. These values and principles are reflected in our Code of Business Conduct and Ethics (the “Code”), underlying policies and procedures, and through learning and training programmes.

The Code of Business Conduct and Ethics and its underlying policies intend to help each employee comply with relevant legal and regulatory obligations and make ethical choices as related to our business. Our policies are posted on our website and/or intranet, enabling X5 employees and business partners to familiarise themselves with them. The Code and its underlying policies are reviewed and updated on a periodic basis in response to changes in legislation and Company processes.



Compliance and business ethics

[102-16] [102-17] [102-20] [102-25] [205-2] [205-3] [412-2]

Policy highlights

CODE OF BUSINESS CONDUCT AND ETHICS

The Code of Business Conduct and Ethics sets standards of conduct that employees are expected to strictly observe in relations with customers, suppliers and other employees, as well as a set of basic principles that guide our business practices.

The Code covers areas such as fair competition, fighting bribery and corruption, care for the environment, protection of personal data and Company assets, avoiding conflicts of interest, equal opportunities for employees and safe working conditions, and how to deal with customers, suppliers and competitors. Furthermore, the Code includes provisions on mechanisms for reporting violations of the Code. The provisions of the Code apply to all employees regardless of their position or function; they are made familiar with the provisions of the Code through periodic, interactive learning programmes.

Throughout the Code, one of the key approaches is “when in doubt, ask”. If employees have a question concerning the Code or any ethical issue that they encounter in their work at X5 Retail Group, they are obliged to contact their immediate supervisor or local management or report to the Compliance Officer or X5 hotline.

A special email for reporting to the Compliance Officer is available: compliance@x5.ru. While we recommend that employees only use the X5 ethics hotline to report cases of violations, anyone contacting the hotline for advice will receive an answer.

Practical guidance on specific topics outlined in the Code is given in additional documents described below.

DECLARATION ON HUMAN RIGHTS PROTECTION

[412-2]

X5’s Declaration on Human Rights Protection defines principles and rules in respect of compliance with and promotion of high international standards for the protection of human rights at every level of the Company’s operations:

- Prohibition of discrimination and forced labour
- Prohibition of harassment
- Respect for cultural diversity and values
- Respect for the right to freedom of assembly and association
- Occupational health and safety

As a complement to the Code of Business Conduct and Ethics, the Declaration on Human Rights Protection is a binding document for all X5 employees. Training on human rights is a part of corporate business ethics training, which is mandatory for all employees.

INSIDE INFORMATION AND DEALING CODE

X5’s Inside Information and Dealing Code aims to ensure that X5 employees do not abuse, and do not place themselves under suspicion of abusing, inside information and that they comply with their obligations under the applicable rules on inside information and securities trading.

Compliance and business ethics

[102-16] [102-17] [102-20] [102-25] [205-2] [205-3] [412-2]

Policy highlights

CODE OF INTERACTION WITH BUSINESS PARTNERS

As an industry leader, we are aware of our responsibility to the government, society, our shareholders and business partners, and we aim to fully comply with legal and ethical standards, as well as best corporate practices, in order to serve as an example for other market participants.

The Code of Interaction with Business Partners contains provisions regarding compliance with trade and competition laws, anti-corruption and fraud legislation, legislation on the quality of products and services, legislation in the field of environmental protection, laws in the field of labour relations and occupational health and safety, communication standards, information protection, prevention of conflicts of interest, etc. Violations of the Code of Interaction with Business Partners are handled by X5's Conciliation Commission (see below).

COMPLIANCE POLICY

In order to ensure compliance with the requirements of regulators and stakeholders, as well as internal standards and rules on business conduct and ethics, X5 has adopted a Compliance Policy in accordance with ISO 19600:2014 (Compliance Management Systems).

Compliance risks are assessed and reviewed by the Audit and Risk Committee on an ongoing basis.

POLICY ON COUNTERING MISCONDUCT INCLUDING FRAUD AND CORRUPTION

X5 and its brands are committed to conducting business in an ethically responsible manner and complying with all applicable laws and regulations. This commitment specifically includes compliance with laws relating to anti-corruption and bribery.

In addition to the Code of Business Conduct and Ethics, X5's Policy on Countering Misconduct Including Fraud and Corruption (the "Anti-Corruption Policy") prohibits any form of corruption or bribery, including facilitation payments. It aims to create a culture of honesty and zero tolerance for illegal behaviour among staff, and also to eliminate any risks of involving the Company in corrupt activities. Our anti-corruption system includes a set of mechanisms, procedures and tools aimed at preventing, uncovering, investigating and responding to all possible cases of misconduct. Furthermore, it establishes roles and responsibilities for departments and management bodies within the anti-corruption system. Our aim is to conduct business only with those partners that share X5's principles of zero tolerance for corruption and fraud, and relevant provisions are included in the agreements with our suppliers and other business partners.



Compliance and business ethics

[102-16] [102-17] [102-20] [102-25] [205-2] [205-3] [412-2]

Compliance and ethics systems [102-20]

ETHICS COMMITTEE

[102-20]

The Ethics Committee is responsible for:

- Objective review of disputes related to alleged violations of the Code of Business Conduct and Ethics and related policies
- Resolving conflicts of interest
- Approving anti-fraud and anti-corruption measures

The Ethics Committee includes the Company’s Chief Executive Officer (Chairman of the Committee), the Director for Legal Affairs and Government Relations, the Security Director, the Business Support Director and the Director for Human Resources and Organisational Development. The Committee’s decisions are binding on all Company employees.

CONFLICTS OF INTEREST

[102-25]

Our internal procedure for declaring, monitoring and resolving conflicts of interest enables managers and employees to disclose situations where the personal interests of an employee at any level affects or could affect the rights and interests of the Company and establishes procedures for the purpose of resolving such situations.

The Compliance Department is responsible for the effectiveness of the procedure for reporting on and resolving conflicts of interest.

Additional information regarding X5’s corporate governance systems and mechanisms for managing conflicts of interests is provided on page 149 of the "Corporate Governance" section in our 2020 Annual Report.

REPORTING VIOLATIONS AND WHISTLE-BLOWING

[205-3]

Employees are encouraged to report any actual or suspected violations of the Code of Business Conduct and Ethics or labour laws. Various communication channels are available to employees for reporting violations: reports can be made through the ethics hotline or by e-mail, as well as through Company websites and intranet portals.

Responsible staff are required to review all reports and follow up in accordance with internal procedures. Reports via the ethics hotline can be made anonymously; moreover, provided that reports are made in good faith, employees can contact the ethics hotline without fear of retaliation, even if it is impossible to confirm that a violation has taken place. The Company guarantees confidentiality of any report made.

In 2020, there were no substantiated reports of significant financial reporting, accounting, fraud or ethical violations.

In addition to the whistle-blowing channels for employees, the Company operates a reporting channel for business partners and other third parties. Violations of the Code of Interaction with Business Partners are handled by X5’s Conciliation Commission, which serves as a corporate arbitrator in disputes with business partners. Violations can be reported via the feedback form posted on X5’s website.

Grievance mechanisms

| | 2019 | 2020 |
|--|-------|-------|
| Total number of reports received through the ethics hotline, by category | 7,124 | 8,069 |
| Related to HR issues, incl. | 4,641 | 6,094 |
| Confirmed and resolved reports related to HR issues | 1,254 | 1,329 |
| Related to Code of Business Conduct and Ethic issues, incl. | 2,483 | 1,975 |
| Confirmed and resolved reports related to Code of Business Conduct and Ethics issues | 580 | 491 |

Compliance and business ethics

[102-16] [102-17] [102-20] [102-25] [205-2] [205-3] [412-2]

Compliance and ethics systems

TRAINING
[205-2]

In addition to the fact that all Company employees are required to familiarise themselves with the Code of Business Conduct and Ethics, the Company conducts regular training on the Code of Business Conduct and Ethics and related policies, during which employees are required to take part in sessions covering the practical application of these documents. In 2020, 37% of employees completed the Code of Business Conduct and Ethics training, which includes anti-corruption policies and procedures.

The determination of standards and requirements and the development of training programmes in the areas of compliance and ethics are entrusted to the Compliance Department.



Responsible supply chain

[102-9] [102-43] [102-44]

In order to achieve the goals set out in our sustainability strategy, we must work with our partners in order to become more sustainable together. Since adopting our sustainability strategy in December 2019, we have taken the first steps towards creating a responsible supply chain and to increasing the share of goods on our shelves that are produced and packaged in a responsible way.

We expect that the products suppliers provide to X5 Retail Group will be certified to meet voluntary environmental and social standards.

Our sustainable packaging recommendations contain detailed information covering three aspects of packaging – design, materials and information (including labelling and customer and employee education) – and take into account existing legislation, as well as the technology and infrastructure available in Russia.

We have committed to ensuring the promotion of sustainable packaging by at least 20% of suppliers and to increasing the share of private label goods in environmentally friendly packaging to 50% or more by 2023.



Responsible supply chain

[102-9] [102-43] [102-44]

Sustainability recommendations



We are engaged in an active dialogue with suppliers on issues of certification and packaging, and we are working on joint sustainability programmes. In June 2020, we published sustainability recommendations for suppliers. This document is intended for X5 employees and suppliers and covers commercial procurement of core branded items, non-commercial procurement and production of private label items.

These recommendations were focused on sustainable consumption and production, one of the four UN SDGs that we are focused on achieving. The recommendations for X5 Retail Group’s supply chain are based on the sustainability principles that govern our internal processes and business units. The documents were developed in line with best sustainability practices in the food retail sector and are based on the results of a survey of X5’s 30 largest suppliers.

In addition to reviewing the best practices in Russia’s FMCG industry, we used the latest scientific evidence and expert findings to underpin our recommendations for suppliers and updated the following policies: Policy on Relations with Suppliers for Non-commercial Procurement (supplemented by sustainable development principles) and Policy on Working with Suppliers of Goods Intended for Sale in Retail Chains (supplemented by sustainable development principles). In addition, we developed these guidelines with the support of WWF Russia, the Ecological Union, Greenpeace, the Razdelny Sbor (Separate Collection) environmental movement, the Higher School of Economics, FSC, Deloitte CIS and many other stakeholders.

The sustainability recommendations for suppliers list specific types of voluntary environmental and social certifications for various product categories, informing consumers of responsible production practices. The document also reflects X5’s vision for sustainable packaging, including the use of renewable packaging materials, its potential to be recycled in Russia, the use of mono-materials and recycled materials, reusable packaging and lean design. It specifies the most and least preferred raw materials for packaging.

X5 published the recommendations on its website and informed its partners and suppliers of relevant updates to procurement policies. The recommendations are not mandatory, but we consider it a strong advantage if potential suppliers’ products and practices are in line with the recommendations when a decision on partnership is made.

In line with this approach, we committed to developing principles and practices to enable us to monitor suppliers’ responsible sourcing of goods by 2023.

Sustainable packaging recommendations



In 2020, we started developing detailed recommendations on sustainable packaging for 13 different categories of products; the recommendations were introduced in March 2021, after the reporting date. These recommendations were finalised after discussions with the suppliers of all 13 product categories and with input from the expert community, including industry non-profits, packaging manufacturers and waste management companies. In total, we received feedback from 23 suppliers and 16 experts. We also held a public discussion attended by over 100 stakeholder representatives.

Our sustainable packaging recommendations contain detailed information covering three aspects of packaging – design, materials and information (including labelling and customer and employee education) – and take into account existing legislation, as well as the technology and infrastructure available in Russia.

The recommendations are available in Russian on the X5 website, and they have been sent to our partners and suppliers; we have also updated our training course for X5 suppliers and employees in the procurement function. The recommendations are not mandatory, but X5 will support and promote the technology and products of those vendors who choose to implement them.

We have committed to ensuring the promotion of sustainable packaging by at least 20% of suppliers and to increasing the share of private label goods in environmentally friendly packaging to 50% or more by 2023.

Selection of suppliers and contractors



We expect that the products suppliers provide to X5 Retail Group will be certified to meet voluntary environmental and social standards. We do not advise any particular certification, giving our suppliers the right to choose any applicable standards, including those on the list of recommended options. All new X5 suppliers undergo an audit before being admitted as an X5 supplier. Some existing suppliers are also periodically subject to audit.

Detailed information on how we audit our suppliers is provided in the “Product quality and safety assurance” section on pages 39–43.

External contractors sometimes work on X5 premises, and we seek to ensure that they understand our requirements for maintaining a safe and healthy workplace. The main goals of OHS management in relations with external contractors are to provide direction, coordinate efforts and achieve consistent results based on trust, while systematically monitoring the implementation of OHS requirements on the part of the contractor’s personnel. All employees of contractors working on X5 property must take part in a mandatory briefing on occupational health and safety for third-party organisations.

The rules and policies governing our interactions with suppliers are described in the “Compliance and business ethics” section on page 30.

Supplier portal and education



We have established a new supplier portal, Dialogue X5, on our Company’s website. This web portal contains relevant policies and educational resources for our suppliers. Suppliers add information regarding products that are sold in X5’s retail chains. We plan to develop this portal further in 2021 in order to enable suppliers to add product features regarding certification, packaging materials and healthy attributes. This will make the process of tracking our goals more transparent, with relevant data constantly available.

In August, we developed a special training course titled Sustainable Development for X5’s Suppliers, which is publicly available on the Company’s website.

Care for our customers

Customer feedback is strategically important for our business to succeed. We aim to put our customers at the centre of every decision we make, and the more informed we are about their needs, the more targeted our decisions will be.

5.3_{BLN}

purchases made in our stores in 2020

In addition to analysing data about these purchases to better understand demand, we have begun seeking customer ratings of the products purchased via our formats’ websites and mobile apps.

During 2020, Pyaterochka received product ratings from 4.5 million unique guests, and their feedback led to changes in 80 SKUs during the year. We received over 120 million product ratings, which helped us to make a number of changes to our assortment in response to this feedback. Perekrestok received over 3.1 million customer inquiries during 2020, of which 570 thousand were product ratings.

We also use external suppliers of Net Promoter Score (NPS) data to help us to understand the level of customer satisfaction at our stores and formats. NPS is a key measure of customer satisfaction that is used across the retail industry, and NPS performance is included in management KPIs.

In total, Pyaterochka and Perekrestok have over 20 different feedback channels, ranging from a call centre to chatbots to the mobile app.

In addition to customer feedback, the sustainability recommendations described on page 35 of this report also provide guidance to suppliers on how to indicate that product packaging is recyclable and/or biodegradable.





05.

Healthy lifestyles



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Promoting healthy lifestyles 44

Our plans 48

Our approach and 2020 highlights

[103-1] [103-2] [103-3]

Maintaining high standards of product safety and quality is a key element of the sustainability of our businesses. Our customers depend on us to ensure that every store we operate offers them fresh and high-quality goods that are safe for consumption. As a committee member of the Collaboration for Healthier Lives Coalition (Consumer Goods Forum) and various industry associations, we collaborate with consumer goods producers and other food retailers to ensure that we adhere to best practices to offer quality and healthy products.

Our work in the area of product quality and safety and healthy lifestyles is guided by our Policy on Promoting Healthy Living and a Healthy Diet, which is available in English and Russian on our [website](#). These policies outline our priorities in areas like product safety and quality, ensuring food contains wholesome and healthy ingredients, promoting physical and mental health, encouraging suppliers to certify the healthy foods we sell and upholding transparency and cooperation.

Our systems and policies in this area are constantly developing as we work to implement best practices and comply with relevant legislation. We ultimately want to be able to track goods “from farm to fork” in order to ensure they meet our high standards for quality and safety. This will also enable us to analyse the social and environmental impact of their production as we seek to promote a reliable supply chain.

Suppliers are regularly audited by independent, accredited international organisations. We continue to work on the preparation of quality specifications for food products, our private labels and packaging materials.

As part of our multi-format operating model, each retail format has its own Quality Department that, together with the Commercial Department and the Category Management Department, oversees all stages of the product life cycle.

We also seek to promote healthy lifestyles by expanding the assortment of healthy foods we offer in our stores and by promoting their availability with special signs and labelling. Enhancing our healthy lifestyle assortment is in line with UN SDG 3 (Good Health and Well-being) and represents a response to customer demand as people in Russia become increasingly conscious of the role that healthy foods play in overall well-being.

2020 highlights

- Updated the agreement on quality audits for private label goods between our three formats: Pyaterochka, Perekrestok and Karusel
- Developed a set of rules and regulations that encompass the entire supply chain from production to consumption for Pyaterochka
- Increased the share of healthy lifestyle products in the Perekrestok product mix by 300 healthy SKUs, expanded Green Line to cover all categories and regions and identified partners for specialised expert assessments of the product mix



Product quality and safety assurance

[102-10] [102-12] [404-2] [416-1]



Pyaterochka

Pyaterochka product quality and safety assurance functions are undergoing a digital transformation. As part of our project to automate supplier audits, we have created and corrected the database structure to track production sites and suppliers, added required forms and set up automated alerts to inform Commercial Department staff about planned audits.

Pyaterochka’s head office has a Quality Department that is responsible for, among other things, ensuring that quality-related legislative requirements are taken into account in internal regulations. The Quality Department also provides expert assessments of draft laws in order to facilitate our constructive participation in the legislative process and, together with the Government Relations Department, interacts with oversight and supervisory bodies in order to ensure that we properly understand requirements and can have a say in the consideration of new standards. We also engage with industry associations and producers’ unions, including the Consumer Market Participants Union, the Russian Union of Industrialists and Entrepreneurs, the All-Russian Association of SMEs (Opora), the Civic Chamber of the Russian Federation, the National Dairy Producers Union, the RusBrand Association of Branded Goods Manufacturers and the Seafood Processors Union.

Pyaterochka product quality and safety highlights:

- Conducted 1,379 supplier audits, including 357 audits of private label producers (audits were suspended from 23 March to 8 June and from 7 December to 31 December due to quarantine restrictions)
- Increased the number of Central Office quality managers qualified to conduct audits through training for and certification of Pyaterochka quality experts, enabling an increase in audits
- Expanded our Freshness project in 2020 to cover all macroregions
- Increased the number of quality controllers at our DCs, altered the organisational structure and expanded functionalities, including DCs’ combined qualitative and quantitative acceptance, quality checks and a pilot based on feedback from stores in the Southern and Moscow regions
- Launched an initiative to digitalise quality processes for the Freshness project:
 - Developed dashboard for the acceptance of products at DCs
 - Launched a supplier audits portal where audit requests are submitted and processed through the information system
 - Upgraded the temperature and humidity monitoring system at Pyaterochka DCs
 - Began development of a system for end-to-end monitoring of the cold chain, from suppliers to stores
 - Started development of a quality control system for goods in storage at DCs
- Quality Academy: more than 25 online courses developed for employees in the Quality Department, the Safety and Quality Division, the Commercial Department and Operations

Product quality and safety assurance

[102-10] [102-12] [404-2] [416-1]



Pyaterochka: Quality control at all stages of the product life cycle

To ensure Pyaterochka’s shelves are stocked with fresh, safe and high-quality products, we have developed a set of rules and regulations that encompass the entire supply chain from production to consumption. Our approach is based on the principles of hazard analysis and critical control points (HACCP).

In addition to HACCP principles, ensuring product quality also involves the following:

- lab testing and analysis at recognised research centres and accredited research laboratories
- regular staff training
- safe storage and transport of products
- use of state-of-the-art monitoring methods and innovative technologies
- supplier audits

1. Adding goods to our product range

Suppliers provide product samples and documents confirming the quality, safety and origin of the goods to authorised quality experts.

In 2020, 38,763 items were checked, and 20,304 items were approved for addition to our product range.

2. Acceptance at distribution centres

All incoming food products undergo mandatory organoleptic testing in terms of their appearance, consistency, taste and smell.

In 2020, in the context of our Freshness project, the qualitative and quantitative acceptance of fruits and vegetables was combined, which enabled us to reduce the acceptance time per vehicle by up to 30% on average.

3. Experts at every step

We increased the number of quality control staff at Pyaterochka DCs, allocated certain staff members to control the quality of goods in storage, and we also began operating outgoing quality control. The latter helped us ensure that the fruits and vegetables entering stores were of better quality, which also meant a reduction in losses in this category.

4. Seal of approval

A pilot was launched in the Southern and Moscow macroregions that allowed stores to issue quality investigation certificates, we established a Quality Academy, and quality control staff from DCs also underwent training.

5. Quality assurance in stores

Our Quality Hour programme continues to operate at all Pyaterochka stores. Store employees carry out thorough quality control checks of products on store shelves daily from 9 a.m. to 10 a.m.

In addition, the Quality Department regularly audits stores for compliance with quality and safety standards, and the Territorial Safety Managers were renamed Territorial Safety and Quality Managers. They carried out about 500,000 inspections at Pyaterochka stores during the year, or about 43,000 inspections per month.

6. Interaction with customers

All Pyaterochka claims and complaints are carefully reviewed and if they concern a potentially unsafe product, product samples are taken for testing to verify the validity of the claim. If a product of insufficient quality is discovered, it is immediately removed from store shelves and returned to the supplier.

7. Supplier audits

All new suppliers must undergo a mandatory audit to confirm that their production facilities are compliant with quality and food safety requirements. We verify products’ organoleptic, physical, chemical and microbiological properties but also, in some cases, the declared ingredients, specifically to identify any that have been replaced with cheaper alternatives, as well as any use of food additives, artificial colourants, sweeteners or preserving agents not indicated on the label.

