

Remuneration

This report constitutes the remuneration report within the meaning of Article 2:135b of the Dutch Civil Code, and outlines the actual remuneration of both Management Board and Supervisory Board members for the 2019 financial year, in line with the respective remuneration policies that are available on our corporate website (www.x5.ru). Further details of actual remuneration of the Management Board and Supervisory Board can be found in notes 28 and 29 to the consolidated financial statements. For Executive Board remuneration in 2019, please refer to the paragraph "Remuneration of the Executive Board ("Other key management personnel")" in note 28 to the consolidated financial statements.

In accordance with the Dutch Act implementing the revised EU Shareholders Rights Directive (SRD II), the General Meeting of Shareholders has an annual advisory vote on the Remuneration Report. In the Remuneration Report of the subsequent financial year, an explanation will be included on how the advisory vote has been taken into account.

This Remuneration Report explains how the remuneration in 2019 complies with the remuneration policies, how it contributes to the long-term performance of the Company, and how financial and non-financial performance criteria were applied to calculate the variable remuneration.

Remuneration policy

In line with the SRD II, both the Management Board and the Supervisory Board must each have a remuneration policy in place. The remuneration policies must be adopted by the General Meeting of Shareholders at least every four years, and any changes to the policies also require shareholder approval.

The level of support by our shareholders and stakeholders is important to us and was taken into account when formulating each remuneration policy. In preparing these policies, the Supervisory Board considered the external environment in which the Company operates, the relevant statutory provisions and provisions of the Dutch Corporate Governance Code, competitive market practice as well as the guidance issued by organisations representing institutional shareholders and input from the Company's major shareholders.

Management Board remuneration policy

The Supervisory Board resolved that the remuneration policy for the Management Board serves as a basis for the remuneration policy for the Executive Board. The remuneration policy for the Management Board was most recently amended in 2018 when the General Meeting of Shareholders approved the 2018–2020 long-term incentive plan. The remuneration policy will be resubmitted to the 2020 Annual General Meeting of Shareholders taking into account certain additional disclosure requirements under the SRD II.

The objective of the remuneration policy is twofold:

- to create a remuneration structure that supports a healthy corporate culture and allows the Company to attract, reward and retain the best-qualified talent to lead the Company towards its strategic objectives;
- to provide for a balanced remuneration package that is focused on achieving sustainable financial results, aligned with the long-term strategy of the Company and that will foster alignment of the interests of management with those of shareholders and other stakeholders, including customers, employees and wider society.

As such, the remuneration policy supports the long-term development of the Company, while aiming to fulfil all stakeholders' requirements. While developing the remuneration policy, the Nomination and Remuneration Committee conducted scenario analyses to determine the risks to which variable remuneration could expose the Company.

The remuneration provided to Management Board members consists of the following fixed and variable components ("Total Direct Compensation"): a base salary, an annual cash incentive (STI) and a long-term cash incentive (LTI). Both the STI and the LTI are built around performance measures, both financial and non-financial, to support the Company's strategic objective of achieving long-term value creation through sustainable leadership in customer, employee and shareholder recognition.

Supervisory Board remuneration policy

As outlined below and under "2019 Supervisory Board remuneration", the remuneration policy for the Supervisory Board was amended and approved in 2019. Supervisory Board fees are set at an appropriate level to attract individuals with the necessary experience, knowledge and ability to make a significant contribution to the Company's strategy, long-term developments and sustainability. As such, the remuneration policy supports the long-term development of the Company, while aiming to fulfil all stakeholders' requirements.

Remuneration in context

The table below reflects the total remuneration of each member of the Management Board and the average remuneration of all other X5 employees (on a full-time equivalent basis), set off against the Company's performance over the five most recent financial years.

	2019	2018	2017	2016	2015
COMPANY PERFORMANCE					
Revenue, RUB bln	1,734	1,533	1,295	1,034	809
Selling space, ths sqm	7,239	6,464	5,480	4,302	3,333
Number of stores	16,297	14,431	12,121	9,187	7,020
Net profit (under IAS 17), RUB bln	26	29	31	22	14
Share price, USD eop	34.5	24.8	37.8	32.5	19.0
MANAGEMENT BOARD REMUNERATION (RUB MLN)					
I. Shekhterman ¹	259	347	344	455	516
F. Lhoëst	35	33	28	36	45
Q. Peer	10	–	–	–	–
OTHER EMPLOYEES' REMUNERATION					
Average annual employees' remuneration, RUB	754,990	701,192	659,344	665,257	656,932
Internal pay ratio (CEO vs. employee remuneration) ²	211	209	174	195	187

1. Mr Shekhterman was appointed as a member of the Management Board and CEO on 12 November 2015. The table reflects his annualised remuneration.

2. The pay ratio is calculated by dividing the total remuneration of the CEO (base salary and short-term incentive) by the average remuneration of all X5 employees. Given the irregular nature of awards under the LTI programme, LTI awards are not included in the pay ratio for fair and consistent presentation purposes. For 2015, the calculation for the CEO is made from the date of his appointment. The average remuneration per employee is calculated as the total labour costs derived from note 28 to the consolidated financial statements divided by the number of employees on an FTE basis.

As outlined in more detail in the Management Report on pages 58–59, X5 continued, in 2019, to implement its strategy of balanced growth, gradually shifting its focus from selling space expansion to growth through constantly evolving customer value propositions, operational efficiencies, digital transformation and new businesses. As such, for the fifth year in succession, and against the background of an increasingly competitive environment and challenging macroeconomic conditions, the Company expanded its footprint in Russian food retail, with the Company's top line rising by 13.2% year-on-year to RUB 1.7 trillion.

As part of the strategy to better meet customer needs and maximise investment returns across each business unit, the Company launched the transformation of its hypermarket format in September. The Company further strengthened its leadership position in the core proximity and supermarket segments by testing and launching new store concepts, while maintaining focus on quality, efficiency and assortment across the entire store base. Meanwhile, digital transformation became an integral part of the business, with Perekrestok.ru and 5Post emerging alongside the existing retail channels.

The growth and rapidly expanding footprint of the Company goes hand in hand with social and environmental responsibilities. In 2019, the Company strengthened its sustainable development ambitions, embedding clearly defined sustainable development goals in its overall business strategy.

Within the context of these developments, the Nomination and Remuneration Committee continued to reflect on the remuneration policy for the Management and Executive Board to ensure that it is still aligned to support the strategy and long-term growth of the Company. Applying like-for-like sales, return on investment, net promoter score and staff turnover as key annual strategic imperatives to the short-