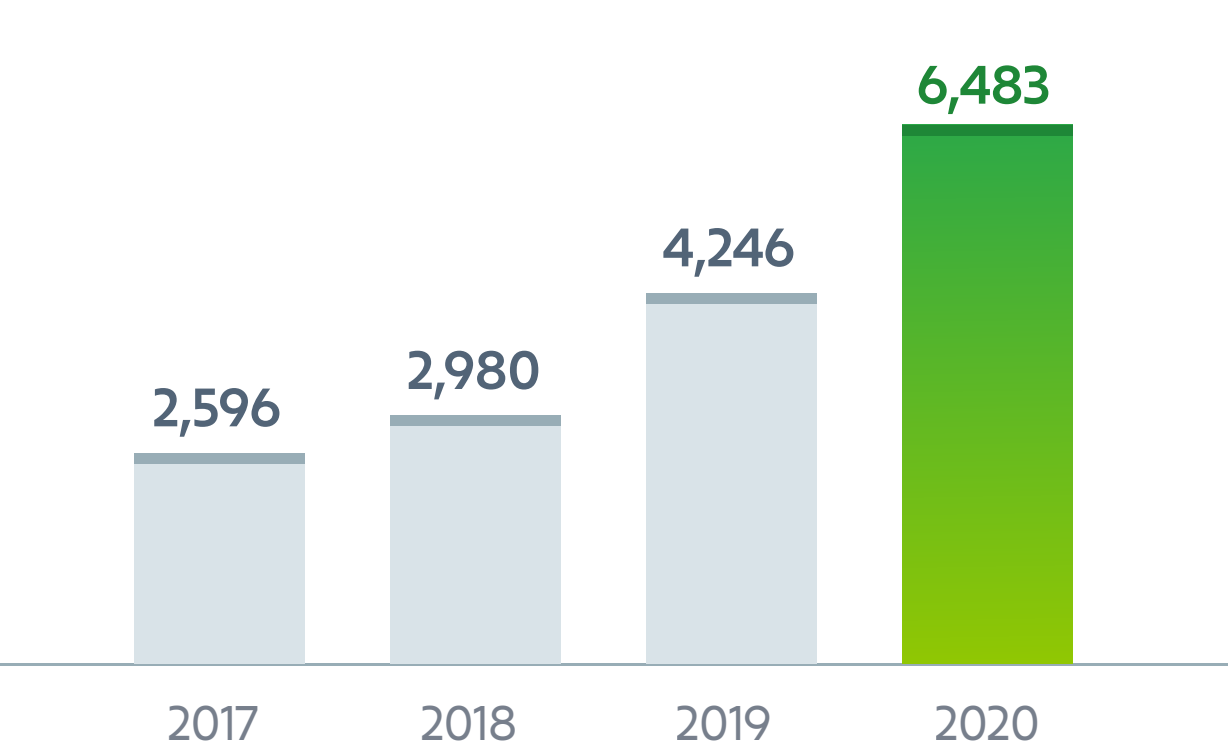
Product quality and safety assurance

[102-10] [102-12] [404-2] [416-1]

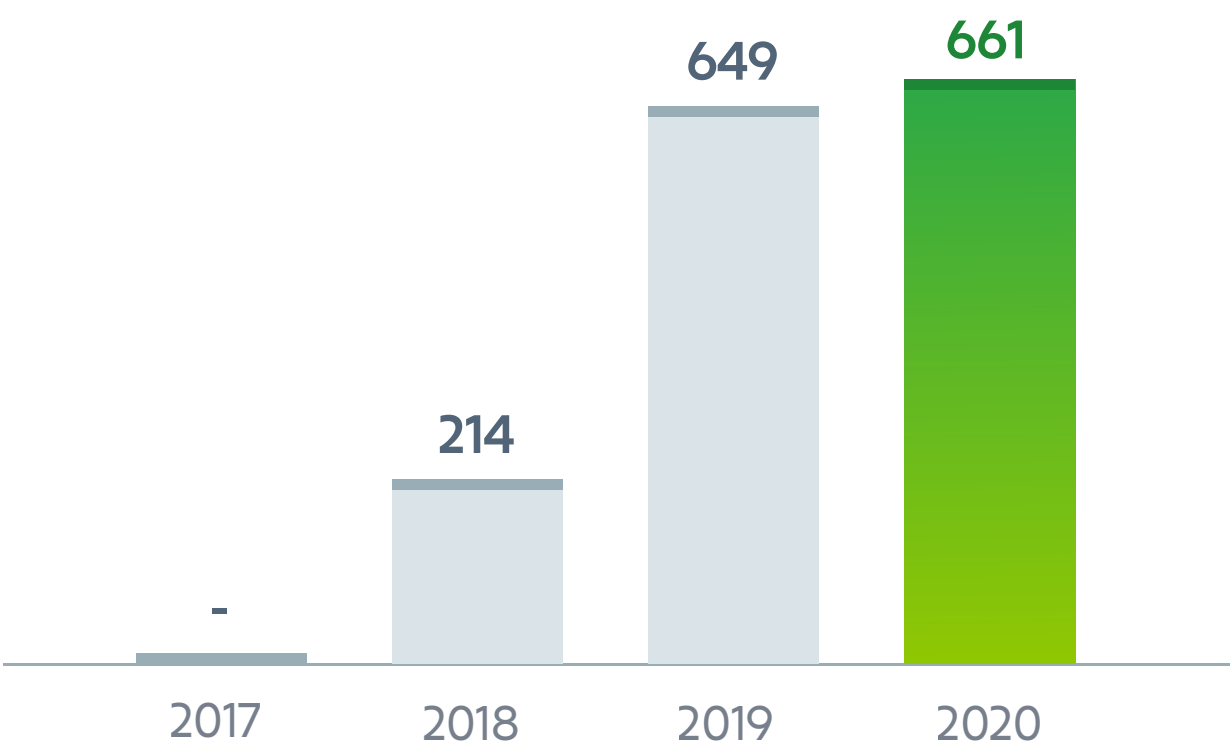


Pyaterochka: Quality control at all stages of the product life cycle

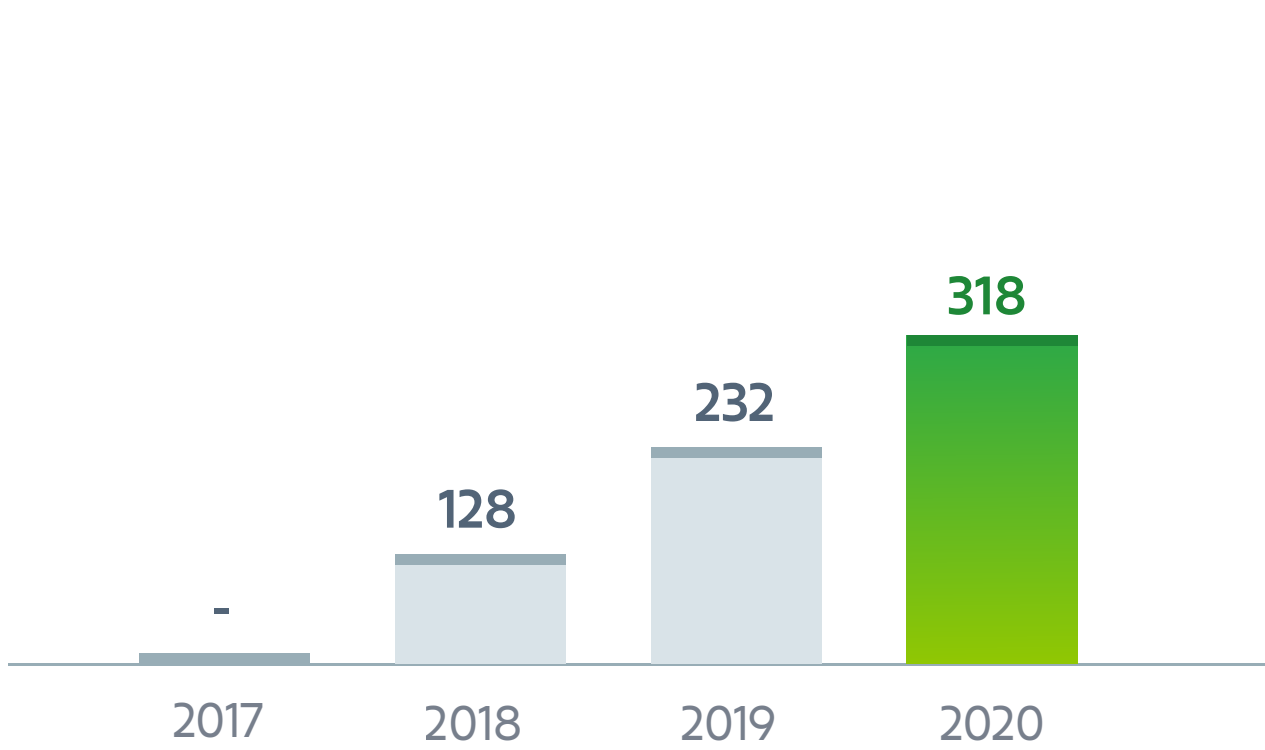
Number of samples of private label goods undergoing quality testing



Number of tastings of private label goods



Number of agreed product benchmarks



In-house production at Pyaterochka stores (bakery, grill, freshly squeezed orange juice, coffee-based drinks)

- Expanded our range of bakery products by 40%, and a single list was approved for all macroregions
- Developed documents for store employees to improve the quality of baked products
- All of our in-house products were declared for the legalisation of trade; as a result, the following declarations of conformity are in place: 8,463 retail outlets for the production of assorted bakery items, 76 retail outlets for the production of grilled chicken, 1,143 retail outlets for the production of coffee-based drinks and 731 retail outlets for the production of orange juice
- In 2020, we continued conducting audits of suppliers of semi-finished in-house products, which enabled quality control of the goods received. Twenty-eight audits were carried out.

Product quality and safety assurance

[102-10] [102-12] [404-2] [416-1]



Perekrestok

The Perekrestok Quality Department monitors stores’ compliance with the established public health requirements regarding the storage, production and sale of products.

The Quality Department introduced a procedure for auditing the Company’s commercial facilities, including a follow-up assessment of their condition.

The Quality Department is constantly updating its working and methodological instructions for the production and sale of products. Store personnel and store managers receive training on sanitation and hygiene through a programme for preparation for regulatory inspections as part of the Mercury product verification system.

Perekrestok product quality and safety highlights:

- Implemented Dashboard SVK Perekrestok / DB Quality for store inspections
- Developed and implemented projects involving monthly and quarterly data analysis reports for regional and divisional directors
- Updated the Store Director’s Portfolio Checklist (together with the Retail Operations Support Department) and implemented measures to minimise the risk that evaluation criteria might be applied differently
- Developed and approved a new version of our COVID prevention checklist. The system generates consolidated reports for our internal Quality dashboard, which are uploaded weekly and distributed to divisional directors
- Developed and approved a new, truncated version of our Sanitation Checklist with mandatory requirements and recommendations for our retail formats
- Developed instructions on the use of disinfectants for stores to disinfect their premises both using their own resources and with the assistance of a third party

Product quality and safety assurance

[102-10] [102-12] [404-2] [416-1]



>200

audits conducted to check the quality and safety of private label goods

417

reports on comparative product tastings issued by the Quality Department

A lab tested 1,700 samples and approved 529 product benchmarks.

~11,392

products were added to the product range

Developed 15 specifications for tenders for conducting incoming quality control of products at DCs

605

on-site audits carried out by the Quality Department in 2020

State supervisory agencies (Rospotrebnadzor and Rosselkhoz nadzor) conducted 827 scheduled and unscheduled on-site inspections.

13,003

in-house products on which the Quality Department conducted laboratory testing

in order to monitor quality and safety, as well as reduce risks

~214

in-house products received declarations of conformity

And the technical specifications for 15 private label items were updated.



X5HEALTHY LIFESTYLES > PROMOTING HEALTHY LIFESTYLES

Promoting healthy lifestyles

[416-1] [417-1]

X5 has identified UN SDG 3 – Good Health and Well-being – as a UN SDG where we’re positioned to have significant impact. Enhancing our healthy lifestyle assortment goes beyond the SDGs, however; it fulfils growing customer demand in Russia for a larger and more varied assortment of healthy food options.

The Company’s Policy on Promoting Healthy Living and a Healthy Diet sets out principles for enhancing good health among our customers, while the Responsible Marketing Policy establishes our approach to labelling (such as safe use, product content and environmental or social impacts of product disposal).

A woman with long dark hair in a ponytail, wearing a brown hoodie, is in a grocery store aisle. She is reaching up to a high shelf with her right hand to pick up a product. In her left hand, she holds a white carton of milk. The shelves are stocked with various products, including boxes and containers, with price tags visible. The background is slightly blurred, showing more of the store's interior.

44

Promoting healthy lifestyles

[416-1]



Pyaterochka

At the moment, healthy lifestyle products account for 277 of Pyaterochka's SKUs. Pyaterochka also expanded its project for the creation of healthy lifestyle corners in 2020; these were previously available only in Moscow, but now they can be found in all 10 macroregions.

| FEATURE | VERIFICATION METHOD |
|-------------------------|----------------------|
| Vegan | Label on the package |
| Organic | Certification |
| Gluten-free | Certification |
| Clean ingredients | Internal regulations |
| Low-calorie product | Internal regulations |
| High-protein | Label on the package |
| No added sugar | Label on the package |
| Farm product | Internal regulations |
| Other healthy lifestyle | Internal regulations |

Healthy lifestyle

- Placed healthy lifestyle products in a designated corner made prominent with a shelf banner and shelf talkers at 9,439 stores in all macroregions, resulting in an increase in sales
- Began initiative to refine the system for how healthy lifestyle products are classified
- Began development of a system of coloured floor labels that help shoppers find healthy items and assess their various positive qualities, for instance, whether they're high in protein or low in salt. The system is being developed by the Federal Nutrition Research Centre and will be subject to approval by Rospotrebnadzor.
- Launched information campaigns on healthy lifestyles, including promoting proper nutrition via our social media channels in partnership with Rospotrebnadzor and the Federal Nutrition Research Centre

Promoting healthy lifestyles

[416-1]



Perekrestok

The year 2020 focused on the project “Supermarket of Healthy Habits”, in which we aimed to become a healthy lifestyle leader among Russian retailers through our product mix and environmental initiatives.



Perekrestok’s Green Line healthy lifestyle private label brand

- Offered in 911 supermarkets
- Entry into the markets of Samara and Nizhny Novgorod



Eco Story healthy lifestyle private label

- Eco Story was created to help effortlessly change attitudes towards saving the planet.
- We select suppliers that produce biodegradable products and that are certified in line with environmental standards.
- Start of the project: November 2020
- Launched 6 SKUs
- Launch of 11 SKUs in the second quarter of 2021

Healthy lifestyle

- Increased the share of healthy lifestyle products in our supermarkets’ product mix by 300 healthy SKUs, expanded the Green Line to cover all categories and regions and identified partners for specialised expert assessments of the product mix
- Integrated healthy lifestyle services into the Perekrestok app (drop-off points for recyclable materials, E-food additives)
- Launched environmental initiatives including recycled bags, baskets, reverse vending machines, battery collection, cardboard collection and waste sorting
- Hosted healthy lifestyle excursions and annual healthy lifestyle festivals
- 1,662 healthy lifestyle SKUs introduced in 2020 (up 506 from 2019, target of 1,650)
- RUB 1.373 billion in sales of healthy lifestyle products during the year: up 201% from 2019
- 612 healthy lifestyle projects at Perekrestok supermarkets (separate shelves with healthy lifestyle goods)
- 9.1% share of healthy lifestyle SKUs in the assortment
- 2020 healthy lifestyle rezoning – 286 supermarkets
- Adopting an approach to establishing and maintaining our healthy lifestyle assortment: in February 2021, we launched a healthy lifestyle SKU tracker that improves oversight of the timely release of new goods into our healthy assortment
- Introduced “The Road to Good Habits” navigation in two stores, which helps customers find their way to healthier and more eco-conscious products in the stores’ assortments
- Launch of an "Immunity and Health" project – displays at 65 supermarkets

X5

HEALTHY LIFESTYLES > PROMOTING HEALTHY LIFESTYLES

Promoting healthy lifestyles

[416-1]

Perekrestok

The year 2020 focused on the project “Supermarket of Healthy Habits”, in which we aimed to become a healthy lifestyle leader among Russian retailers through our product mix and environmental initiatives.

A close-up photograph of a metal shopping basket filled with a variety of healthy food items. Visible products include two green apples, a box of 'polezzno' white flax seeds, a jar of 'MARKET COLLECTION' jam, a bag of 'Dr. Körner' corn and rice cereal, a bag of 'Чумные сладости' (Crazy sweets) cookies, a box of 'alpro' almond milk, and a bag of 'Verkhovye' organic flour. The basket is set against a background of wooden slats.

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Our plans

Looking ahead, we have ambitious plans for 2021, not only to make the quality control for supplied products even stronger but also to continue the digitalisation of a number of our Pyaterochka processes. In order to ensure these improvements are sustainable, we'll be continuing our investment into training and educating our staff. Further, we expect increased demand for healthy lifestyle products and will continue to expand that offering to satisfy our clients who prioritise health and well-being considerations.

Healthy lifestyle

- Starting from February 2021, suppliers will be able to indicate the healthy lifestyle features (vegan, organic, etc.) of their products on the X5 supplier portal, after which these products will have a chance to be placed on our healthy lifestyle shelves
- Integration of healthy lifestyle features into shelf labels will be piloted in February 2021. These features will be visible on price labels in stores to inform customers about the properties of these products
- Up to 211% increase in sales of healthy lifestyle products compared to 2020
- 2,265 SKUs: 603 new SKUs
- 12.3% share of healthy lifestyle SKUs in the product mix

Quality and safety assurance



Pyaterochka

- Continued digitalisation of function processes:
 - Complete development of the supplier audit portal and automated applications processing, audit scheduling and monitoring, and automatic blocking of category D suppliers
 - Introduce quality control system for goods in storage and for goods undergoing acceptance procedures; employees will start working at mobile workplaces, which will greatly reduce the number of operations and speed up the work of quality groups at DCs
 - Launch cold chain monitoring system that includes information on the terms of delivery of goods from suppliers, the conditions for storing goods at transfer hubs, DCs and retail outlets, as well as information on the conditions for the transport of goods from one DC to another and from a DC to a retail outlet
 - Install system to monitor the sanitary conditions at all DCs
 - Automate procedure for recalling low-quality products from stores and blocking such products throughout the network, at DCs, retail outlets and checkout counters
 - Create claims department, and stores throughout the retail network will start managing quality-related complaints
 - Enable shoppers to provide feedback on the quality not only of private labels but also of our main assortment
 - Create new dashboards: DC Rating, Supplier Audit, Cold Chain, Claims Management
 - Launch portal for declarations and certificates confirming the quality and safety of products
- Develop new online courses for the Quality Academy, and several training programmes will be available for Quality Management Team Leaders at DCs and for Quality Function Leaders
- Launch Championship of Ideas portal for all Quality Department staff
- Launch mentoring system



Perekrestok

- Further strengthen quality control of supplied products
- Continue the implementation of our Freshness project: install an automated system to monitor temperatures and the escalation of incidents at DCs
- Develop a process and introduce an IT tool for managing feedback from our retail formats and from buyers on the quality and freshness of produce
- Carry out pilots and develop long-term strategic programmes with suppliers to improve product quality and operational performance
- Introduce a traceability procedure in accordance with the requirements of HACCP, TR CU 021, as part of our electronic document workflow. HACCP is a food safety system; TR CU 021 refers to the Customs Union technical regulations on food safety (product traceability refers to the ability to track the movement, location and origin of food products at all stages of production, processing and distribution)



06.

The planet
Promoting responsible
consumption and use
of resources

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Our approach and 2020 highlights

[103-1] [103-2] [103-3]

The operation of our stores, warehouses, offices and fleet of trucks has a variety of impacts on the environment, from the production of solid waste (including food waste) to direct and indirect carbon emissions. In order to manage and minimise our impact on the environment, and in line with the UN SDG of responsible consumption and production, the Supervisory Board has adopted strategic targets on 3-year and 10-year horizons as part of our sustainability strategy. Throughout 2020 and into 2021, we have been working hard to establish the business processes and management dashboards necessary to track our performance in this area. Raising awareness of responsible water consumption has been an important part of our work on this front. Water consumption is not substantial in retail – we only use a little water in our operating processes, yet we have nevertheless sought to optimise our water usage across all of our business processes. In 2020, we published our [Sustainable Development Policy](#) and have urged our suppliers to adhere to responsible consumption practices, including those related to water.

Our Sustainable Development Policy, developed during 2020 and approved in February 2021, along with our policies on waste minimisation, energy efficiency, and climate change prevention set out the following principles and rules for responsible business practices with a positive environmental and social impact:

- X5 shall seek to maximise recycling by reducing the amount of landfill waste, including food waste, in accordance with the Company’s Waste Minimisation Policy.
- The Company gives preference to sustainable packaging, using it as much as possible in its own product manufacturing, and is also guided by this principle when exercising control over the production of private label goods and working with suppliers.
- The Company shall strive to improve the efficiency of its use of electric power, heat and fuel to reduce its climate impact in line with X5’s Energy Efficiency and Climate Change Prevention Policy.
- X5 shall encourage suppliers to develop sustainable sourcing and humane animal treatment practices.
- The Company also promotes the use of voluntary environmental certifications by its suppliers. The Company has developed a list of suggested (not mandatory) environmental certifications as outlined in the Sustainability Recommendations for X5 Retail Group Suppliers.
- X5 shall be committed to reducing its impact on forest resources and shall promote the use of paper and cardboard packaging produced from sustainable and certified sources. X5 shall encourage suppliers to develop practices aimed at reducing deforestation.
- The Company is committed to reducing its use of water resources in all of its processes.
- The Company shall seek to foster a culture of responsible consumption among its customers through marketing efforts under X5’s Responsible Marketing Policy.

Our 30×30 goals:

30%

reduction in GHG emissions (Scope 1 + Scope 2) intensity per sqm of selling space compared to 2019

30%

share of renewable energy used in X5 operations

30%

reduction in ratio of waste generated to retail sales compared to 2019

Our goals to 2023

UP TO 10%

reduction in GHG emissions by 2023 (Scope 1 + Scope 2) intensity per sqm of selling space compared to 2019

UP TO 10%

reduction in waste generation coefficient (volume of waste generated / retail sales) by 2023 compared to 2019

UP TO 95%

of recyclable waste from X5 operations to be sent for recycling by 2023

UP TO 40%

of unexpired food waste to be reprocessed by 2023

- At least 20% of suppliers promote sustainable packaging
- Increase the share of private label goods in environmentally friendly packaging to 50% or more
- Develop principles and practices for tracing suppliers’ responsible sourcing of goods

2020 highlights:

- Published general sustainability recommendations for suppliers
- 97% of Pyaterochka stores started to provide real-time data on energy consumption
- Cooperated with selected suppliers to install reverse vending machines where customers can recycle packaging from their purchases in exchange for coupons
- Sent 87,000 tonnes of unexpired food waste for reprocessing into animal feed
- Implemented a new function in Pyaterochka’s mobile app that allows customers to choose not to receive paper receipts
- 100% of Perekrestok stores with bags made of 35% recycled materials, with similar initiative piloting in Pyaterochka

Waste management and sustainable packaging

[306-1] [306-2] [306-3] [306-4] [306-5]

Sustainable packaging

As part of our sustainability strategy announced in 2019, we committed to increasing the share of sustainable packaging in our retail operations. In April 2020, X5 held an open expert discussion of environmentally friendly packaging solutions with producers of packaging and merchandise, processing companies, NGOs and environmental organisations. In June, X5 Retail Group developed and published sustainability recommendations for suppliers based on an analysis of publicly available research; materials from government, public and environmental organisations; a supplier survey; and the results of open expert hearings.

After the reporting date, in March 2021, we introduced detailed recommendations on sustainable packaging that specify the recommended packaging for 13 different categories of products. By developing such detailed recommendations at the category level, we were able not only to analyse the sustainable aspects of different packaging types but also to ensure that the barrier properties for each category are taken into account.

Further details on our collaboration with suppliers are presented in the "Responsible supply chain" section. It is essential for us that customers follow responsible consumption principles and work together with us towards the common goal of waste reduction. More information on our initiatives can be found in the "Promoting responsible consumption" section.



Waste management and sustainable packaging

[306-1] [306-2] [306-3] [306-4] [306-5]

Recycling waste from operations

We send a large volume of the waste that we generate across our retail operations for recycling. Perekrestok continues to recycle all useful types of waste, including packing cardboard and polyethylene, plastic boxes for fruits and mushrooms, polystyrene for chilled fish, banana boxes, worn-out shopping carts and wooden containers.

Across our transport operations, we also recycle tyres and batteries from our fleet of trucks.

It is important to point out that all X5's hazardous waste (hazard classes I-III according to Russian legislation) is neutralised and recycled. Non-hazardous waste (hazard classes IV-V according to Russian legislation) is sent either for recycling or to landfills. We transfer our waste to confirmed regional operators and check them for a licence, if required, which is proof that they manage the waste in line with contractual and legislative obligations.



Perekrestok

62 ths

tonnes of solid waste generated from the operations of Perekrestok was sent for recycling In 2020

Up 18% year-on-year

~73%

of the recyclable waste Perekrestok generated was sent for recycling

As a pilot project, Perekrestok began recycling wooden containers last year from the stores in our Central divisions, which reduced the amount of waste sent to landfills.



Pyaterochka

546 ths

tonnes of solid waste generated from the operations of Pyaterochka was sent for recycling In 2020

Up 26% year-on-year

~93%

of the recyclable waste Pyaterochka generated was sent for recycling

Pyaterochka has introduced a new programme to repair wooden pallets, which our distribution centres transfer to counterparties for further use in logistics operations. This has helped to reduce waste by extending their service life and improved their quality.

Waste management and sustainable packaging

[306-1] [306-2] [306-3] [306-4] [306-5]

Our goals to 2023

Our 30×30 goals

UP TO
10%

reduction in waste generation coefficient (volume of waste generated / retail sales) by 2023 compared to 2019

UP TO
95%

of recyclable waste from X5 operations to be sent for recycling by 2023

UP TO
40%

of unexpired food waste to be reprocessed by 2023

30%

reduction in ratio of waste generated to retail sales compared to 2019



Waste management and sustainable packaging

[306-1] [306-2] [306-3] [306-4] [306-5]

We recognise the potential negative impacts on the environment, economy and society related to solid waste, including climate change and threats to wildlife and public health, and we continuously work to reduce these impacts.

In 2020, we analysed our waste management procedures and published a set of comprehensive new policies that aim to reduce the volume of waste we produce, boost our recycling efforts and decrease our resource use. The scope of these new policies reaches all aspects of our operations, and we are now working to also increase awareness of waste management among our suppliers and consumers. [The Waste Minimisation Policy](#) is available on our [website](#).

We continuously collect data related to waste movement, monitoring the volume of waste sent to landfills, the number of banana boxes and wood pallets, and the weight of other recyclable waste. These values were converted to kilotonnes using internal coefficients based on business peculiarities.

Moreover, we recognise that we not only produce waste in our own operations but also are involved in waste production on the part of product suppliers, and we also pass on huge amounts of waste in the form of the packaging of the products we sell. As waste generated downstream in our value chain tends to be of a greater significance, we concentrate our efforts on reducing it by cooperating with our suppliers on promoting sustainable packaging (see “Responsible supply chain”, p. 35) and customers (see “Promoting responsible consumption”, p. 66).

Total amount of waste broken down by disposal method and waste type¹

Waste management data has been revised since the publication of the 2019 Annual Report following improvements to the data collection process.

| | | 2019 | | | | 2020 | | | |
|--|------------|-------|-------------|-------------|-------|-------|-------------|-------------|-------|
| | | Total | Pyaterochka | Perekrestok | Other | Total | Pyaterochka | Perekrestok | Other |
| Total amount of waste by disposal method | ths tonnes | 1,517 | 935 | 546 | 36 | 1,653 | 1,048 | 579 | 26 |
| Amount of waste sent to landfills | ths tonnes | 993 | 483 | 489 | 21 | 945 | 424 | 510 | 11 |
| Amount of waste sent for neutralisation ² | ths tonnes | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 1 |
| Amount of recyclable waste sold for processing | ths tonnes | 501 | 433 | 52 | 16 | 620 | 546 | 62 | 12 |
| Cardboard | ths tonnes | 285 | 227 | 46 | 12 | 336 | 279 | 48 | 9 |
| Banana boxes | ths tonnes | 12 | 10 | 2 | 0 | 14 | 11 | 2 | 1 |
| Plastic | ths tonnes | 8 | 7 | 1 | 0 | 12 | 9 | 2 | 1 |
| Polyethylene | ths tonnes | 22 | 19 | 2 | 1 | 26 | 23 | 2 | 1 |
| Pallet scrap | ths tonnes | 171 | 170 | 1 | 0 | 224 | 222 | 1 | 1 |
| Other | ths tonnes | 2 | 0 | 0 | 2 | 9 | 0 | 8 | 1 |
| Amount of recyclable waste sold: food waste | ths tonnes | 25 | 21 | 4 | 0 | 87 | 79 | 8 | 0 |

| | | 2019 | | | | 2020 | | | |
|--|------------|-------|-------------|-------------|-------|-------|-------------|-------------|-------|
| | | Total | Pyaterochka | Perekrestok | Other | Total | Pyaterochka | Perekrestok | Other |
| Total amount of waste by waste type | ths tonnes | 1,517 | 935 | 546 | 36 | 1,653 | 1,048 | 579 | 26 |
| Stock written off | ths tonnes | 935 | 456 | 464 | 15 | 958 | 462 | 487 | 9 |
| Other waste, incl. logistics packaging | ths tonnes | 582 | 479 | 82 | 21 | 695 | 586 | 92 | 17 |

1. Figures may not sum up due to rounding.
2. Processing of hazardous waste (hazard classes IV-V class according to Russian legislation) to prevent the negative impact of waste on the environment. After neutralisation, third party sends waste either for recycling or to landfills, which is not currently monitored by the Company.

Waste management and sustainable packaging

[306-1] [306-2] [306-3] [306-4] [306-5]

Food waste management

Improving the accuracy of inventory planning is an important tool for reducing waste generation. Ways to reduce waste generation include big-data-driven demand modelling, more frequent product deliveries, better adaptation of the product mix to customer needs, smaller minimum order quantities negotiated with suppliers and strict compliance with temperature requirements during transportation.

One of our key initiatives to manage food waste is the reprocessing of non-sellable food that has not passed its expiry date. Perekrestok launched a pilot project for the sale of food waste, with collection of food waste for processing into animal feed carried out on a daily basis. By centralising the process, we have been able to significantly reduce the cost of the process. Stores sort food waste by categories: dairy, fruits and vegetables, bread, bakery products and other. Pyaterochka started to direct food waste to farmers for useful purposes, including animal feed, in 2019 and expanded this practice in 2020.

~78.9 RUB MLN

value of the food waste turned over to farmers in 2020

~19%

of Pyaterochka's food waste was turned over to farmers

This process involves more than 50% of Pyaterochka's stores. Food waste data is collected by records, since it is stock that has been written off.

Other solid waste reduction highlights



- Perekrestok continues to run a project aimed at the return of reusable containers from stores to DCs, including pallets, plastic boxes and more.
- Perekrestok launched several pilot projects in 2020 at 30–35 stores, including “Sale of food waste”, “Bring your own cup”, “Bring your own container”, “Paper and reusable bags” and “Installation of reverse vending machines in stores to collect glass bottles, cans and plastic bottles”.



- Pyaterochka added a new function to its mobile app that enables users to stop receiving paper receipts. Now shoppers can receive information about their purchases by e-mail.
- Pyaterochka has installed containers in Kazan and Samara for collecting used batteries, which can now be recycled at 47 Pyaterochka stores in these cities.

Reduced climate impact and energy efficiency

[102-15] [201-2] [302-1] [302-3] [302-4]
[305-1] [305-2] [305-3] [305-4]

In 2020, following implementation of the Energy Efficiency and Climate Change Prevention Policy, we made further efforts to reduce our carbon footprint and increase the energy efficiency of our operations. As part of our work on this front, we introduced a number of measures to decrease our GHG emissions and optimise energy usage, both by reducing consumption and by transitioning towards renewable energy sources.

All of these efforts are aligned with our long-term strategic goal to become carbon-neutral by 2050. More information can be found on our website.

Following our energy-efficiency efforts, GHG emissions values calculated per square metre of selling space decreased in 2020 compared to 2019, while absolute values increased due to business expansion and growth. We saw reduced possibilities to increase energy efficiency in transportation sufficiently; thus energy intensity increased in 2020 compared to 2019, as did total electricity consumption.



Reduced climate impact and energy efficiency

[102-15] [201-2] [302-1] [302-3] [302-4] [305-1] [305-2] [305-3] [305-4]

| EMISSIONS | | 2019 | 2020 |
|---|---|---------------|------------|
| Total GHG emissions (Scope 1 + Scope 2) | t of CO ₂ e | 2,816,383 | 2,808,633 |
| Total GHG emissions (Scope 1 + Scope 2 + Scope 3) | t of CO ₂ e | Not available | 30,962,048 |
| Direct GHG emissions (Scope 1) | t of CO ₂ e | 831,047 | 852,204 |
| Direct GHG emissions from refrigerants | t of CO ₂ e | 443,752 | 440,549 |
| Energy indirect GHG emissions (Scope 2) | t of CO ₂ e | 1,985,336 | 1,956,429 |
| Other indirect GHG emissions (Scope 3) | t of CO ₂ e | Not available | 28,153,415 |
| Total GHG emissions intensity (Scope 1 + Scope 2) per sqm of selling space (period average) | t of CO ₂ e / m ² | 0.41 | 0.37 |

| ENERGY: ELECTRICITY AND HEATING | | 2019 | | | | 2020 | | | |
|---------------------------------|------|-----------|-------------|-------------|---------|-----------|-------------|-------------|---------|
| | | Total | Pyaterochka | Perekrestok | Other | Total | Pyaterochka | Perekrestok | Other |
| Electricity consumption | MWh | 3,383,957 | 2,541,750 | 568,876 | 273,331 | 3,699,516 | 2,774,051 | 719,763 | 205,702 |
| Heating | Gcal | 2,247,467 | 1,255,130 | 105,397 | 886,939 | 1,811,034 | 1,168,207 | 102,236 | 540,592 |

Comments: renewable energy, steam and cooling energy are not used by the Company; all the electricity used is grid electricity.

Coefficients used for recalculation to TJ:
Electricity: conversion factor = 0.0000036
Heating: conversion factor = 0.0041840
Diesel: the calorific value of 1 litre of diesel fuel is ~0.0000336 terajoules.
Natural gas: the calorific value of 1 cubic metre of compressed natural gas is ~0.000031800 terajoules.
Gasoline (petrol): the calorific value of 1 litre of gasoline (petrol) is ~0.0000330 terajoules.

Source: 2006 IPCC Guidelines for National Greenhouse Gas Inventories, Volume 2 *Energy*, Chapter 1 (Introduction), pp. 1.19–1.20, Table 1.2

GOST 27577-2000 Compressed natural fuel gas for internal-combustion engines, Specifications, Table 1

Energy and emissions management data has been revised since the publication of the 2019 Annual Report following improvements to the data collection process.

| ENERGY: REDUCTION OF ELECTRICITY CONSUMPTION | | 2019 | 2020 |
|---|-----|--------|-------|
| Electricity savings from remote refrigeration monitoring systems at Pyaterochka (compared to previous reporting year) | MWh | 11,984 | 7,153 |

| ENERGY: FUEL | | 2019 | 2020 |
|---|----------------|-------------|-------------|
| Fuel used: diesel consumed for transportation | l | 146,955,184 | 155,261,188 |
| Fuel used: compressed natural gas consumed for transportation | m ³ | 8,113,325 | 9,900,796 |
| Fuel used: gasoline (petrol) consumed for transportation | l | 170,584 | 172,452 |
| Fuel used: diesel consumed by diesel generator | l | 10,380 | 500 |

| ENERGY: TOTAL FROM NON-RENEWABLE SOURCES | | 2019 | 2020 |
|---|-------------------|--------|--------|
| Total energy consumption, incl. | TJ | 26,787 | 26,433 |
| Energy consumption (without transportation) | TJ | 21,586 | 20,896 |
| Energy consumption in transportation | TJ | 5,201 | 5,537 |
| Energy intensity (total energy consumption per sqm of selling space [period average]) | TJ/m ² | 0.0039 | 0.0035 |

Reduced climate impact and energy efficiency

[102-15] [201-2] [302-1] [302-3] [302-4] [305-1] [305-2] [305-3] [305-4]

Reduced impact on climate change

In 2019, we implemented a programme across the Group to assess our GHG emissions in accordance with the Corporate Accounting and Reporting Standard of the GHG Protocol, designating 2018 as the base year. We calculated GHG emission sources at key business units, namely Pyaterochka proximity stores, Perekrestok supermarkets and Karusel hypermarkets, as well as distribution centres, logistics hubs, smart kitchens, vehicle fleets and the Corporate Centre.

In 2020, X5's Scope 1 and Scope 2 GHG emissions intensity per square metre of selling space decreased by 9%, with Scope 1 emissions intensity falling by 7% and Scope 2 intensity by 10% compared to 2019.

Scope 3 GHG emissions were estimated for the first time in 2020, which contributed to an increase in gross emissions in 2020 compared to 2019. The inclusion of Scope 3 emissions ensures the integrity of the Company's approach to GHG calculations, which is important for monitoring the achievement of our climate goals. We performed calculations for all relevant emission categories in line with the standards and guidelines of the GHG Protocol. As a result, we identified our most carbon-intensive categories: purchased goods and services (category 1), capital goods (category 2) and end-of-life treatment of sold products (category 12).

Our Scope 1 and Scope 2 GHG emissions mostly stem from consumption of electricity and heat by X5's stores and distribution centres. The Group uses automated energy metering systems, which help us monitor reduction in energy consumption and energy use. Each year, the Group implements initiatives to introduce energy-saving technologies and optimise the use of energy. We also look to replace our refrigerants with brands that offer lower global warming potential.

The key methodology documents used for calculation of our Scope 1, 2 and 3 emissions were:

- The GHG Protocol Corporate Accounting and Reporting Standard;
- The GHG Protocol Scope 2 Guidance;
- The GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard;
- The GHG Protocol Technical Guidance for Calculating Scope 3 Emissions (Version 1.0).

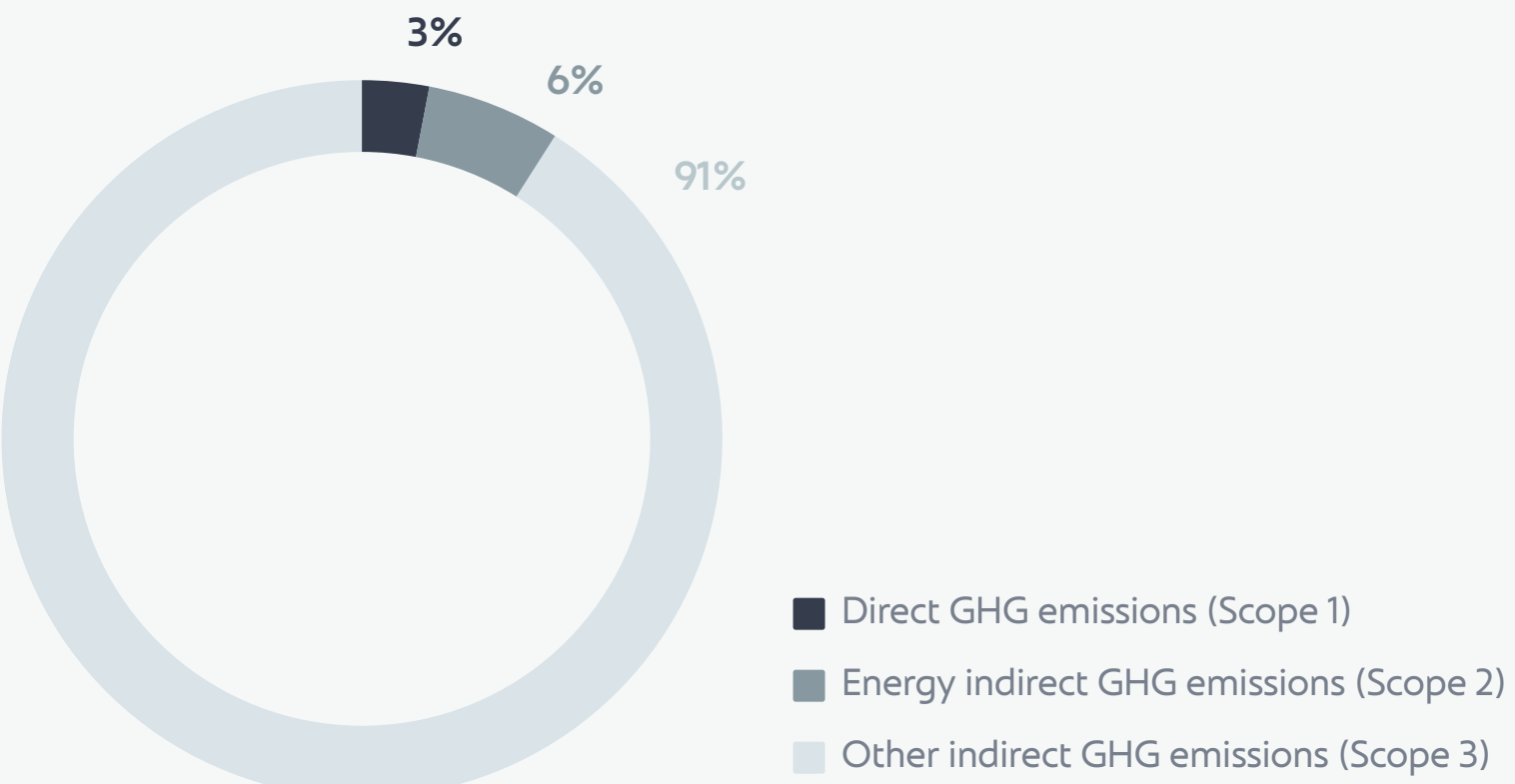
The major sources of emissions factors used for the calculation of GHG emissions were:

- *2006 IPCC Guidelines for National Greenhouse Gas Inventories* (including the updates provided in the *2019 Refinement to the 2006 IPCC Guidelines for National Greenhouse Gas Inventories*)
- *IEA, 2020 Emission Factors* (Scope 2);
- *EXIOBASE 3.0* (Scope 3);
- *Greenhouse gas reporting: conversion factors 2020*, UK Department for Business, Energy & Industrial Strategy.

All scopes of GHG emissions were calculated under the operational control approach. The source of Global Warming Potentials (GWPs) applied was the IPCC's Assessment Report 5. The types of gases included in the GHG emissions assessment were CO₂, CH₄, N₂O for Scope 1, Scope 2 and Scope 3, and HFCs (hydrofluorocarbons) for Scope 1. The calculation of biogenic CO₂ emissions is not relevant to X5 Retail Group. Scope 2 emissions were estimated according to a location-based method due to the regional limitations of data availability for a market-based method.

Following the publication of X5's ESG Databook for 2019 and the 2019 Annual Report, improvements to GHG emissions data collection processes were implemented that required that the previously-published data be revised. Other than these revisions, no significant changes in GHG emissions results have been identified. More details about X5 Retail Group's share of GHG emissions by scope and about the share of Scope 3 categories are provided in the graph and table that follow.

X5 Retail Group GHG emissions by scope



Reduced climate impact and energy efficiency

[102-15] [201-2] [302-1] [302-3] [302-4] [305-1] [305-2] [305-3] [305-4]

Scope 3 emissions of X5 Retail Group by category

| SCOPE 3 EMISSIONS, t of CO ₂ e | 2020 |
|---|------------|
| Purchased goods and services | 22,257,018 |
| End-of-life treatment of sold products | 4,109,039 |
| Capital goods | 728,313 |
| Waste generated in operations | 570,015 |
| Employee commuting | 281,016 |
| Fuel- and energy-related activities | 154,831 |
| Upstream transportation and distribution | 45,618 |
| Business travel | 7,565 |
| Total | 28,153,415 |

The Scope 3 categories not included in the Scope 3 GHG emissions assessment are not relevant, not material or have already been included in the Scope 1 and Scope 2 emissions assessment. Category 1 (purchased goods and services) only includes purchased goods for resale.

TCFD¹ Disclosures

As climate change continues to manifest itself in hazardous weather events and long-term shifts in climate patterns, the climate agenda is becoming a matter of growing concern for the global community. Businesses are facing growing pressure to take decisive containment steps.

X5 Retail Group is taking the lead by implementing various initiatives and tools to drive positive change around the world, thereby contributing to the achievement of the United Nations’ Sustainable Development Goals (UN SDGs). The Group supports the carbon-neutrality goals set in the Paris Agreement and recognises the importance of disclosing information about its climate strategy, climate risk management and adaptation to the global transition to a low-carbon economy.

Climate-related governance

The Management Board of X5 Retail Group N.V., supported by the Management Board of X5 Corporate Centre LLC, is responsible for effectively managing all climate-related questions, including climate risks, and for creating a system of internal controls that is aligned with the Group’s corporate policies.

Issues connected to climate strategy, governance and risk management are processed under Management Board supervision and are discussed at the regular meetings of the Board. The Board monitors all key projects and initiatives including climate-related changes and project results.

X5 Retail Group has a dedicated sustainability team that implements the Group’s strategy and monitors its goals and commitments.

1. Task Force on Climate-related Financial Disclosures

Our goals to 2023

10%

reduction in GHG emissions (Scope 1 + Scope 2) intensity per sqm of selling space compared to 2019



Increase use of renewable energy in our operations

Our 30×30 goals

30%

reduction in GHG emissions (Scope 1 + Scope 2) intensity per sqm of selling space compared to 2019

30%

share of renewable energy used in X5 operations

Reduced climate impact and energy efficiency

[102-15] [201-2] [302-1] [302-3] [302-4] [305-1] [305-2] [305-3] [305-4]

Climate-related strategy

X5’s sustainability strategy was approved by the Supervisory Board and integrated into our long-term business strategy. Our sustainability strategy is based on the four UN SDGs to which we can make the most significant contribution. Even though climate action was not included in our strategic goals, the Company helps achieve this goal indirectly.

At the end of 2020, X5 Retail Group began developing an approach to assessing climate risks and opportunities through scenario analysis. The main purpose of this project is to form a clear understanding of the potential impact of climate risks and opportunities for the Company’s business so that it can take sufficient steps to ensure its resilience.

The scenario analysis covers three climate scenarios:

01

~1.5°C scenario

The world develops along the lines of a green, low-carbon economic model at an accelerated pace, focusing on slowing down the growth of resource and energy consumption. The resource and energy intensity of the global economy declines rapidly in all sectors as a result of decisive measures taken by developed and developing countries aimed at achieving carbon neutrality by mid-century. The share of fossil fuels in the global energy mix declines, reaching its peak around 2030.

02

~2.0°C scenario

The global energy balance changes, and the fight against anthropogenic climate change intensifies. Economic development is achieved despite a slowdown in the growth of resource and energy consumption. However, this trend is less prominent than in the -1.5 °C scenario. The resource and energy intensity of the global economy declines as a result of decarbonisation measures taken by developed countries and subsequent similar actions introduced by developing countries with a delay of several decades. The share of fossil fuels in the global energy mix declines, reaching its peak by the 2040s.

03

~4.0°C scenario

Global development patterns remain unchanged. Economic development is achieved through intensive growth, which entails increased consumption of materials and energy and exploitation of natural resources. Some countries introduce decarbonisation measures, but this is not sufficient to reduce the resource and energy intensity of the global economy. GHG emissions continue to rise throughout the century, and the share of fossil fuels in the global energy mix remains high.

All these scenarios were considered against three time horizons: short-term (until 2023), medium-term (until 2030) and long-term (until 2050).

Reduced climate impact and energy efficiency

[102-15] [201-2] [302-1] [302-3] [302-4] [305-1] [305-2] [305-3] [305-4]

A more detailed description of our approach is presented in the table below:

| | General description of the scenario | Trends in transition risks | Trends in physical risks | Key forecasts and scenarios used for the analysis |
|-----------------|--|--|---|---|
| ~1.5°C scenario | GHG emissions decline twofold by 2050, with a 1.5°C rise in average global temperature by 2100 (~1°C by 2050) and emissions peaking in 2020. | Climate policy regulations are tightened to the maximum. | A significant reduction in GHG emissions and the achievement of net-zero global emissions by 2050 lead to minimal physical impacts of climate change. | <ul style="list-style-type: none">• IPCC AR5 Representative Concentration Pathway (RCP) 2.6• Shared Socioeconomic Pathway 1 (SSP 1)• ETP¹ Beyond 2 Degrees (B2DS) |
| ~2.0°C scenario | GHG emissions decline after peaking in 2040–2050, with a ~2°C rise in average global temperature by 2100 (~1.4°C by 2050). This scenario ensures the achievement of the Paris Agreement goals. | Climate policy regulations are focused on compliance with the Paris Agreement. | A gradual decrease in GHG emissions leads to moderate physical impacts of climate change. | <ul style="list-style-type: none">• IPCC AR5 Representative Concentration Pathway (RCP) 4.5• Shared Socioeconomic Pathway 2 (SSP 2)• ETP 2 Degrees (2DS) Scenario / WEO² The Sustainable Development Scenario (SDS) |
| ~4.0°C scenario | GHG emissions continue to grow at current rates through 2100, with a likely increase in average global temperature of more than 4°C by 2100 (~2°C by 2050). | Climate policy regulations are tightened minimally. | The constant increase in GHG concentrations leads to the greatest physical impacts of climate change. | <ul style="list-style-type: none">• IPCC AR5 Representative Concentration Pathway (RCP) 8.5• Shared Socioeconomic Pathway 5 (SSP 5)• ETP Reference Technology Scenario (RTS) / WEO The Stated Policies Scenario (STEPS) and Current Policies Scenario |

1. Energy Technology Perspective scenarios, provided by the IEA.
2. World Energy Outlook, an IEA publication, provides a comprehensive view of how the global energy system could develop in the coming decades.

Reduced climate impact and energy efficiency

[102-15] [201-2] [302-1] [302-3] [302-4] [305-1] [305-2] [305-3] [305-4]

The impacts of climate change are divided into two categories: physical risks and transition risks.

Climate change causes long-term shifts in weather patterns and increases the frequency of extreme weather events. These events are a source of physical risks. Physical risks primarily threaten employees and business assets and may result in additional financial costs, business disruptions, higher injury rates or deterioration of working conditions. They also affect a company's counterparties, leading to disruptions in supply chains and infrastructure.

Transition risks have a pervasive impact on businesses and can also affect their reputations. These risks are driven by profound political, legal, technological and market shifts resulting from the transition to a lower-carbon economy.

All risks have been specified and supported by the risk components that were individually described for scenario analysis in terms of their relevance to X5 Retail Group. More detailed information about physical and transition risks and their components is presented in the table that follows.

Transition risks

| RISK | COMPONENTS |
|-------------------------------|--|
| Changes in regulation | <ul style="list-style-type: none">• Price on carbon (Scope 1)• Changes in climate-related disclosure requirements at stock exchanges• Prohibition of refrigerants with a high GWP (Global Warming Potential)• Increase in the cost of electricity and heat |
| Changes in investor attitudes | <ul style="list-style-type: none">• Insufficient quality of climate-related disclosures |
| Market risk | <ul style="list-style-type: none">• Decline in the purchasing power of the general population in Russia due to the global energy transition• Impact of climate change on suppliers• Increasing importance of the climate agenda for customers’ perception of brands• Increase in the cost of fuels and lubricants |

Physical risks

| RISK | COMPONENTS |
|---|---|
| Change in air temperature | <ul style="list-style-type: none">• Change in average summer temperature• Change in average winter temperature• Change in heat extremes |
| Change in precipitation | <ul style="list-style-type: none">• Heavy summer rainfall• Increase in winter precipitation |
| Adverse weather events (strong winds, fires, thunderstorms) | <ul style="list-style-type: none">• Increased fire hazard• Strong winds |
| Sea-level rise | <ul style="list-style-type: none">• Sea-level rise (with respect to X5’s assets) |

After reviewing all relevant risk components and their potential implications for X5 Retail Group under the selected scenarios, it became clear that climate risks affect all areas of the Group’s business to varying degrees. Risks can impede the work of stores and suppliers, as well as increase food prices and food insecurity in the short, medium or long term. For this reason, X5 Retail Group is considering several options to diversify its suppliers. We also understand that extreme temperatures can lead to heightened heating or cooling requirements.

However, the greatest impact comes from transition risks. Under the ~1.5°C and ~2.0°C scenarios, the global energy transition and the projected decline in fossil fuel consumption globally can create heightened risks of a slowdown in economic growth in Russia and the weakening of purchasing power in the domestic market. The materialisation of this long-term risk could require the Group to adapt to new market realities.

Our scenario analysis and climate risk assessment have not identified any critical risks that could pose a threat to the financial or operational stability of X5 Retail Group in the short and medium term, which demonstrates that resilience of our business strategy is sufficiently resilient to climate-related changes. However, management and the Management Board will continue to focus on these risks, ensuring that reviews of climate risks are structured and regular.

Reduced climate impact and energy efficiency

[102-15] [201-2] [302-1] [302-3] [302-4] [305-1] [305-2] [305-3] [305-4]

Climate-related risk management [102-11] [102-13]

Climate risk management is integrated into the Group's overall risk management framework. Climate risks are managed across the corporate governance structure and factored into the processes and operations of all business units. More details on the risk management process are provided in the "How we manage risk" section of the Annual Report (p. 153).

The Group has an Audit and Risk Committee, which is in charge of arranging and overseeing the management of all risks, including climate risks. At the level of individual business units, responsibility for climate risk management lies with risk owners, who identify, assess and choose how to respond to their respective risks on an annual basis. They also provide information on climate risks that have already materialised.

The climate risk management process includes the following steps:

- 01 Risk identification
- 02 Risk assessment
- 03 Risk response (avoidance, mitigation, transfer or acceptance)
- 04 Development and implementation of measures to reduce risks
- 05 Control and monitoring
- 06 Risk management reporting

X5 Retail Group regularly engages with stakeholders to discuss trends in climate change mitigation, as well as emerging climate risks and opportunities. The Group collaborates with the Climate Governance Initiative Russia, a non-profit organisation formerly called the Russian Chapter.

Climate-related metrics and targets

X5 Retail Group closely monitors the climate impact of its activities. In 2020, we committed to reducing Scope 1 and Scope 2 GHG emissions intensity per square metre of selling space (30% lower by 2030. We have also set the ambitious goal of achieving carbon neutrality by 2050 as part of the international Science Based Targets initiative (SBTi).

This goal heightens the importance of accurately calculating total GHG emissions. Understanding the exact amount of emissions in each category will facilitate more mature strategy management, helping us set more specific GHG reduction targets. All the details about our performance regarding climate-related metrics and the volume of our Scope 1, 2 and 3 GHG emissions is provided on pages 57–59 of this Report.

The Group is currently working on a pilot project to switch a number of major facilities (distribution centres and certain large stores) from traditional to renewable energy sources. We are considering whether to install our own renewable energy sources or procure low-carbon energy from third parties.

When making decisions on investment initiatives, we assess their climate impact by calculating Scope 1 and Scope 2 GHG emissions and benchmarking progress against the Group's targets. We have developed long-term ESG KPIs for X5 management, which has had a positive effect on investment decisions and the achievement of sustainability goals. The KPIs include customer recognition, employee recognition and shareholder recognition. The Group plans to expand the use of ESG metrics to all its investment projects.

We are actively broadening our climate agenda and hiring new employees who specialise in sustainability, both generalists and specialists. We also develop and deliver training sessions on sustainable development and climate change.

Reduced climate impact and energy efficiency

[102-15] [201-2] [302-1] [302-3] [302-4] [305-1] [305-2] [305-3] [305-4]

Energy efficiency

All new and refurbished stores are now being equipped with a Smart Store system, which deploys special sensors, control devices and software to integrate into existing operating processes, thereby helping to reduce energy consumption, automate equipment control (for refrigerators, refrigerated display cabinets, heating and air conditioning units, lighting and heating solutions for the selling space and utility rooms) and minimise the risk of accidents.



Pyaterochka energy-efficiency highlights

5

Pyaterochka DCs began using hydroelectric power in 2019–2020

Thanks to a wholesale contract secured with RusHydro, we plan on transitioning several more of our DCs-to low-carbon power in 2021.

↓1%–3%

number of distribution centres (ZTL, Samara, Podolsk) reduced the electricity consumption of their refrigeration equipment

thanks to:

- the implementation of a free-cooling project;
- the use of gas-powered generators at the Samara, Yaroslavl and Rostov-on-Don distribution centres.

↓0.6%

Stores reduced their electricity consumption in 2020 from 2019 (kWh/100 sqm)

Key measures for reducing consumption included:

- equipping stores with Smart Store technology; in 2020, 2,361 stores were equipped;
- automatic metering of electricity consumption for each facility.

25

voltage regulators were installed

This improved the performance and life cycle of store equipment.



Perekrestok energy-efficiency highlights

All Perekrestok stores have switched to LED lighting; the transition took place over the last five years. Bulbs were updated in 2020. For an office with an area of 1,000 square metres, replacing fluorescent lighting with LED lighting will achieve savings of 50% on average over the course of five years.

Reduced climate impact and energy efficiency

[102-15] [201-2] [302-1] [302-3] [302-4] [305-1] [305-2] [305-3] [305-4]

Green office [301-3]

X5 Retail Group’s head office in Moscow has Gold-level LEED environmental certification. This means that the office uses safe finishing materials, energy-efficient lighting (LEDs) and equipment, water-efficient plumbing in the bathrooms (dual-flush toilets, urinals set to drain in four seconds), solenoid valves that shut off the water if the room is empty, motion sensors, and offers collection of waste paper, lids and batteries.

Various offices across X5’s operations have established segregated waste collection for materials that include:

- used batteries
- plastic
- polyethylene paper



Collection of used batteries at the central office

After installing a container for used batteries, we collected about 100 kg of used alkaline batteries and handed them over for recycling.



“Giving paper a new life” at the central office

The Kalitniki office launched a project for the collection of waste paper. The Operations Department installed 10 special boxes for collecting cardboard. Our employees hand over about 200 kg of paper every month.



Promoting responsible consumption

[301-3]

We are implementing a project to promote reusable bags and weighing sacks for fruits and vegetables. Pyaterochka encourages its customers to buy eco-bags made of raw cotton and to use reusable weighing sacks for fruits and vegetables by crediting double bonus points to their loyalty cards. In 2020, X5's retail chains sold more than 5.6 million reusable shopping bags, nearly double the amount sold in 2019. Approximately 145,000 reusable weighing sacks for fruits and vegetables were also purchased at Pyaterochka stores in 2020.

X5 also teamed up with Unilever, Coca-Cola and Henkel to start collecting used plastic and aluminium containers via reverse vending machines installed in our stores. In 2020, X5's retail chains collected over 3.5 tonnes of used materials for recycling through reverse vending machines, which offer discount coupons from the manufacturers participating in the project. Customers at Perekrestok, Pyaterochka and Karusel stores also brought in around 2.5 tonnes of batteries for recycling via special battery collection points at the stores.

In November 2020, Pyaterochka launched an eco-landing page dedicated to caring for the environment, part of its Green Store pilot project, as well as an information campaign at several of its stores to assist customers in sorting raw materials and handing them over for recycling. The slogan on the landing page is "Let's share our love of nature!" The page contains lessons on environmental literacy that teach visitors about the most important aspects related to the recycling of containers and packaging, while also offering them a chance to test their knowledge of environmental issues. For those who want to sort their own trash for recycling, the site provides detailed instructions on how to prepare different types of raw materials for delivery, as well as an interactive map of collection points for plastic, waste paper, glass, batteries and other recyclable materials.

Following a pilot project and based on customer feedback, the Perekrestok and Pyaterochka retail chains are switching to plastic bags containing 35% recycled materials. Perekrestok also updated requirements for all bags used in its operations, with it now compulsory for suppliers to use bags that are made of at least 35% recycled materials.

Pyaterochka continues working with suppliers to implement more sustainable shopping bags and plans to update requirements in 2021.

Since August 2019, Perekrestok's online Vprok hypermarket has been collecting packages left over from order deliveries and sending them to be recycled. In 2020, almost 28 thousand customers returned approximately 248 thousand packages, bringing the total number of packages recycled since the start of the project to around 310 thousand.

All of Pyaterochka's new concept stores – more than 2,100 as of the end of 2020 – started to use shopping baskets made of recycled plastics. From 2020 onwards, all new concept stores will use such baskets. The transition to similar baskets by Perekrestok is in progress. Using recycled plastic in baskets is now a mandatory requirement for manufacturers engaged by all our retail chains.



Our plans for 2021

X5 HEAD OFFICE

At the head office level, we have adopted and will be implementing detailed sustainability and sustainable packaging recommendations for our suppliers. We will continue to update the X5 Dialogue supplier portal with sustainability information (for more detailed information about X5’s supplier portal and sustainability recommendations, please see the “Responsible supply chain” section on pages 34–35)

TRANSPORT

- Purchasing trucks with lighter-weight bodies, helping to reduce emissions
- Piloting aerodynamic body kits to further improve emissions characteristics
- Measures to reduce accidents (driver monitoring, etc.) help to decrease waste generated when trucks or truck parts have to be disposed of



Pyaterochka

Energy conservation and a reduction in indirect atmospheric emissions

- Retrofit 1,157 existing stores with Smart Store technology, and also ensure that this technology is available in all newly opened stores.
- Explore the possibility of installing a biogas plant at one fully owned distribution centre.
- Continue to develop the use of alternative energy sources and energy-saving technologies: transfer all owned distribution centres to green energy, carry out pilot projects on solar power plants.
- Add an additional 35 voltage regulators to those already installed.

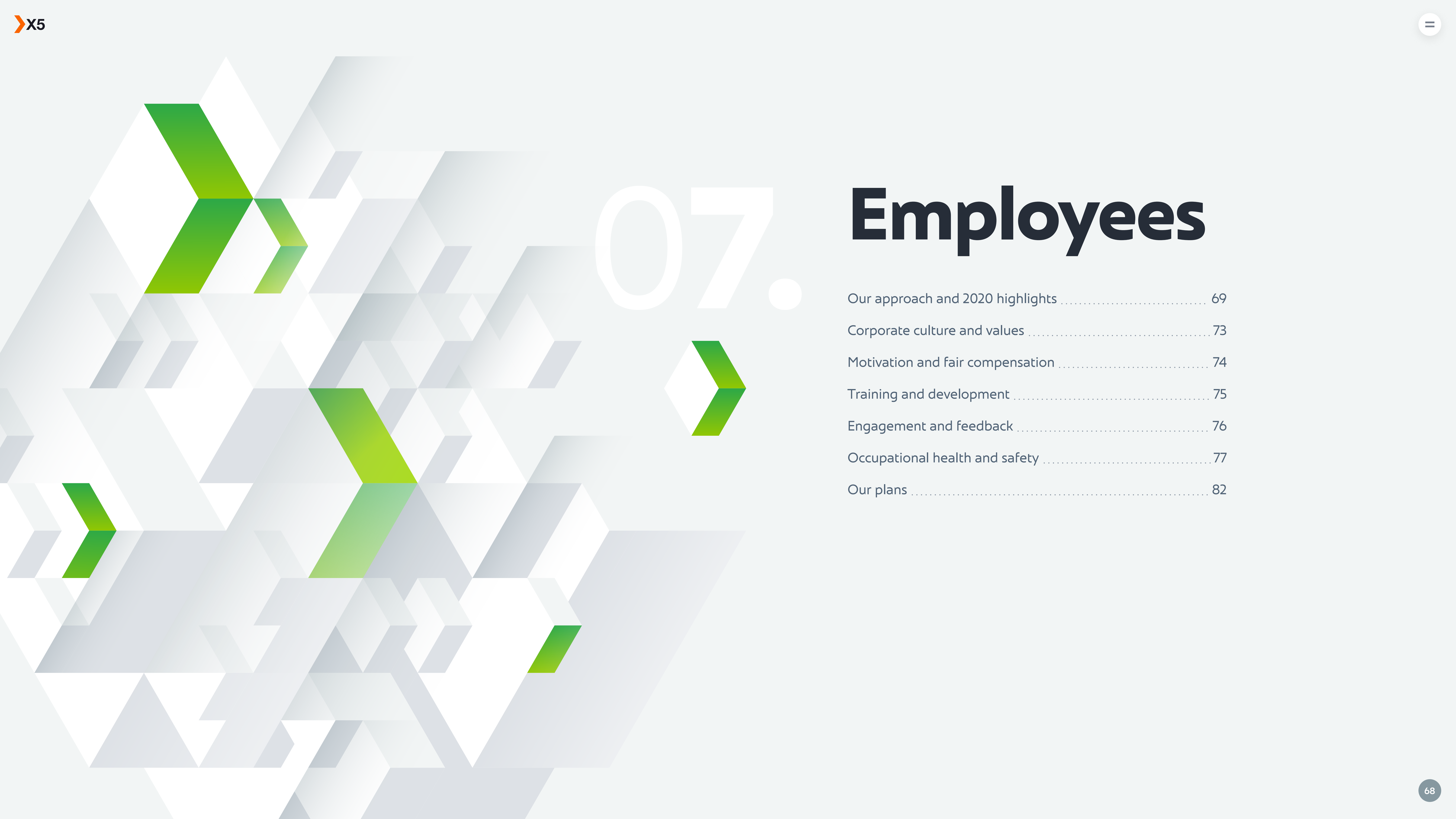
Waste management, secondary raw materials and environmental protection

- Continue developing the project for the installation of reverse vending machines so as to install them throughout the entire network.
- Automate food waste accounting – calculating the generation of food waste from the actual amount written off.
- Pilot the installation of composters at stores and distribution centres.
- Pilot the installation of level sensors in solid-waste containers.
- Train the operations unit on conscious consumption, waste management and sustainable development.
- Automate the generation of waste logs and 2-TP statistical reports in accordance with the requirements of the laws of the Russian Federation.
- A pilot is underway in 2021 to switch to bags made of 35% of our own recycled materials.
- A pilot to install reverse vending machines in Moscow and the Moscow region, Lipetsk, Belgorod, Krasnodar, Sochi, Kazan and Chelyabinsk.
- Pilots are underway regarding recyclable packaging for private labels, in particular for mayonnaise.



Perekrestok

- Continuation of the pilot project to convert unsold food products into animal feed at all network stores.
- Introduction of energy-efficient lighting technologies in stores.
- Continuation of the project to segregate waste at Perekrestok, including the further recycling of the waste.
- Installation of reverse vending machines.
- A project to promote reusable packaging.
- A project on the use of packaging made from recycled materials. The plastic bags sold at the cash counters at Perekrestok stores contain 35% recycled materials: following the pilot project and having received feedback from shoppers, the retail chain adjusted its requirements for all its bag suppliers, making this requirement mandatory, while the price for such bags has not changed.
- Campaigns for the collection of batteries. The geography of these promotions is gradually expanding.
- Doing away with paper receipts (at self-service checkouts in new-concept stores, shoppers have the option of not printing a receipt).
- We aim to begin selling food waste from all Perekrestok stores, which will greatly reduce the cost of disposing of solid waste and food waste.
- Expand the types of waste collected for recycling.



Employees

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Our approach and 2020 highlights

[103-1] [103-2] [103-3] [102-8] [102-41] [401-1] [401-3] [404-3] [405-1]

X5's HR strategy takes into account business needs, employee expectations and labour market trends, and supports the personalisation of interaction with employees in various divisions, categories and groups.

We continue to build a flexible digital HR management system that can be quickly scaled and adjusted depending on business objectives and market trends. At its foundation are big data analytics, electronic services, continuous feedback from employees and the creation of flexible HR tools.

We have established our value as an employer: at X5, everyone has an opportunity to change the entire industry, thus creating a new form of retail. At Pyaterochka, fresh perspectives await employees; the strength of the Perekrestok team is in teamwork. Our attractiveness as an employer is a reflection of the relationships, processes, working conditions and objectives within the Company.

By adding and improving feedback instruments, we gather the opinions of employees about working at X5 and use that feedback to shape the agenda for change in all areas, from working conditions and compensation to relationships with managers and corporate culture. In doing this, we are moving from managing processes and results to managing an HR brand, where internal changes improve the efficiency and the engagement of our staff, while also making X5 an increasingly attractive employer among external jobseekers.



Our approach and 2020 highlights

[103-1] [103-2] [103-3] [102-8] [102-41] [401-1] [401-3] [404-3] [405-1]

2020 highlights:

- During the pandemic, we continued operating without interruption and to ensure the safety of our employees and customers while complying with all obligations to our employees, we retained our employee benefits package in full and paid nearly RUB 2 billion in bonuses to retail staff as compensation for their high workload.
- In 2020, we switched to a permanent hybrid work format for office employees. The Home Office project enables office workers whose responsibilities are not tied to being present in a specific location to work both from home and at the office. As part of the project, about 60% of office workers will switch to remote and combined work modes. A large percentage of them (46%) will be able to work from home one to three days a week; the rest will either switch to permanent remote work or will be able to come to the office once a week. As one of the steps towards the digital transformation of our business, the project supports the cultural and organisational changes taking place at X5, offering more flexible working conditions and wider opportunities for interaction between teams, including those working on agile principles. Offices are becoming transformative spaces for teamwork, evolving from the traditional set of workplaces and meeting rooms. The project added additional digital services to the arsenal of business tools: MS Teams, Miro and others.
- Launched the “Unified Information Environment”, a corporate intranet that integrates gamification, a job portal and a section for user-created content
- Established comprehensive programmes for the development of leadership competencies at X5 and in Company divisions as well as training in the Digital Academy’s four faculties, including the launch of two technical schools for IT development and data science
- Updated principal on-site regulatory documents on occupational health and safety for all retail networks and business units to take account of amendments to laws on occupational health and safety and conducted a special assessment of working conditions for 100% of workplaces to identify hazards and occupational risks
- X5 was named among *Forbes’* 50 Best Employers in Russia

Under our existing structure, every X5 business has its own HR function, which reports directly to the managing director. In addition to recruitment and onboarding, evaluations, the administration of compensation and benefits, and personnel training and development, the HR function is responsible for organisational design, HR brand development and internal communications.

Strategic personnel management and the development of key HR agendas for X5 businesses are carried out in the central offices of the Company’s retail chains and its business divisions; regional divisions are responsible for operational HR processes. New models for interaction are being introduced, including through the institution of HR business partners, for the effective operation of recently launched business lines.

For the successful implementation of its new strategy, X5 has begun transforming its management operating model.

- The X5 Corporate Centre is turning into a management company; in terms of personnel management, it will act as a centre of expertise and methodology for key HR competencies and the development of X5’s operating model. The key tasks will remain to support the transformation of the Company, to strengthen X5’s brand as an employer, to formulate common guidelines for incentives and remuneration, and to recruit and develop a team of top executives.
- All of the Company’s technological functions have been combined in the X5 Technologies business unit, which will also act as a centre for the development of the Group’s digital competencies.
- A new division called X5 Business Support is being developed, which will cover centralised expertise and support functions: building and office management, administrative services, budget consolidation, reporting and analysis concerning personnel costs, and the implementation of cross-format initiatives related to operational HR processes.
- Transactional processes, including HR workflow, are being centralised as part of the expansion of the operations of X5’s multifunctional Company-wide service centre in Nizhny Novgorod.

Our approach and 2020 highlights

[103-1] [103-2] [103-3] [102-8] [102-41] [401-1] [401-3] [404-3] [405-1]

2,638,338

Total number of hours
of training for Company
employees

8.2

Average hours of training
and development per
employee, women

7.6

Average hours of training
and development per
employee, men

8.0

Average hours of training
and development per
employee

9.8

Average hours of training
and development per
employee, management

7.7

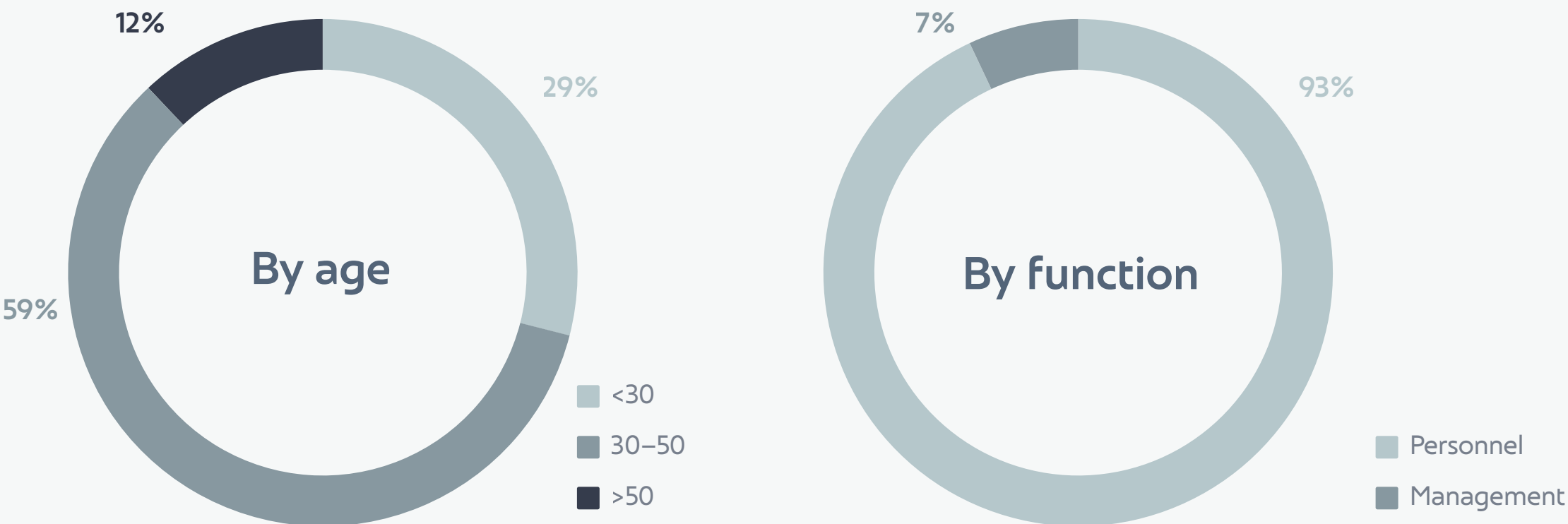
Average hours of training
and development per
employee, personnel



Our approach and 2020 highlights

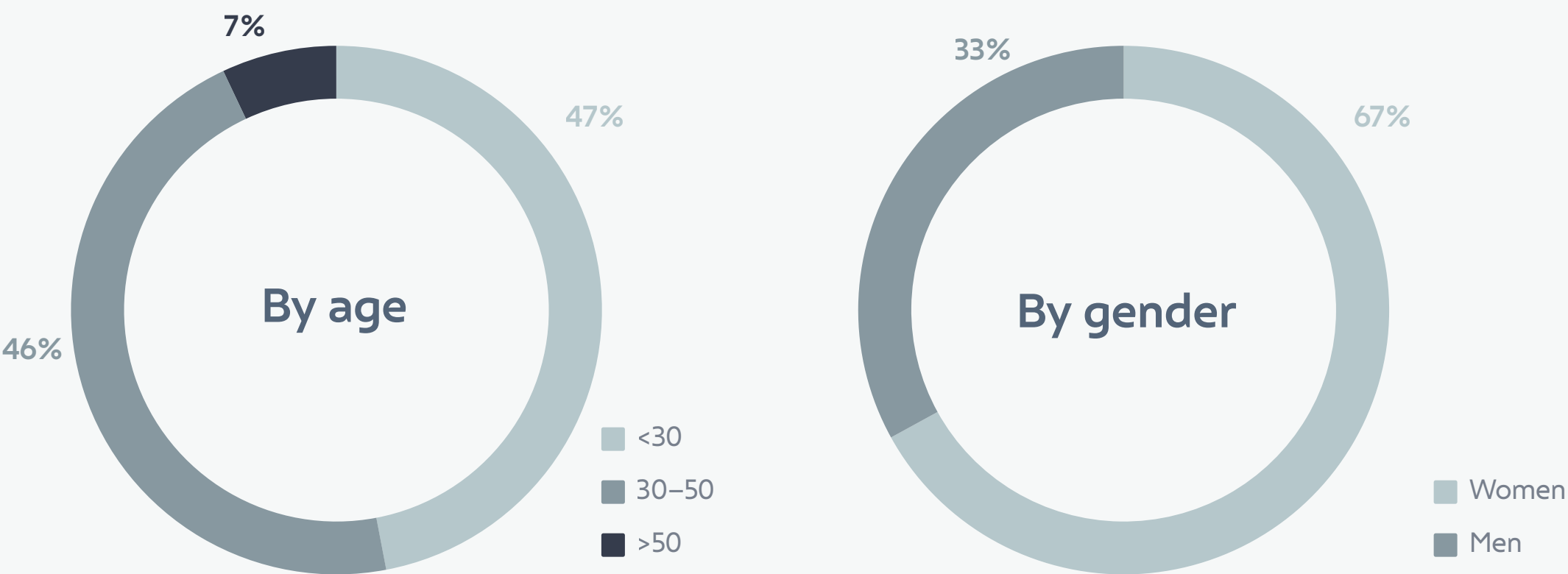
[103-1] [103-2] [103-3] [102-8] [102-41] [401-1] [401-3] [404-3] [405-1]

Personnel structure in 2020, %



| PERCENTAGE OF WOMEN IN MANAGEMENT POSITIONS | 2019 | 2020 |
|---|------|------|
| Management Board / CEO–1 | 36% | 43% |
| Senior management / CEO–2, –3 | 40% | 39% |
| Middle management / CEO–4 | 42% | 45% |

New hires in 2020 Total new hires: 177,719



| | 2019 | 2020 |
|---|---------|-------------|
| Headcount ¹ | 307,444 | 342,330 |
| Staff turnover | 48.9% | 37.9% |
| • men | n/a | 49.8% |
| • women | n/a | 33.7% |
| • <30 years of age | n/a | 55.6% |
| • 30–50 years of age | n/a | 31.8% |
| • >50 years of age | n/a | 25.1% |
| Percentage of men among staff | 26% | 26% |
| Percentage of women among staff | 74% | 74% |
| Full-time equivalent | 269,300 | 286,564 |
| Number of hours worked | n/a | 451,251,238 |
| Percentage of employees receiving performance assessment and feedback | 100% | 100% |
| Total number of employees that took parental leave during the reporting period, incl. | 11,878 | 11,698 |
| • men | n/a | 125 |
| • women | n/a | 11,573 |

Turnover is generally high in the retail industry, since specialists at stores and DCs frequently change jobs in search of the best working conditions and benefits. Nonetheless, we managed to reduce the turnover rate in 2020 compared to 2019 following our talent engagement and retention initiatives.

1. The headcount includes staff and outsourcing.

Corporate culture and values

[102-16]

From a culture of results to a culture of care, recognition and gratitude

While maintaining a focus on efficiency and results, we encourage experimentation, openness and tolerance for mistakes, and we learn, and teach employees, to work in an environment of constant change.

Mentoring programmes are widely used in retail chains, both during the orientation period and for employees’ professional development. In 2020, mentoring programmes were also developed for employees in Vprok.ru Perekrestok, 5Post and the Ready Food business unit.

X5 maintains continuous, open communication with all groups of employees through a system of digital and traditional communication channels. In 2020, anti-crisis communication campaigns were carried out in all divisions to support personnel during a period marked by change and a high workload. Direct lines to top management and strategic online sessions with no limit on the number of participants became a regular practice at X5. Providing information support for the safety of employees and customers became a particular priority.

Personalised recognition and incentive programmes, some of which were transferred to a hybrid online–offline format, remained a point of focus. The Peak of Excellence competition simulated the Company’s real work through interactive online games. The Pyaterochka Turbostarts sporting competition, a competition for Perekrestok cashiers and awards for the employees of the year were also held in an online or hybrid format. X5 Transport created a recognition programme for drivers called “King of the Road”. In addition to awards and recognition for professional achievements, it also includes ratings of the operational efficiency of road transport companies and driver ratings.

When conducting business, X5 Retail Group is committed to a corporate culture of shared values based on ethical standards, mutual respect and compliance with applicable laws and regulations. We have adopted common corporate values: respect, customer focus, honesty and decency, and striving to achieve results. These values and principles are reflected in our Code of Business Conduct and Ethics (the “Code”), underlying policies and procedures, and through learning and training programmes.

The Code of Business Conduct and Ethics and its underlying policies intend to help each employee comply with relevant legal and regulatory obligations and make ethical choices as related to our business. Our policies are posted on our website and/or intranet, enabling X5 employees and business partners to familiarise themselves with them. The Code and its underlying policies are reviewed and updated on a periodic basis in response to changes in legislation and Company processes.

Code of Business Conduct and Ethics

The Code of Business Conduct and Ethics sets standards of conduct that employees are expected to strictly observe in relations with customers, suppliers and other employees, as well as a set of basic principles that guide our business practices.

The Code covers areas such as fair competition, fighting bribery and corruption, care for the environment, protection of personal data and Company assets, avoiding conflicts of interest, equal opportunities for employees and safe working conditions, and how to deal with customers, suppliers and competitors. Furthermore, the Code includes provisions on mechanisms for reporting violations of the Code. The provisions of the Code apply to all employees regardless of their position or function; employees are made familiar with the provisions of the Code through periodic, interactive learning programmes.

Declaration on Human Rights Protection

X5’s Declaration on Human Rights Protection defines principles and rules in respect of compliance with and promotion of high international standards for the protection of human rights at every level of the Company’s operations:

- Prohibition of discrimination and forced labour;
- Prohibition of harassment;
- Respect for cultural diversity and values;
- Respect for the right to freedom of assembly and association;
- Occupational health and safety.

As a complement to the Code of Business Conduct and Ethics, the Declaration on Human Rights Protection is a binding document for all X5 employees.

Motivation and fair compensation

[102-35] [405-2]

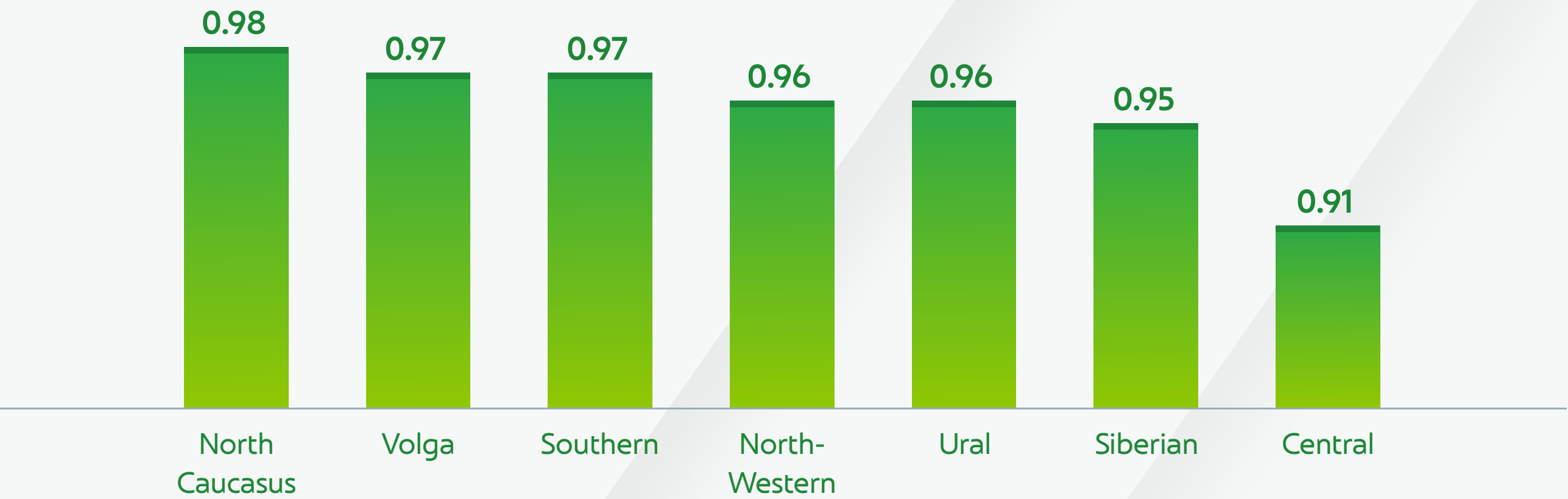
In line with market practice, X5 Retail Group maintains a logical and transparent remuneration and incentive system for both individual performance and team results. The Group’s leadership diversity policy establishes the importance and benefits of diversity, including but not limited to gender, within its leadership team and throughout the Group. X5 guarantees employees fair wages in accordance with their qualifications, skills, effort and time, as well as the complexity of their work and the amount and quality of their labour. Remuneration does not depend on age, gender, race, religious beliefs, sexual orientation or disability. Company-wide guidelines and approaches to staff remuneration are set out in the X5 Policy on Remuneration.

Current remuneration levels are comparable to those at leading companies in the sector and in other industries. Average monthly salary for operations personnel is RUB 35,000; all payments and awards of compensation are made in accordance with the Labour Code of the Russian Federation.

Social support measures for employees include financial assistance, discounts at Company stores and discounts on goods and services at partner companies; for a number of categories of personnel, measures also include annual flu vaccinations, mobile communications and life and health insurance, including coverage for accidents and illness.

| GENDER PAY DISCLOSURE | 2019 | 2020 |
|---|------|------|
| Ratio of basic salary of women to men at the executive level (CEO, CEO–1) | 0.87 | 0.80 |
| Ratio of basic salary of women to men at the management level (managerial positions below CEO–1) | 0.91 | 0.95 |
| Ratio of remuneration (basic salary + other cash incentives) of women to men at the management level (managerial positions below CEO–1) | 0.87 | 0.96 |
| Ratio of basic salary of women to men at the non-management level | 0.91 | 0.93 |

Ratio of basic salary of women to men at the non-management level, by significant regions of operation



Training and development

[404-1] [404-2]

From training and development to conscious career management

A comprehensive and rewarding training and development programme is an important part of X5’s commitment to provide all of our employees with a safe and enriching workplace. We strive to create an environment in which every X5 employee can receive knowledge at the right time and in a convenient place in order to independently form a career path and unleash their potential. Our objectives include continuous training on work processes and the implementation of ecosystem solutions that can ensure the rapid delivery of knowledge to every X5 employee. We continuously set ambitious goals and update those objectives based on our achievements, and we support employees in making contributions to these goals, as investing in their career growth is a vital aspect of our continued success.

Comprehensive programmes for the development of leadership competencies at X5 and in Company divisions :

- Training in the Digital Academy’s four faculties, the launch of two technical schools for IT development and data science, the formation of professional communities with digital expertise
- Piloted automation of talent pool operations using Skillaz and digital personal accounts for employees, as well as the development of a relocation programme and automation of personnel management processes for Pyaterochka
- Transition of training programmes for all groups of employees to a distance format, conducting professional skills competitions in a hybrid online–offline format
- X5 Transport’s “Main Street” project to develop a talent pool and prepare staff to take over key positions
- The Perekrestok retail chain began using virtual reality technologies to train its retail personnel in 2020
- New educational tracks have been created concerning management of distributed teams and the Company’s sustainable development
- Launch of training projects in the area of sustainable development
- At Perekrestok, the “Rulemakers” and “Fresh Start” programmes are preparing young staff for management roles in, respectively, retail and the back office. The retail network is collaborating with the Plekhanov Russian University of Economics, the State University of Management and the Russian Presidential Academy of National Economy and Public Administration. Pyaterochka launched its own programmes in several areas, from internships at offices and stores to collaboration with young people and student communities. The X5 Import, X5 Transport and X5 Technologies divisions are working with students from universities and colleges, and X5 cross-format programmes are being developed with the country’s leading educational institutions.
- An institute of functional education is being developed at Pyaterochka: the HR Academy and the Academy of Category Managers got under way, and a Baking School was created. Training tracks and a developmental marathon were put in place for the position of store manager, an in-demand position for which the Company conducts mass recruitment.
- X5 Ready Food introduced a mentoring system: every newcomer is assigned a trained mentor who is responsible for their onboarding and initial training. X5 Foodtech implemented a project to conduct onboarding with the help of a chatbot and on-the-job training. Perekrestok Vprok is using no fewer than 10 new courses and webinars for its delivery drivers, restocking staff, receptionists and shift leaders. A cross-functional on-the-job-training system was launched at the X5 multifunctional service centre, giving employees an opportunity to try out new functions as trainees.

In accordance with our [Policy on Equal Opportunities](#), we strive to ensure that employees are treated equally regardless of gender. Thus, 43% of X5 managers are women, and men and women follow the same paths in terms of career development. X5 is a large and diverse company from the point of view of its businesses that offers people – regardless of their gender – numerous opportunities for professional development: from advanced training in a narrow field of expertise and transfers to positions at a similar level in other divisions to opportunities to manage a fully fledged business or large-scale product. This is one of X5's great advantages.

| EMPLOYEE TRAINING | 2020 |
|--|-----------|
| Total number of hours of training for Company employees | 2,638,338 |
| Average hours of training and development per employee | 8.0 |
| Average hours of training and development per employee, women | 8.2 |
| Average hours of training and development per employee, men | 7.6 |
| Average hours of training and development per employee, management | 9.8 |
| Average hours of training and development per employee, personnel | 7.7 |

The decrease in the number of training hours per employee was impacted by the transition to a hybrid training format (offline + online), as well as a decrease in employee turnover by 11 p.p. and a corresponding decrease in the number of introductory training courses conducted during the year.

Engagement and feedback

From office and retail to generations, competencies and agile

We want to know our employees their expectations and needs even better. We use segmentation by a wide range of characteristics, from age and marital status to knowledge, skills and competencies, to help us understand what drives a person, to offer them the right tools for effective and successful work, effectively manage employee productivity and to engagement. This approach is applied both in our mature large businesses and in young teams with a startup culture.

RUN – operations staff, the backbone of X5’s business. Includes salespeople, cashiers, drivers, cooks and accountants.

CHANGE – the power of transformation. Includes IT and big data specialists, stakeholders in digital transformation products and office staff involved in changes.

DISRUPT – new lines of business. Innovators enhancing the entrepreneurial spirit and developing a culture of openness and a willingness to experiment and make mistakes.

X5 operates its own digital survey system designed to collect feedback at all levels and to enhance interaction with personnel in various categories. It enables the selection of respondents by gender, age, position, region, company structure, etc. The system has now been rolled out at Pyaterochka and is being expanded for use in other divisions.

The Perchatka mobile app for Perekrestok personnel – one of our digital transformation products – enables retail staff to communicate directly with Company management. Launched in 2020, this app was developed in-house and enables direct communication with retail staff. Previously, communication went through traditional POS materials and through store directors. As part of our efforts to collect feedback, employee blogs, news and comments are analysed.

In 2020, the Company rolled out an HR product called the “Single Information Environment”, which is a new corporate intranet that integrates gamification, a job portal and a section for user-created content. It expanded the existing range of tools for collecting feedback and in the future will become a single point of entry to X5’s systems and services.

From static HR processes to evolving digital products

We are moving from systematic process management to integrated management of the employee experience – from recruitment to transitioning staff to new roles. By analysing feedback from personnel regarding every point of contact with the Company, we can identify areas for development and improvement. X5 is already digitalising recruitment, reducing the time needed for — and the costs involved in — hiring. The Company is also creating digital products for managing goals and performance indicators and offering hundreds of thousands of employees online offices with a wide range of self-service tools, from documentation and scheduling to training and career growth.

Digital personal accounts give employees access to a wide range of HR services, from requesting certificates and electronic signatures for documents to talent pool and feedback programmes. All these services support the Company’s transition to paperless document flow. For example, some 230 thousand employees are already using the Digital HR Services product at Pyaterochka, which enables them to plan work and vacation schedules, process electronic signatures and sign documents, submit requests for documentation, communicate through the messenger, read Company news and much more.

The mobile app for automating the work of X5 Transport’s drivers, planners and dispatchers makes it possible to receive and confirm assigned trips, to report any problem en route, to plan refuelling at the lowest fuel cost, to take the freight frame into account when determining routes, to submit notifications about temperature deviations in the cargo area and to sign electronic waybills. The platform includes web-based accounts for internal users and a personal account for transport companies. Dispatchers can now schedule trips in just 30 seconds.

An automated system for mass recruitment was introduced at Pyaterochka, and it is being expanded for use at Perekrestok and within the X5 Transport division. This makes it possible to greatly increase the speed of hiring, reduce the cost of recruitment and increase the conversion of candidates.

From long-term planning to adaptive management models

By implementing best business practices in our personnel management, we are moving from long-term planning to adaptive management based on the current needs of the business and employees. Advanced HR analytics, digitalisation and automation of processes make it possible to build predictive models, proactively propose management solutions, and ensure the right balance between personnel and profitability on an ongoing basis.

We are developing HR analytics for personnel decision-making. In 2020, we started keeping track of several new metrics: the COVID-19 incidence rate and models of its impact on X5’s operations, absenteeism, analysis of career moves within the Company and others.

Pyaterochka uses an automated HR-monitoring system to analyse the competitiveness of its remuneration for line personnel in the regions where it operates. In 2019–2020, pay scales were revised for sales clerks at 95% of X5 stores.

An intelligent personnel planning and management system called Clue, developed by Perekrestok on the basis of an agile approach, allows retail management to receive online analytics to help make informed management decisions, to manage staff schedules and vacations, to make forecasts about targets and to receive up-to-date reports on important HR issues. An MVP was launched in 2020, and Clue’s capabilities will be greatly expanded in 2021.

Occupational health and safety

[403-1] [403-2] [403-3] [403-4] [403-5] [403-6] [403-7] [403-8] [403-9]

In the area of occupational health and safety (OHS), we are constantly focused on identifying and implementing measures to improve our sustainable safety culture. In order to achieve this, we adhere to the following rules:

01

Be a leader: X5 managers at all levels pay special attention to OHS issues and set an example for employees by adhering to the principles of a sustainable safety culture; employees are actively involved in improving occupational health and safety, as well as personal and public safety at work and at home.

02

Identify dangers: we seek to identify hazards, assess OHS risks and analyse the root causes of accidents, as well as the conditions that led to accidents and hazardous situations.

03

Set goals: we develop action plans to mitigate risks to the life and health of employees, as well as the risks of property damage.

04

Improve the OHS management system: our OHS management system complies with national standards and practices; we have a process in place aimed at the continuous improvement of the system.

05

Ensure a safe working environment: our equipment, premises and workplaces comply with current national OHS standards; we strive to avoid or minimise the harmful impact of occupational health hazards on the health of employees.

06

Improve qualifications: we monitor the qualifications of every employee to ensure that they are in line with their duties; we also strive to ensure that employees continue to develop their professional skills and OHS-related knowledge.

07

Invest in personnel: we incentivise employees to comply with OHS requirements and to play a role in improving the OHS management system; we also take steps to ensure that employees maintain and improve their knowledge, while also implementing their proposals and ideas.

08

Focus on safety: our employees behave responsibly in respect of their own life and health and the life and health of those around them in the workplace.

Measures to promote employee health and well-being

We provide voluntary medical insurance for a number of categories of employees and offer discounts for employees' relatives. We also offer corporate discounts for fitness clubs, organise testing of employees for COVID-19, conduct annual flu vaccinations and offer a course titled "Keeping healthy nutrition simple" at Perekrestok. Pyaterochka, as part of the medical examination process, teaches employees about regulatory sanitation requirements. In 2020, we launched daily exercises on Instagram and yoga through Zoom.

Flexible working hours and working from home

A part of the X5 Home Office remote work project, employees can arrange hybrid or remote work.

Flexible working hours apply to both office and store staff. In Perekrestok, this has become an element of the EVP that enables us to hire employees on schedules for several hours a day at their request, and to give jobs to young mothers, students and other vulnerable categories of job seekers.

Childcare institutions or contributions

Pyaterochka partially compensates employees for children's visits to health resorts and camps. Benefits are regulated by the Regulation on the Provision of Additional Benefits to Employees.

Managers at all levels play a leading role in these activities.

X5 has adopted an OHS Policy. As a responsible employer, we guarantee every employee the right to a favourable work environment that meets state OHS regulations. Aware of our responsibility to create and maintain safe working conditions and to protect the life and health of our employees, X5 is committed to carrying out OHS-related activities; in doing so, it is guided by the following principles:

- Complying with legal requirements
- Prioritising the life and health of employees
- Continuously developing a culture of safety
- Creating and ensuring a safe working environment for suppliers

X5 has implemented comprehensive corporate safety standards, including for training, medical examinations and professional risk assessment, based on state regulatory requirements and the Company's own health and safety policies. X5 operates an Occupational Health and Safety Management System (OHSMS) identical to the OHSAS 18001 standard, the functionality of which can be organised and maintained at all management levels; it also allows for the timely identification of potentially dangerous situations and the development of remedial measures to ensure working conditions meet safety standards, as well as the adoption of informed management solutions.

- The main legislative act governing our OHS system is the Labour Code of the Russian Federation (Art. 212).
- The regulatory document for the development and implementation of an OHSMS is Standard Regulations on an OHSMS. This document sets out the requirements for an OHSMS.
- On the basis of the Standard Regulations on the OHSMS, our other business units have developed their own OHSMS.

Occupational health and safety

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All X5 employees are covered by the Occupational Health and Safety Management System.

To assess and continuously improve the Occupational Health and Safety Management System, action plans are drawn up to improve working conditions: organisational measures are adjusted and technical measures are planned, such as the replacement or repair of equipment.

We encourage employee participation and consultation, in line with the principle of continuously developing a culture of safety laid out in X5's OHS Policy, in order to further develop our Occupational Health and Safety Management System. Such consultations are provided on request.

Our employees can report work-related hazards and hazardous situations to their direct supervisor, as well as send requests to a dedicated mailbox, hotline or via a corporate mobile app. Occupational safety instructions for each position or type of work performed indicate that workers can stop working if hazards are identified or PPE is not available. Moreover, X5's OHS policy states that employees can remove themselves from work situations that they believe could cause injury or ill health. All employees reporting on work-related hazards and such issues are protected against reprisals.

OHS organisational chart



2020 OHS highlights

- an OHS management system is in place; functional responsibilities for occupational health and safety were assigned to executives and employees;
- the principal on-site regulatory documents on occupational health and safety for all retail networks and business units were updated to take account of amendments to laws on occupational health and safety;
- a special assessment of working conditions was conducted for 100% of workplaces to identify hazards and occupational risks;
- OHS briefings and other types of OHS training were conducted;
- employees were provided with the required personal protective equipment;
- on-site OHS documents concerning all areas of activity were made available in all retail networks and business units; OHS-related document management is in place;
- an OHS specialist (service) is available in all retail networks and business units;
- compulsory insurance for employees is provided through Russia's Social Insurance Fund;
- internal OHS audits through electronic checklists in the WRS-3¹ system continued, enabling us to reduce the number of working hours needed to carry out inspections, as well as to identify, in a timely manner, and rectify non-compliance with the requirements of OHS legislation;
- X5 was in compliance with OHS and public health standards, resulting in the absence of cases of occupational diseases;
- incidents involving work-related injuries, health impairments and illnesses were investigated in a timely manner, as was their impact on OHS-related activities;
- as a result of the reconstruction and major renovation of stores, working conditions for retail and logistics workers were improved; natural lighting was installed at many stores, which has a positive impact on employees' well-being and performance.

1. WRS-3 is our automated OHS monitoring system, which helps us to monitor workplace safety across our operations on an ongoing basis.

Occupational health and safety

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| | | 2019 | 2020 |
|--|-------|---------|--------|
| Number of identified OHS violations | # | 16,394 | 10,884 |
| Number of OHS violations resolved within 5 days | # | 14,805 | 8,290 |
| Number of employees taking part in OHS training (excluding compulsory briefings) | # | 123,793 | 71,925 |
| Percentage of employees covered by OHS management system | % | 100% | 100% |
| Lost time injuries (LTI), incl. | # | 197 | 212 |
| • among employees | # | 197 | 212 |
| Number of fatal accidents, incl. | # | 2 | 2 |
| • among employees | # | 2 | 2 |
| Lost time injury frequency rate (LTIFR) among employees* | ratio | 0.357 | 0.470 |

A slight increase in accidents compared to 2019 was caused by the growth in the number of facilities and an increase in the number of employees in 2020, as well as stressful situations due to the COVID-19 pandemic.

Improving occupational health and safety competencies

We provide health and safety training in order to improve the overall occupational health and safety (OHS) competencies within X5 Retail Group. We seek to emphasise the importance of timely completion of health and safety training for both managers and operational staff. This includes safety training covering workplace methods and techniques, first-aid provision, health and safety courses, and workplace training for new and existing employees. To improve quality and convenience, the Company has introduced an interactive training course using slides; it incorporates case studies, quizzes and engaging exercises. Each new employee receives an e-mail instruction to undergo health and safety training, including a link to an interactive training course.

All new employees undergo remote health and safety training. The X5 training portal notifies the employee that they need to undergo training and provides a link to the training portal. Training includes familiarising the employee with basic legal OHS requirements so that they understand their basic legal rights and obligations under OHS and labour laws. Within structural units, direct managers provide practical OHS instruction and ensure that work is conducted under the supervision of more experienced employees and that requisite safety measures are adhered to.

Health and safety training is provided within divisions using corporate training courses for workers. Employees are familiarised with OHS issues via information boards located at health and safety stands. Occupational risk assessments have led to hazards being identified that could cause injury. Information about workplace hazards is provided in the health and safety instructions with which workers are familiarised on their first day.

Unfortunately, restrictions on holding public events in 2020 due to the coronavirus pandemic meant that the number of people receiving health and safety training at training centres fell by 57% versus 2019 to 71,925. The training process is to be fully automated in 2021, with testing conducted using EDS, which will ensure that 100% of employees receive training and improve the health and safety culture.

** Incident rates are calculated based on 1 million hours worked. Only X5 employees are included in this calculation. Employees of contractors and third parties are excluded in accordance with the law. When calculating the lost time injury frequency rate (LTIFR) among X5 employees, an analysis of injuries (statistical data) on the number of accidents was used.*

Occupational health and safety

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Occupational risk management

Our OHS system serves as the basis for the occupational risk management function. Assessing and managing occupational risks includes, among other things, determining occupational risk factors, identifying exposure levels that are safe/dangerous for workers, monitoring workplace health and safety and analysing the causes of accidents and occupational illness. Our policy for improving working conditions includes compiling a risk register and analysing the risks (a risk assessment) inherent in employees’ work.

COVID-19

Thanks to the care that every single employee showed for their colleagues and our customers, we were able to continue operating without interruption and to ensure the safety of our employees and customers. We quickly formed mobile teams to replace quarantined store personnel, provided staff with personal protective equipment, monitored the health of employees and, when necessary, helped those who were sick. During the lockdown, X5 temporarily employed people who had lost their jobs when other companies shut down.

In 2020, X5 rapidly restructured working arrangements for its in-store personnel in response to COVID-19, swiftly planned the recruitment of staff to scale up online services and express delivery, transferred all office-based employees to remote work within the course of two weeks – without a loss of efficiency – and launched a permanent hybrid home-office format as part of the X5 Home Office project.

To prevent illness and counter the spread of COVID-19, we conducted a number of preventive, sanitary and epidemic-prevention measures to prevent the occurrence and spread of the virus among both employees and customers. Workers were provided with disposable masks and gloves, cases of illness were monitored, premises were disinfected, posters were displayed warning of the need to observe social distancing (1.5–2 metres between people), COVID-19 and antibody testing were conducted, and other preventive measures were taken.

Daily monitoring of employees’ office visits made it possible to set up laboratory testing for employees for COVID-19. As a result:

- We were compliant with the Moscow mayoral decree on mandatory testing of 10% of the workforce;
- We ensured that COVID-positive employees and exposed persons were sent home from work in a timely manner;
- Contractors could only visit an office if they had a negative PCR test;
- Employees working remotely could only visit an office for short periods, wearing PPE and strictly observing social distancing;
- Returning to the office for full-time work from vacation or after working remotely was permitted only with a negative PCR test.

Office doctors administered express tests to detect the coronavirus antigen and examined employees, including lung auscultation and pulse oximetry. All offices have markings indicating 1.5 metre distances. Tables, floors, handles, etc. were disinfected at all premises.

During the pandemic, X5 complied with all its obligations to its employees, retained its employee benefits package in full and began paying bonuses to retail staff for their high workload – some RUB 1.95 billion in bonuses was paid out.

We are systematically improving the working conditions for our personnel. Renovation of staff rooms at retail stores continues, comfortable lounges for X5 Transport drivers are being built, and offices are being transformed into comfortable spaces for team and individual work.

Managing contractor safety

To ensure employee health and safety, including personnel from external contractors, we have implemented a corporate standard for interacting with contracting entities based on the principle of professional risk management including for work conducted by contractors. One of the main aims of organising work with contractors under the OHSMS is to manage activities, coordinate efforts and ensure the coherence of work based on confidence stemming from the implementation of systematic oversight of contractor personnel’s adherence to health and safety practices. All contractor staff working in X5 premises are required to undergo introductory health and safety training for representatives of third-party organisations. The main responsibility for health and safety is assigned to contractors under the supervision of X5’s structural division heads.

Every organisation supplying contracted services to X5 is contractually obliged to ensure the health and safety of its employees, and compliance is the responsibility of the contracting organisation.

Occupational health and safety

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Preventing workplace injuries

In 2020, the main types of work-related injuries were falling on a flat surface of the same or a different level (46% of all lost time injuries), violation of health and safety requirements (14%) and injuries by third parties (13%). To prevent these and other injuries, the OHS team has identified priority areas:

01

Identifying potentially dangerous industrial situations, preventing them, familiarising workers with how to avoid and eliminate them.

03

Continually training employees at all levels on the rules of safe working practices and the ability to identify a potentially a dangerous situation clearly and in good time.

Measures to prevent workplace injuries are not limited to the general measures described above; each business unit, based on the situation at a particular facility, undertakes additional measures to avoid workplace injury. This represents the improvement of technological processes and equipment within the framework permitted by regulatory enactments (using blocking and additional safety devices on equipment) and the improvement of labour organisation (high-quality training, reducing the influence of health hazards, etc.).

02

Conducting explanatory work to raise awareness among employees of the essence, conditions and causes of dangerous industrial situations, applying measures that administratively and materially impact those violating health and safety rules.

04

Investigating the causes of accidents, occupational illness and industrial accidents, developing and implementing measures to prevent their recurrence.

Investigating incidents and accidents

We are saddened to report two fatalities at X5 Retail Group in 2020. Both happened due to traffic accidents in which the drivers crashed into the vehicle in front of them, one at a railway crossing. In response to all accidents, we conduct a team investigation, followed by extra workplace safety training, especially for drivers, with a detailed analysis of the situation. We are also developing guidelines for safe driving and conducting driver safety training. The Social Insurance Fund and the Company also transferred compensation payments to the families of the victims.

Russian labour law requires compliance with procedures for investigating industrial accidents and responding to them. The provisions of Russia’s Labour Code and special acts regulate the entire investigative process, including the obligations and actions of the employer in the event of an industrial accident, the procedure for investigating accidents and preparing investigative materials and recording them, the procedure for investigating disagreements regarding the investigation, and registering and recording industrial accidents. All incidents involving Company employees or contractor staff are subject to mandatory investigation. In the event of an accident, in addition to providing first aid to injured workers and acting to prevent the emergency escalating, a business unit commission investigates and documents the case in the prescribed manner and time frames. In severe and fatal cases, representatives from state regulatory bodies are also included on the commission. All cases of accidents involving contractor staff are reported to their management and are investigated by the contractor with a Company representative participating. In accordance with legislation, the contractor itself conducts investigations and registers accidents involving its employees.

Work-related incidents are also investigated, even though there is no obligation to do so under Russian labour law. In the event that minor injuries occur (e.g. cuts or bruises), the OHS Department together with the head of the facility conduct an internal investigation to determine the causes and circumstances that led to the minor injury and perform corrective actions to eliminate similar situations in the future. When potentially harmful events happen that do not lead to injuries (e.g. failures of equipment, premises or buildings), we work to prevent them as well. In such cases, the head of the facility makes a request to the support service for troubleshooting, and the OHS Department investigates the causes of such cases. These investigations help us to improve the OHS Management System and prevent potential worker injuries.

Our plans

We have established our value as an employer: at X5, everyone has an opportunity to change the entire industry, thus creating a new form of retail. In 2021, we will have to scrutinise our teams in greater depth to offer everyone whatever it is that drives them and motivates them to achieve more. To this end, we will continue to develop tools for continuous feedback, analyse employee experiences, and study and implement best market practices.

By taking care of our employees, providing decent working conditions and equal opportunities, we contribute to Russia's National Development Goal to 2030 of ensuring decent and effective employment and successful economic activity.



- Development of X5 Business Support to manage centralised expertise and support functions: building and office management, administrative services, budget consolidation, reporting and analysis concerning personnel costs, and the implementation of cross-format initiatives related to operational HR processes.
- In connection with the introduction of the so-called regulatory guillotine in Russia, the main goal for 2021 is the extensive revision of all internal on-site regulations on occupational health and safety.
- Automating the process of using electronic signatures for documents on OHS training for all X5 retail networks and business units.
- Building a training ecosystem for all categories of employees.
- Digitalisation of HR functions and services.
- Developing new training courses on occupational health and safety for all blue-collar jobs in connection with the introduction of new Russian legislation on all areas of activity.
- Developing requirements for the transition to an electronic workflow for OHS issues.

X5's goals to 2023

>75%

Employee engagement

#1

Employer in Russian food retailers ratings

Organisation of a safe, healthy workplace for all employees



08. Local communities



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Our approach and 2020 highlights

[203-1] [203-2] [415-1]

X5 Retail Group has sought to contribute to the health and well-being of the communities where it operates since its creation, and we will continue to do so under our sustainability strategy, in line with the UN SDGs of Zero Hunger and Good Health and Well-being. The community-oriented projects that we are implementing have been developed based on our understanding of priority areas where we are best able to make a meaningful contribution to the general health and well-being of local communities.

We also work within the framework of Russia’s National Development Goals, drawing on the expert opinions of NGOs and global best practices. The X5 Corporate Brand Department, the retail networks’ marketing departments and Pyaterochka’s Transformation Office are responsible for implementing the Company’s charity programmes.

Our Charity Policy defines the general principles and rules of our charity activities, describes the priority areas for our charitable giving and determines the roles and responsibilities of employees involved in our charity programmes. This policy applies to all divisions of X5 Retail Group.

We have identified the following priority areas of support for charities:

- food assistance
- care for children
- support for people with disabilities

We have engaged the following partners in the implementation of our charitable programmes:

- Foodbank Rus for providing food assistance
- Life Line Foundation to assist with care for children
- The Unity deaf-blind support foundation to provide support for people with disabilities
- Liza Alert to help find missing people



Our approach and 2020 highlights

[203-1] [203-2] [415-1]

We do not donate money and do not provide other forms of assistance to organisations that are not charities (including commercial organisations, political parties, movements and associations) or for events organised by non-charitable organisations. We also do not provide direct financial assistance to individuals. We aim to provide transparent access to information about our charitable activities and to inform citizens about how our expectations and applicable legal requirements are integrated into our charitable activities.

This transparency is achieved through these commitments:

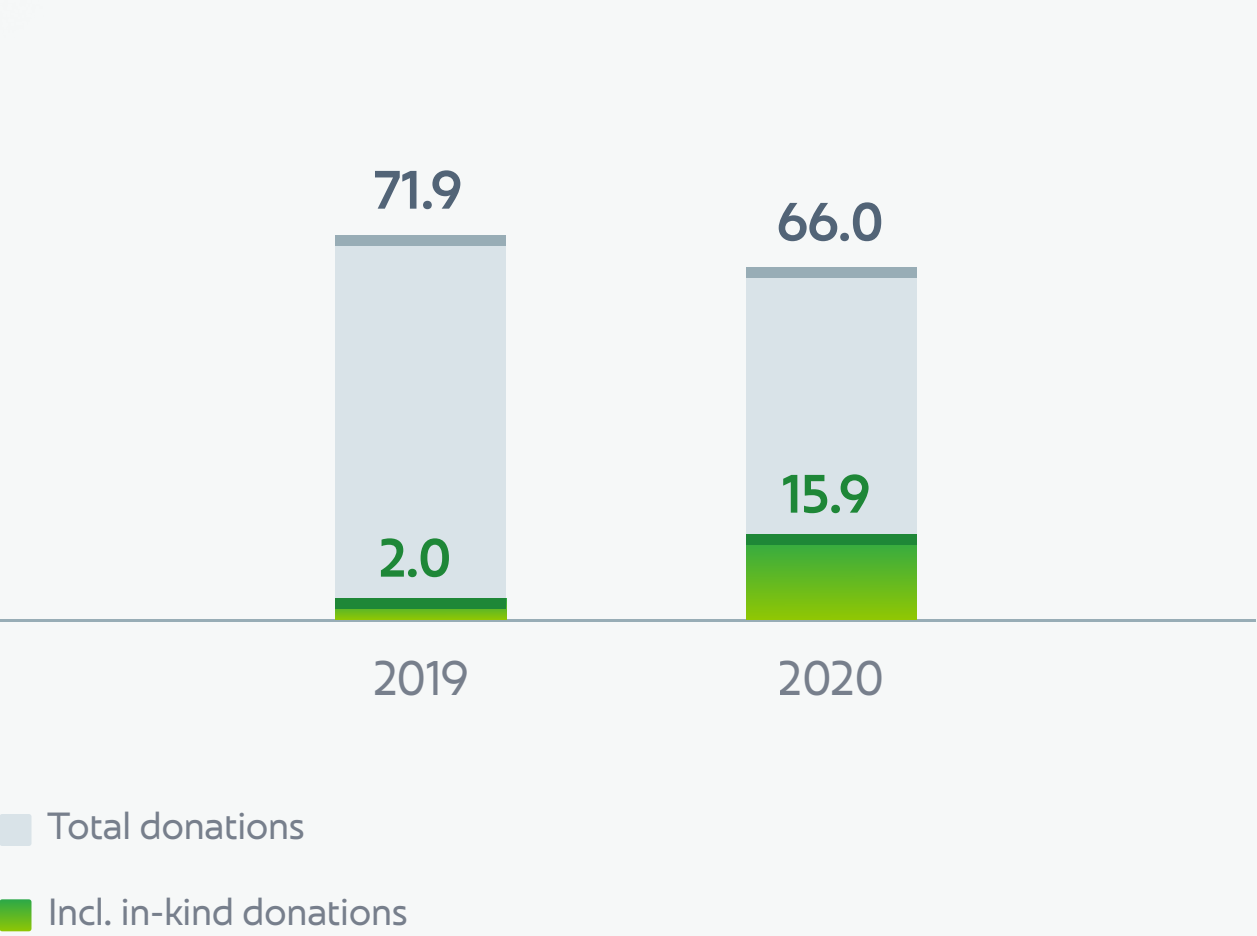
- to publish information on our charitable activities as part of the sustainability section of our annual report;
- to monitor the use of funds on a regular basis;
- to monitor and analyse the requests of NGOs and beneficiaries on a regular basis;
- to conduct outreach campaigns through the media.

Each NGO we work with provides us with feedback once the respective project is completed.

In 2020, the Company allocated a total of RUB 66 million to its charitable initiatives and introduced dedicated staff across its network to oversee the implementation and development of its charitable activities.

Owing to an amendment made in tax legislation in June 2020, donations made to socially oriented non-profit organisations listed in state registries are now recognised as non-operating expenses. This has enabled X5 to increase its distribution of food aid, particularly in the wake of the coronavirus pandemic. Last year, the Company delete focused particularly on distributing food to families facing hardship, older populations shielding at home and doctors.

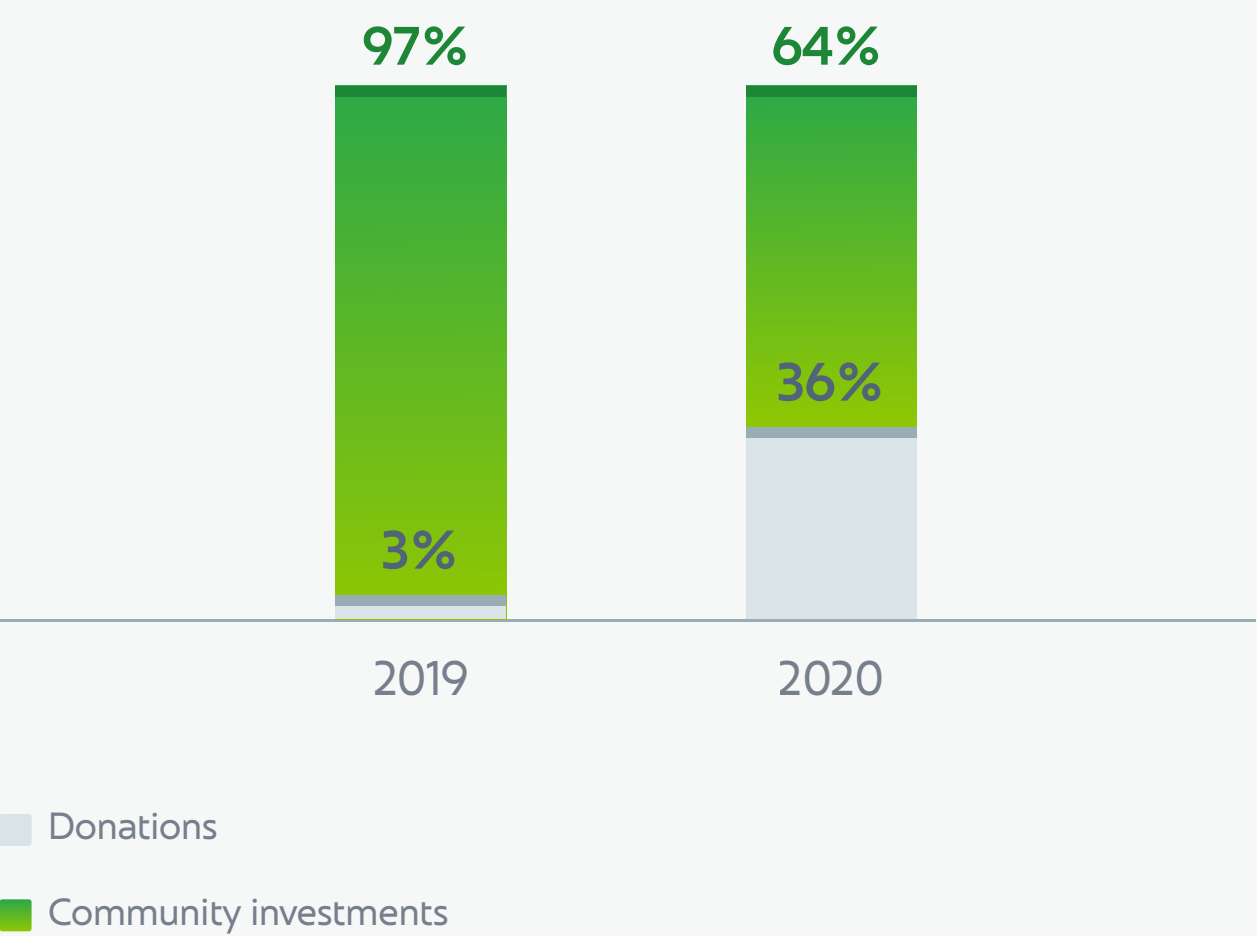
Donations to initiatives to help those in need, RUB mln



In 2020, we reallocated our community investment budget to focus on charitable grocery shipments for medical professionals on the front lines of the fight against the coronavirus. This was a temporary reallocation directly in response to the global crisis, and in the coming years, we expect the donations breakdown to return to ratios similar to what we saw before 2020.

X5 has become one of the best companies in Russia in the field of corporate philanthropy, according to Donors Forum, an association of the largest grant-making organisations.

Donations breakdown by type¹



1. During the pandemic, funds initially earmarked for direct aid and charities were reallocated to relief projects related to COVID-19.

Food assistance

Food banking

In August 2015, X5, together with Foodbank Rus, launched the nationwide Basket of Kindness project to donate food aid to those in need. About 1,300 stores were involved in the project in 2020. A total of 267 tonnes of food was collected and given to the elderly, large families and the disabled. More than 2 thousand volunteers took part in the project. More than 142 thousand people, or around 118 thousand families, received assistance.

Citywide food drive

In 2020, X5, together with Foodbank Rus, held a regional food marathon in Tula and a citywide food marathon in Krasnodar. Tula’s regional marathon took place on 29 February and resulted in the collection of 24.6 tonnes of food products. Krasnodar’s citywide marathon took place on 26 September and saw inhabitants donate 4 tonnes of goods. All local X5 stores took part in the events.

Basket of Kindness for animal shelters

In 2020, as part of the Basket of Kindness programme, we provided support to animal shelters. We helped over 3.5 thousand cats and dogs across 10 shelters in and around Moscow, Rostov-on-Don, Kazan, Samara, Volgograd and Saratov over the course of the year, and provided a total of approximately 21 tonnes of pet food.

Aid given in response to the COVID-19 pandemic

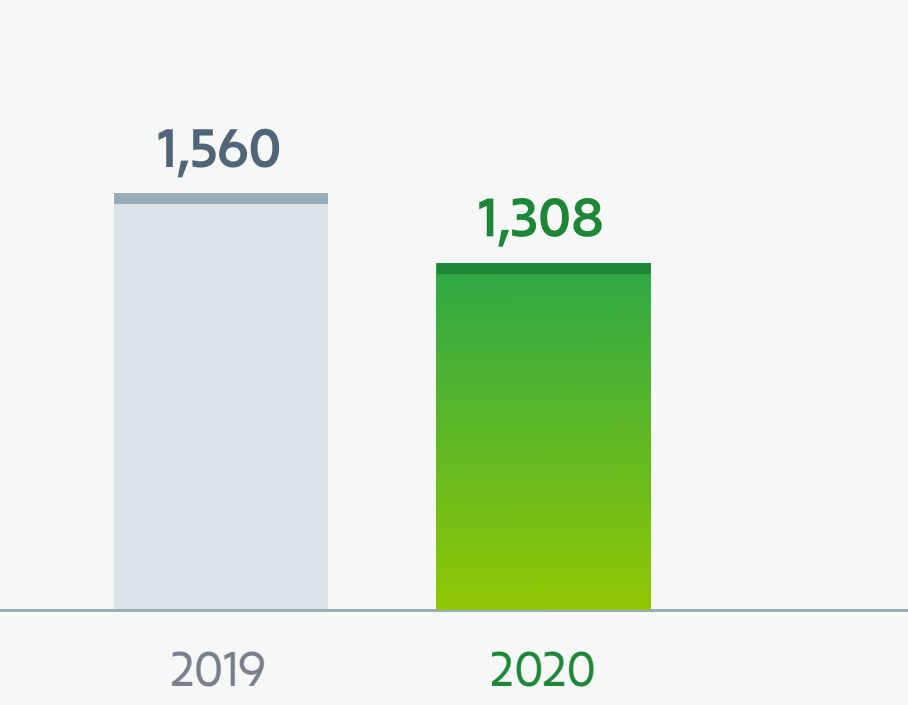
In the wake of the coronavirus pandemic and the introduction of quarantine measures across Russian cities, X5 adjusted the focus of its charity work. In the spring, the Group launched an unscheduled fundraiser on the корзинадоброты.рф website to buy food for elderly people over the age of 60 who were self-isolating. This initiative helped raise enough money to purchase 45,246 kg of food, benefitting 12,458 single elderly people in the Moscow, St Petersburg, Ulyanovsk, Vladimir, Voronezh, Omsk and Lipetsk regions.

The pandemic severely limited – and at times made impossible – the ability to collect grocery donations in stores, which is responsible for both the decrease in numbers of participating stores as well as the ratio of groceries collected in stores when compared to 2019. However, X5 increased the total tonnage of groceries collected overall, allocated from store shipments, thanks to a tax amendment designating donations made to socially oriented non-profit organisations listed in state registries as non-operating expenses.

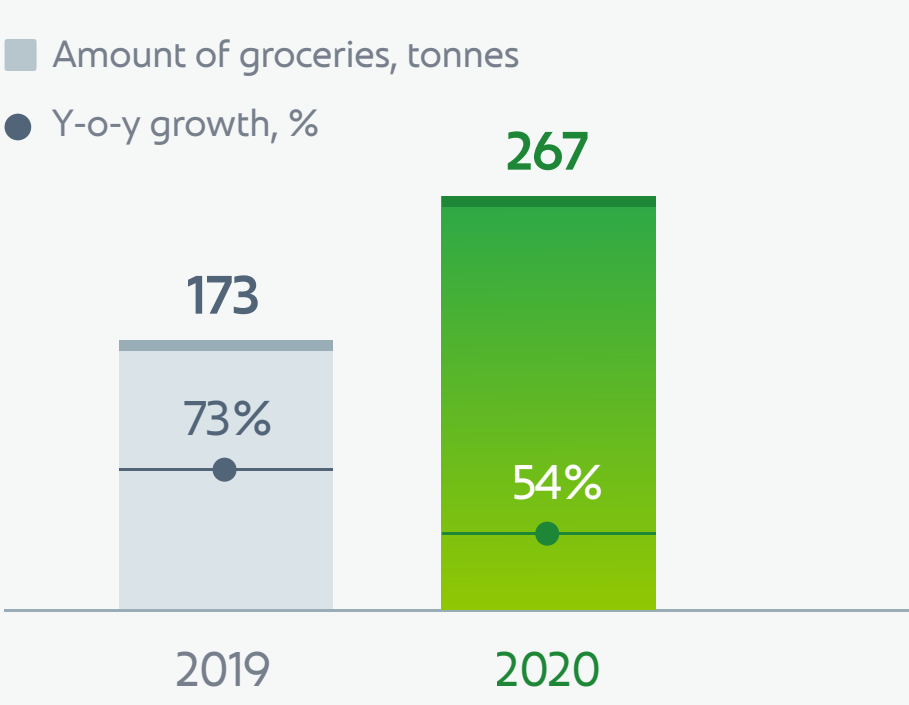
In addition, as part of its Basket of Kindness programme, X5 Retail Group supplied food to hospitals in order to help doctors treating coronavirus patients. In total, 75.9 tonnes of food was sent to 79 hospitals in 17 regions, helping over 70 thousand doctors.

Basket of Kindness results

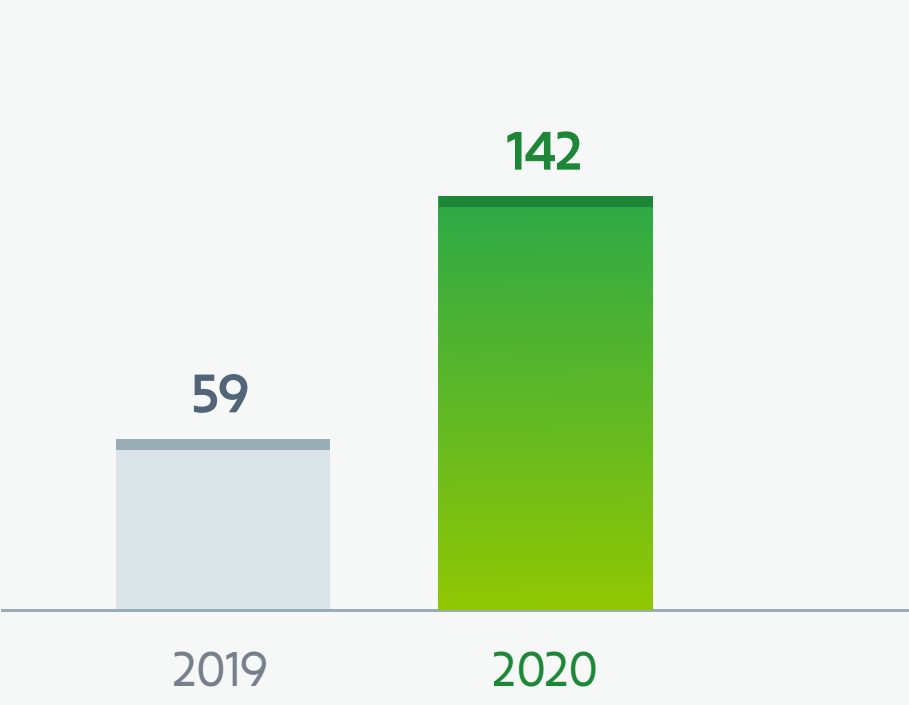
Number of participating stores



Amount of groceries collected



Number of people who received support, ths



Food assistance

In August 2015, X5, together with Foodbank Rus, launched the nationwide Basket of Kindness project to donate food aid to those in need.

- About 1,300 stores were involved in the project in 2020
- A total of 267 tonnes of food was collected and given to the elderly, large families and the disabled
- More than 2,000 volunteers took part in the project
- More than 142 thousand people, or around 118 thousand families, received assistance



Supporting children in need

Life Line Foundation—donation boxes

At more than 400 Perekrestok stores, we have introduced donation boxes for the Life Line Foundation – an organisation helping children with serious illnesses. In 2020, X5 stores collected RUB 11 million for the charity and helped 35 children to make full recoveries.

Life Line Foundation—Candies of Kindness

Through this initiative, shoppers at all Pyaterochka stores can purchase Candies of Kindness at checkout counters. RUB 5 from the sale of every candy helps cover the cost of operations for those under the care of the Life Line Foundation. In 2020, the project raised more than RUB 8.1 million for the treatment of 39 seriously ill children.

Points for children

For the past five years, members of Perekrestok Club’s loyalty programme have been helping critically ill children by donating their bonus points to charity. Perekrestok converts the points into roubles at an exchange rate of 10 points to 1 rouble, and doubles the total amount donated. In 2020, the programme brought in over RUB 1 million for the Life Line Foundation, helping seven children to receive the highly qualified medical care they needed.

Kindness bags

In 2020, Perekrestok stores began offering “bags of kindness”, with a portion of the proceeds from each sale (RUB 10 per bag) transferred to the Gift to an Angel fund for the treatment of children with cerebral palsy.

Waffles of Kindness

Since 2016, all Perekrestok supermarkets have held a Waffles of Kindness event. As part of this initiative, for each pack of Akulchev Should this be Bonté waffles sold, RUB 1 is transferred to the Life Line Foundation. In 2020, this programme helped to raise over RUB 550 thousand and finance operations for six children.

Supporting people with disabilities

Unity deaf-blind support foundation – food support for quiet homes

Since January 2017, the Company has been supplying groceries free of charge to residential institutions for people with visual and hearing impairments. Pyaterochka stores in Troitsk and in Lyubertsy provide groceries – nearly RUB 1.3 million worth in 2020 – to two institutions.

“Buy a Bag, Help a Child”

In April 2017, we launched a new charity endeavour. Since then, a portion of the proceeds from plastic bag sales at Pyaterochka stores has gone towards treating and providing support to deaf and/or blind children cared for by the Unity foundation. In total, the project raised over RUB 8 million in 2020 and provided invaluable support to the foundation.

The money raised will help pay for medical consultations, treatment and medical equipment that these children need.



Assistance for lost or disoriented people

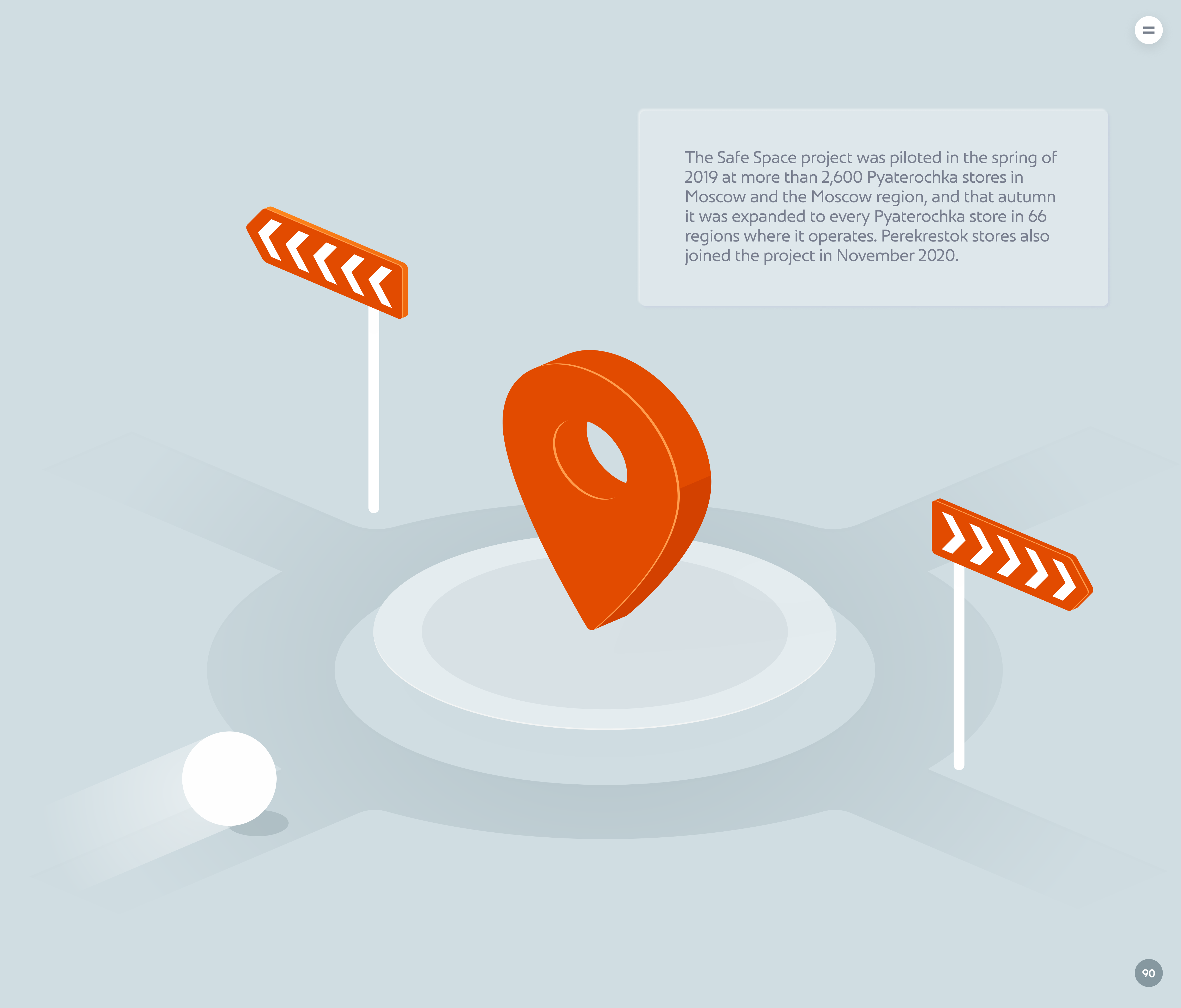
The Centre for Missing Persons and the Liza Alert search-and-rescue team – Safety Zones

In 2020, store employees and volunteer rescuers helped 991 people, including 76 children, return home. The Safe Space project was piloted in the spring of 2019 at more than 2,600 Pyaterochka stores in Moscow and the Moscow region, and that autumn it was expanded to every Pyaterochka store in 66 regions where it operates. Perekrestok stores also joined the project in November 2020.

The safe space is a special area in the store marked by distinctive signage in the form of an orange geolocation pin, which acts as a reference point for anyone who is lost or disoriented. Anyone in such a situation can enter a Pyaterochka or Perekrestok store and make contact with a store employee or wait until help is offered.

Our Safety Zone programme won one of the most prestigious marketing awards, an Effie Awards Russia 2020, in the Business Challenges / Corporate Reputation category.

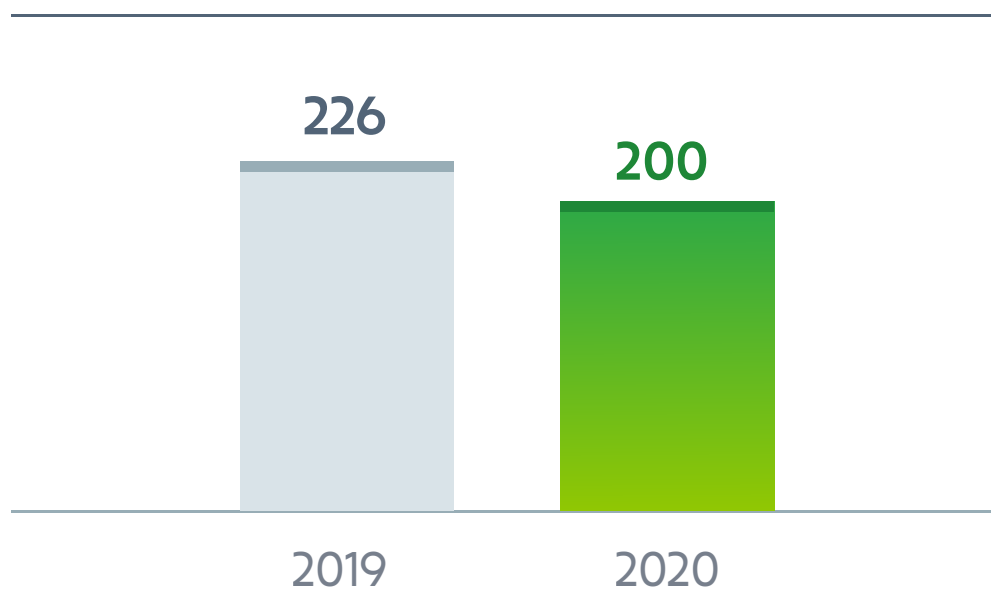
The Safe Space project was piloted in the spring of 2019 at more than 2,600 Pyaterochka stores in Moscow and the Moscow region, and that autumn it was expanded to every Pyaterochka store in 66 regions where it operates. Perekrestok stores also joined the project in November 2020.



Corporate volunteering

In 2020, 200 of X5’s store employees and office staff took part in the Basket of Kindness programme. The Group also has a long-established corporate portal entitled “Like.X5”, where employees can find information about our charity programmes and where they can post information about their own favourite foundations or animal shelters to encourage their colleagues to volunteer.

Number of employees taking part in social projects (volunteer activities)¹



1. The decrease in numbers was due to COVID-19 restrictions.



Our plans

In 2021, we plan to continue developing volunteer opportunities across all of our charitable programmes, as well as to accept volunteering proposals made by employees. The HR Departments and CSR staff of X5’s businesses will work together with volunteers to achieve this.



Increase the number of families receiving food aid through the Basket of Kindness project by 15%



Connect 100% of Pyaterochka and Perekrestok stores to the Safety Zones programme to help people who are lost or disoriented



Develop programmes with a focus on local communities, including programmes to combat social orphanhood



Contacts

[102-53]

We would be happy to answer any questions regarding this Report and X5 Retail Group’s sustainability agenda. Please send your requests to the Sustainability and Investor Relations departments:

ESG@x5.ru
IRO@x5.ru

Independent practitioner's assurance report



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ИНН: 7709383532

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. to perform a limited assurance engagement, as defined by International Standards on Assurance Engagements, (herein 'the Engagement'), to report on X5 Retail Group N.V. (hereinafter 'the Company') Sustainability Report (hereinafter 'the Report') for 2020 (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.

Applicable criteria

In preparing the Report the Company applied Global Reporting Initiative Sustainability Reporting Standards (hereinafter 'GRI Standards' in Core option and the sustainability reporting principles of the Company as set forth in chapter 'About this report' of the Report (hereinafter 'the Criteria').

The Company's responsibilities

The Company's management is responsible for selecting the Criteria, and for presenting 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.

The Practitioner's responsibilities

Our responsibility is to express a conclusion on the presentation of the Report based on the evidence we have obtained.

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 presented 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 limited assurance conclusions.

Our independence and quality control

We apply International Standard on Quality Control 1 (ISQC 1), and accordingly, we maintain a robust system of quality control, including policies and procedures documenting compliance with relevant ethical and professional standards and requirements in law or regulation.

We comply with the independence and other ethical requirements of the IESBA Code of Ethics for Professional Accountants, 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 inquiries, 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 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 the Company stakeholder engagement activities via reviewing register of communication and results of stakeholder meetings conducted by the Company;
- ▶ Benchmarking of the Report against sustainability reports of selected international and Russian peers of the Company and lists of sector-specific sustainability issues raised by stakeholders;
- ▶ Review of a selection of corporate and external media publications with respect to the Company sustainability policies, activities, events, and performance in the reporting period;
- ▶ 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 etc. indicators for the reporting period, to assess whether these data have been collected, prepared, collated and reported appropriately;
- ▶ 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 Core option of reporting 'in accordance' with the GRI Standards.

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 represented fairly, in all material respects, according to the Criteria.

A.A. Mankov
Partner
Ernst & Young LLC

25 May 2021

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.

Details of the independent practitioner

Name: Ernst & Young LLC
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.
Ernst & Young LLC is a member of Self-regulatory organization of auditors Association "Sodruzhestvo". Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 12006020327.



Annex

| | |
|-----------------------------|-----|
| GRI content index | 95 |
| SASB content index | 105 |
| TCFD content index | 107 |
| UN SDGs content index | 108 |

GRI content index

| GRI STANDARDS INDICATOR | DESCRIPTION | REFERENCE | PAGE | COMMENTS |
|-----------------------------------|--|---|--------------------------|---|
| GRI 102: General Disclosures 2016 | | | | |
| 102-1 | Name of the organization | Title | 1 | |
| 102-2 | Activities, brands, products, and services | Business model; AR: Business model; AR: Our formats | 10 | |
| 102-3 | Location of headquarters | GRI Content Index | | The Company's HQ is located in Amsterdam |
| 102-4 | Location of operations | Business model | 10–11 | |
| 102-5 | Ownership and legal form | GRI Content Index AR: Principal activities and the Group structure | | X5 Retail Group N.V. is a joint stock limited liability company established in August 1975 under the laws of the Netherlands. |
| 102-6 | Markets served | Business model; AR: Russia's food retail market | 10 | |
| 102-7 | Scale of the organization | 2020 key highlights Operational and financial overview; Employees – Our approach and 2020 highlights; AR: Consolidated statement of financial position | 12, 13, 18–21, 28, 56–65 | |
| 102-8 | Information on employees and other workers | Employees – Our approach and 2020 highlights | 72 | |
| 102-9 | Supply chain | Responsible supply chain; AR: Retail infrastructure | 34–35 | |
| 102-10 | Significant changes to the organization and its supply chain | Strategic highlights; Product quality and safety assurance; GRI content index | 13, 39–43 | There were no significant changes in the organisation or supply chain in 2020. |
| 102-11 | Precautionary Principle or approach | Risk management | 28, 63 | The Company applies the Precautionary Principle (Principle 15) set out in the Rio Declaration on Environment and Development adopted in 1992. |
| 102-12 | External initiatives | Sustainable development strategy; Product quality and safety assurance | 16–21, 39–43 | |

“AR” refers to [2020 Annual Report](#)

GRI content index

| GRI STANDARDS INDICATOR | DESCRIPTION | REFERENCE | PAGE | COMMENTS |
|-------------------------|---|--|---------------------------|--|
| 102-13 | Membership of associations | Reduced impact on climate change | 63 | List of the main associations X5 Retail Group is a member of: <ul style="list-style-type: none">• UN Global Compact• Collaboration for Healthier Lives Coalition of the Consumer Goods Forum AKORT (Russian Retail Companies Association)• Consumer Market Participants Union• Russian Union of Industrialists and Russian online retail association• Non-commercial Partnership Russian Guild of Bakers and Confectioners |
| 102-14 | Statement from senior decision-maker | Chairman’s statement; CEO’s statement | 3–4 | |
| 102-15 | Key impacts, risks, and opportunities | Chairman’s statement; CEO’s statement; Sustainable development strategy; Risk management; Reduced impact on climate change; AR: Risk management | 3–4, 13, 18–21, 28, 56–65 | |
| 102-16 | Values, principles, standards, and norms of behavior | Our approach, values and goals; Compliance and business ethics; Corporate culture and values | 7, 29–33, 73 | |
| 102-17 | Mechanisms for advice and concerns about ethics | Compliance and business ethics | 29–33 | |
| 102-18 | Governance structure | Our approach to sustainable development; AR: Corporate governance | 16–17 | |
| 102-20 | Executive-level responsibility for economic, environmental, and social topics | X5 sustainable development governance model Compliance and business ethics | 17, 29–33 | |
| 102-22 | Composition of the highest governance body and its committees | AR: Corporate governance | | |
| 102-23 | Chair of the highest governance body | AR: Corporate governance | | |

GRI content index

| GRI STANDARDS INDICATOR | DESCRIPTION | REFERENCE | PAGE | COMMENTS |
|-------------------------|--|--|----------|---|
| 102-24 | Nominating and selecting the highest governance body | AR: Corporate governance | | |
| 102-25 | Conflicts of interest | Compliance and business ethics AR: Governance structure | 29–33 | |
| 102-26 | Role of highest governance body in setting purpose, values, and strategy | Our approach to sustainable development; AR: Corporate governance | 16–17 | |
| 102-28 | Evaluating the highest governance body’s performance | AR: Corporate governance | | |
| 102-29 | Identifying and managing economic, environmental, and social impacts | Our approach to sustainable development | 17 | |
| 102-30 | Effectiveness of risk management processes | Risk management; AR: Corporate governance | 28 | |
| 102-31 | Review of economic, environmental, and social topics | Our approach to sustainable development | 17 | |
| 102-32 | Highest governance body’s role in sustainability reporting | About this Report | 5 | |
| 102-33 | Communicating critical concerns | GRI content index | | In case critical concerns appear, they are raised at Management and Supervisory Board meetings, which take place four times a year. |
| 102-35 | Remuneration policies | Motivation and fair compensation; AR: Remuneration report | 74 | |
| 102-36 | Process for determining remuneration | AR: Remuneration report | | |
| 102-37 | Stakeholders’ involvement in remuneration | AR: Remuneration report | | |
| 102-40 | List of stakeholder groups | About this Report Stakeholder engagement | 6, 23–26 | |
| 102-41 | Collective bargaining agreements | GRI content index | | No employees were covered by collective bargaining agreements in 2020. |
| 102-42 | Identifying and selecting stakeholders | Stakeholder engagement | 23–26 | |

GRI content index

| GRI STANDARDS INDICATOR | DESCRIPTION | REFERENCE | PAGE | COMMENTS |
|-------------------------|--|---|------------------------|---|
| 102-43 | Approach to stakeholder engagement | Responsible supply chain | 23–26, 34–45 | |
| 102-44 | Key topics and concerns raised | About this Report; Sustainable development and the Company’s business; Responsible supply chain | 6, 16–17, 23–26, 34–35 | |
| 102-45 | Entities included in the consolidated financial statements | GRI content index | | All entities included in the organisation’s consolidated financial statements or equivalent documents are covered by this Report. |
| 102-46 | Defining report content and topic Boundaries | About this Report | 6 | |
| 102-47 | List of material topics | About this Report | 6 | |
| 102-48 | Restatements of information | GRI content index | | The 2020 Report is the first to be prepared in accordance with GRI Standards. |
| 102-49 | Changes in reporting | GRI content index | | The 2020 Report is the first to be prepared in accordance with GRI Standards. |
| 102-50 | Reporting period | About this Report | 6 | |
| 102-51 | Date of most recent report | About this Report | 6 | The 2020 Report is the first to be prepared in accordance with GRI Standards. |
| 102-52 | Reporting cycle | GRI content index | | The Report is released on a yearly basis. |
| 102-53 | Contact point for questions regarding the report | Contacts | 92 | |
| 102-54 | Claims of reporting in accordance with the GRI Standards | About this Report | 6 | The 2020 Report is the first to be prepared in accordance with GRI Standards: Core Option. |
| 102-55 | GRI content index | GRI content index | | |
| 102-56 | External assurance | Independent practitioner’s assurance report | 93–94 | |

GRI content index

| GRI STANDARDS INDICATOR | DESCRIPTION | REFERENCE | PAGE | COMMENTS |
|---|--|--|-----------------------|----------|
| GRI 103: Management Approach 2016 | | | | |
| 103-1 | Explanation of the material topic and its Boundary | Responsible business conduct Healthy lifestyles The planet Employees | 28, 37, 49, 68 | |
| 103-2 | The management approach and its components | Responsible business conduct Healthy lifestyles The planet Employees | 18–21, 28, 37, 49, 68 | |
| 103-3 | Evaluation of the management approach | Responsible business conduct Healthy lifestyles The planet Employees | 18–21, 28, 37, 49, 68 | |
| GRI 201: Economic Performance 2016 | | | | |
| 201-1 | Direct economic value generated and distributed | 2020 key highlights Operational and financial overview | 12, 14 | |
| 201-2 | Financial implications and other risks and opportunities due to climate change | Risk management Reduced climate impact and energy efficiency AR: Risk management | 28, 56–65 | |
| GRI 203: Indirect Economic Impacts 2018 | | | | |
| 203-1 | Infrastructure investments and services supported | COVID-19 response Local communities | 22, 84 | |
| 203-2 | Significant indirect economic impacts | Local communties | 84 | |
| GRI 205: Anti-corruption 2016 | | | | |
| 205-2 | Communication and training about anti-corruption policies and procedures | Compliance and business ethics | 29–33 | |
| 205-3 | Confirmed incidents of corruption and actions taken | Compliance and business ethics | 29–33 | |

GRI content index

| GRI STANDARDS INDICATOR | DESCRIPTION | REFERENCE | PAGE | COMMENTS |
|-------------------------|--|--|-------|--|
| GRI 301: Materials | | | | |
| 301-3 | Reclaimed products and their packaging materials | Promoting responsible consumption; Reduced climate impact and energy efficiency | 65–66 | Information is disclosed in absolute figures. |
| GRI 302: Energy | | | | |
| 302-1 | Energy consumption within the organization | Reduced climate impact and energy efficiency | 56–65 | |
| 302-3 | Energy intensity | Reduced climate impact and energy efficiency | 56–65 | |
| 302-4 | Reduction of energy consumption | Reduced climate impact and energy efficiency | 56–65 | |
| GRI 305: Emissions | | | | |
| 305-1 | Direct (Scope 1) GHG emissions | Reduced climate impact and energy efficiency | 56–65 | |
| 305-2 | Energy indirect (Scope 2) GHG emissions | Reduced climate impact and energy efficiency | 56–65 | |
| 305-3 | Other indirect (Scope 3) GHG emissions | Reduced climate impact and energy efficiency | 56–65 | |
| 305-4 | GHG emissions intensity | Reduced climate impact and energy efficiency | 56–65 | |
| GRI 306: Waste | | | | |
| 306-1 | Waste generation and significant waste-related impacts | Waste management and sustainable packaging | 51–55 | |
| 306-2 | Management of significant waste-related impacts | Waste management and sustainable packaging | 51–55 | |
| 306-3 | Waste generated | Waste management and sustainable packaging | 51–55 | |
| 306-4 | Waste diverted from disposal | Waste management and sustainable packaging | 51–55 | Partially disclosed. Information provided is not broken down by hazardous and non-hazardous waste. |
| 306-5 | Waste directed to disposal | Waste management and sustainable packaging | 51–55 | Partially disclosed. Information provided is not broken down by hazardous and non-hazardous waste. |

GRI content index

| GRI STANDARDS INDICATOR | DESCRIPTION | REFERENCE | PAGE | COMMENTS |
|--|---|---|-------|--|
| GRI 307: Environmental Compliance | | | | |
| 307-1 | Non-compliance with environmental laws and regulations | GRI content index | | In 2020, the total amount of fines due to non-compliance with environmental laws and regulations was RUB 71,970,800. |
| GRI 308: Supplier Environmental Assessment | | | | |
| 308-1 | New suppliers that were screened using environmental criteria | GRI content index | | <p>Environmental criteria are not used when evaluating new suppliers. Therefore, the percentage of new suppliers selected using environmental criteria is 0.</p> <p>However, we encourage our suppliers to apply responsible social practices, which is described in the “Responsible supply chain” section.</p> |
| GRI 401: Employment | | | | |
| 401-1 | New employee hires and employee turnover | Employees – Our approach and 2020 highlights | 69 | |
| 401-3 | Parental leave | Employees – Our approach and 2020 highlights | 69 | Partially disclosed; the total number of employees that took parental leave during the reporting period broken down by gender is provided. |
| GRI 403: Occupational Health and Safety 2018 | | | | |
| 403-1 | Occupational health and safety management system | Occupational health and safety | 77–81 | |
| 403-2 | Hazard identification, risk assessment, and incident investigation | Occupational health and safety | 77–81 | |
| 403-3 | Occupational health services | Occupational health and safety | 77–81 | |
| 403-4 | Worker participation, consultation, and communication on occupational health and safety | Occupational health and safety; GRI content index | 77–81 | The Company does not have any formal joint management–worker OHS committees. |
| 403-5 | Worker training on occupational health and safety | Occupational health and safety | 77–81 | |

GRI content index

| GRI STANDARDS INDICATOR | DESCRIPTION | REFERENCE | PAGE | COMMENTS |
|--|---|--|------------------|--|
| 403-6 | Promotion of worker health | Occupational health and safety; COVID-19 response | 22, 77–81 | |
| 403-7 | Prevention and mitigation of occupational health and safety impacts directly linked by business relationships | Occupational health and safety | 77–81 | |
| 403-8 | Workers covered by an occupational health and safety management system | Occupational health and safety | 77–81 | |
| 403-9 | Work-related injuries | Occupational health and safety | 77–81 | Partially disclosed; the information provided includes employees only. |
| GRI 404: Training and Education | | | | |
| 404-1 | Average hours of training per year per employee | Training and development | 75 | |
| 404-2 | Programs for upgrading employee skills and transition assistance programs | Sustainable development strategy; Training and development | 18–21, 39–43, 75 | Partially disclosed’ does not provide information on continued employability facilitation. |
| 404-3 | Percentage of employees receiving regular performance and career development reviews | Employees – Our approach and 2020 highlights | 69 | |
| GRI 405: Diversity and Equal Opportunity | | | | |
| 405-1 | Diversity of governance bodies and employees | Employees – Our approach and 2020 highlights | 49 | |
| 405-2 | Ratio of basic salary and remuneration of women to men | Motivation and fair compensation | 74 | |
| GRI 406: Non-discrimination | | | | |
| 406-1 | Incidents of discrimination and corrective actions taken | GRI content index | | In 2020, the total number of confirmed discrimination cases was 11. Corrective actions for each of them were taken in accordance with our established procedures |
| GRI 408: Child Labor | | | | |
| 408-1 | Operations and suppliers at significant risk for incidents of child labor | GRI content index | | The Company does not employ children and does not accept suppliers violating human rights in accordance with legislation and internal documents. |

GRI content index

| GRI STANDARDS INDICATOR | DESCRIPTION | REFERENCE | PAGE | COMMENTS |
|---------------------------------------|--|--|-------|--|
| GRI 409: Forced or Compulsory Labor | | | | |
| 409-1 | Operations and suppliers at significant risk for incidents of forced or compulsory labor | GRI content index | | The Company has zero tolerance for forced and compulsory labour in its own operations and in its supply chain in accordance with legislation and internal documents. Not disclosed. |
| GRI 412: Human Rights Assessment 2016 | | | | |
| 412-2 | Employee training on human rights policies or procedures | Policy highlights; Compliance and business ethics | 29–33 | Training on human rights is a part of corporate business ethics training. |
| GRI 413: Local Communities 2016 | | | | |
| 413-1 | Operations with local community engagement, impact assessments, and development programs | COVID-19 response | 22 | Information is not disclosed. In 2021, the Company plans to enhance its approach to impact assessment and will share the results in the next reporting periods. |
| GRI 414: Supplier Social Assessment | | | | |
| 414-1 | New suppliers that were screened using social criteria | GRI content index | | <p>Social criteria are not used when evaluating new suppliers. Therefore, the percentage of new suppliers selected using social criteria is 0.</p> <p>However, we encourage our suppliers to apply responsible social practices, which is described in the “Responsible supply chain” section.</p> |
| GRI 415: Public Policy | | | | |
| 415-1 | Political contributions | Local communities | 84 | |
| GRI 416: Customer Health and Safety | | | | |
| 416-1 | Assessment of the health and safety impacts of product and service categories | Product quality and safety assurance; Promoting healthy lifestyles; GRI content index; AR: How we manage risk | 39–47 | The Company assesses all categories for health and safety impacts and strives to increase the share of healthy products in its assortment, including private label goods and ready foods. |

GRI content index

| GRI STANDARDS INDICATOR | DESCRIPTION | REFERENCE | PAGE | COMMENTS |
|-----------------------------------|--|---|------|--|
| GRI 417: Marketing and Labeling | | | | |
| 417-1 | Requirements for product and service information and labeling | Promoting healthy lifestyles; GRI content index | 44 | All product categories are assessed for the availability of the information on safe use (expiry dates) and content, which is a legal requirement. Voluntary information is not assessed. |
| GRI 418: Customer Privacy | | | | |
| 418-1 | Substantiated complaints concerning breaches of customer privacy and losses of customer data | GRI content index | | In 2020, we received six substantiated complaints concerning breaches of customer privacy and losses of customer data. We are constantly improving our informational security systems to prevent such cases in the future. X5 Retail Group has developed general approach and policy on client data set in Personal data processing policy. Each organization within group which processes client data has separate formalized process according to Russian legislation. On group level Director of security is responsible for general oversight of Policies' implementation. Group level policy Pyaterochka policy Perekrestok policy |
| GRI 419: Socioeconomic Compliance | | | | |
| 419-1 | Non-compliance with laws and regulations in the social and economic area | GRI content index | | In 2020, the total amount of fines due to non-compliance with laws and regulations in the social and economic area was RUB 112,063,515. |

SASB content index

| SASB CODE | ACCOUNTING METRIC | REFERENCE | COMMENTS |
|----------------------------------|---|--|--|
| Fleet Fuel Management | | | |
| FB-FR-110a.1 | Fleet fuel consumed, percentage renewable | Reduced climate impact and energy efficiency | |
| Air Emissions from Refrigeration | | | |
| FB-FR-110b.1 | Gross global Scope 1 emissions from refrigerants | Reduced climate impact and energy efficiency | |
| Energy Management | | | |
| FB-FR-130a.1 | (1) Operational energy consumed, (2) percentage grid electricity, (3) percentage renewable | Reduced climate impact and energy efficiency | |
| Food Waste Management | | | |
| FB-FR-150a.1 | Amount of food waste generated, percentage diverted from the waste stream | Waste management and sustainable packaging | |
| Data Security | | | |
| FB-FR-230a.1 | (1) Number of data breaches, (2) percentage involving personally identifiable information (PII), (3) number of customers affected | SASB content index | In 2020, we received six substantiated complaints concerning breaches of customer privacy and losses of customer data. We are constantly improving our informational security systems to prevent such cases in the future. |
| FB-FR-230a.2 | Description of approach to identifying and addressing data security risks | SASB content index AR: The Company's principal risks | Ongoing monitoring of our processes, which includes assessment and monitoring of data security risk, continues to drive compliance throughout our business. We regularly report on the progress of our security and privacy programmes to management and oversight committees. (2020 Annual Report, p. 157) |
| Product Health & Nutrition | | | |
| FB-FR-260a.1 | Revenue from products labeled and/or marketed to promote health and nutrition attributes | Promoting healthy lifestyles | |
| FB-FR-260a.2 | Discussion of the process to identify and manage products and ingredients related to nutritional and health concerns among consumers | Promoting healthy lifestyles; Product quality and safety assurance; AR: How we manage risk | |



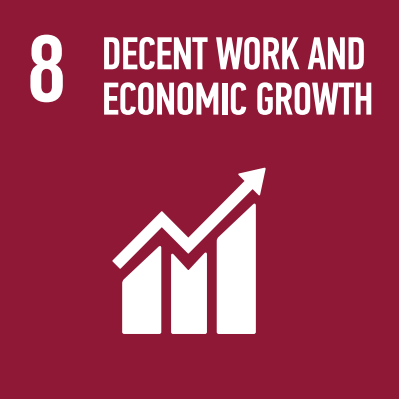
SASB content index

| SASB CODE | ACCOUNTING METRIC | REFERENCE | COMMENTS |
|--|---|--|--|
| Labor Practices | | | |
| FB-FR-310a.2 | Percentage of active workforce covered under collective bargaining agreements | Employees – Our approach and 2020 highlights | |
| Management of Environmental & Social Impacts in the Supply Chain | | | |
| FB-FR-430a.4 | Discussion of strategies to reduce the environmental impact of packaging | Sustainable packaging and sustainable supply chain | |
| Activity Metrics | | | |
| FB-FR-000.A | Number of (1) retail locations and (2) distribution centers | Business model; Geography of operations | |
| FB-FR-000.B | Total area of (1) retail space and (2) distribution centers | Geography of operations; Operational and financial overview | |
| FB-FR-000.C | Number of vehicles in commercial fleet | SASB content index AR: X5 Transport | At the close of 2020, X5’s transport fleet consisted of 4,055 trucks excluding light trucks used by Perekestok Vprok. (2020 Annual Report, p. 107) |

TCFD content index

| TCFD PILLAR | TCFD RECOMMENDATION | PAGE |
|--|---|-----------|
| Governance Organisation’s governance around climate-related risks and opportunities | a) Describe the board’s oversight of climate-related risks and opportunities | 59 |
| | b) Describe management’s role in assessing and managing climate-related risks and opportunities | 59 |
| Strategy Actual and potential impacts of climate-related risks and opportunities on the organisation’s businesses, strategy, and financial planning where such information is material | a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term | 60–62 |
| | b) Describe the impact of climate-related risks and opportunities on the organisation’s businesses, strategy, and financial planning | 60–62 |
| | c) Describe the resilience of the organisation’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario | 60–62 |
| Risk Management How the organisation identifies, assesses, and manages climate-related risks | a) Describe the organisation’s processes for identifying and assessing climate-related risks | 63 |
| | b) Describe the organisation’s processes for managing climate-related risks | 63 |
| | c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation’s overall risk management | 63 |
| Metrics and Targets Metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material | a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process | 57–59, 63 |
| | b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions, and the related risks | 57–59, 63 |
| | c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets | 63 |





UN SDGs content index

| SDG | RELEVANT SDG TARGET | OUR CONTRIBUTION DISCLOSED IN THE REPORT |
|--|--|---|
| Primary SDGs | | |
| <div>Goal 2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture</div> <div></div> | <div>2.1 By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round</div> | <div>Our approach to sustainable development Sustainable development strategy Local communities Food assistance Supporting people with disabilities</div> |
| <div>Goal 3. Ensure healthy lives and promote well-being for all at all ages</div> <div></div> | <div>3.4 By 2030, reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being</div> | <div>Our approach to sustainable development Sustainable development strategy Healthy lifestyles Product quality and safety assurance Promoting healthy lifestyles Occupational health and safety</div> |
| <div>Goal 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</div> <div></div> | <div>8.1 Sustain per capita economic growth in accordance with national circumstances and, in particular, at least 7 per cent gross domestic product growth per annum in the least developed countries</div> <div>8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services</div> <div>8.4 Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation, in accordance with the 10-Year Framework of Programmes on Sustainable Consumption and Production, with developed countries taking the lead</div> <div>8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value</div> <div>8.7 Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms</div> <div>8.8 Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment</div> | <div>Our approach to sustainable development Sustainable development strategy Compliance and business ethics Responsible supply chain Corporate culture and values Motivation and fair compensation Training and development Occupational health and safety</div> |

UN SDGs content index

| SDG | RELEVANT SDG TARGET | OUR CONTRIBUTION DISCLOSED IN THE REPORT |
|--|--|--|
| <div>Goal 12. Ensure sustainable consumption and production patterns</div> <div><div>12</div><div>RESPONSIBLE CONSUMPTION AND PRODUCTION</div><div></div></div> | <div>12.3 By 2030, halve per capita global food waste at the retail and consumer levels and reduce food losses along production and supply chains, including post-harvest losses</div> <div>12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse</div> <div>12.6 Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle</div> <div>12.8 By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature</div> | <div>Our approach to sustainable development</div> <div>Sustainable development strategy</div> <div>Responsible supply chain</div> <div>The Planet – Promoting responsible consumption and use of resources</div> <div>Waste management and sustainable packaging</div> <div>Promoting responsible consumption</div> |
| Secondary SDGs | | |
| <div>Goal 5. Achieve gender equality and empower all women and girls</div> <div><div>5</div><div>GENDER EQUALITY</div><div></div></div> | <div>5.1 End all forms of discrimination against all women and girls everywhere</div> <div>5.5 Ensure women’s full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life</div> | <div>Our approach to sustainable development</div> <div>Sustainable development strategy</div> <div>Responsible business conduct</div> <div>Compliance and business ethics</div> <div>Employees</div> <div>Corporate culture and values</div> <div>Motivation and fair compensation</div> <div>Training and development</div> <div>Engagement and feedback</div> |
| <div>Goal 7. Ensure access to affordable, reliable, sustainable and modern energy for all</div> <div><div>7</div><div>AFFORDABLE AND CLEAN ENERGY</div><div></div></div> | <div>7.2 By 2030, increase substantially the share of renewable energy in the global energy mix</div> | <div>Our approach to sustainable development</div> <div>Sustainable development strategy</div> <div>The Planet – Promoting responsible consumption and use of resources</div> <div>Reduced climate impact and energy efficiency</div> |
| <div>Goal 10. Reduce inequality within and among countries</div> <div><div>10</div><div>REDUCED INEQUALITIES</div><div></div></div> | <div>10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status</div> <div>10.3 Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and action in this regard</div> | <div>Our approach to sustainable development</div> <div>Sustainable development strategy</div> <div>Responsible supply chain</div> <div>Responsible business conduct</div> <div>Compliance and business ethics</div> |

UN SDGs content index

| SDG | RELEVANT SDG TARGET | OUR CONTRIBUTION DISCLOSED IN THE REPORT |
|--|--|--|
| <p>Goal 11. Make cities and human settlements inclusive, safe, resilient and sustainable</p>  | <p>11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management</p> <p>11.7 By 2030, provide universal access to safe, inclusive and accessible, green and public spaces, in particular for women and children, older persons and persons with disabilities</p> | <p>Our approach to sustainable development</p> <p>Sustainable development strategy</p> <p>The Planet – Promoting responsible consumption and use of resources</p> <p>Waste management and sustainable packaging</p> <p>Reduced climate impact and energy efficiency</p> <p>Promoting responsible consumption</p> |
| <p>Goal 13. Take urgent action to combat climate change and its impacts</p>  | <p>13.3 Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning</p> | <p>Our approach to sustainable development</p> <p>Sustainable development strategy</p> <p>Responsible supply chain</p> <p>The Planet – Promoting responsible consumption and use of resources</p> <p>Reduced climate impact and energy efficiency</p> |
| <p>Goal 14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development</p>  | <p>14.1 By 2025, prevent and significantly reduce marine pollution of all kinds, in particular from land-based activities, including marine debris and nutrient pollution</p> <p>14.2 By 2020, sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including by strengthening their resilience, and take action for their restoration in order to achieve healthy and productive oceans</p> | <p>Our approach to sustainable development</p> <p>Sustainable development strategy</p> <p>Responsible supply chain</p> <p>The Planet – Promoting responsible consumption and use of resources</p> |
| <p>Goal 15. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss</p>  | <p>15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally</p> | <p>Our approach to sustainable development</p> <p>Sustainable development strategy</p> <p>Responsible supply chain</p> <p>The Planet – Promoting responsible consumption and use of resources</p> |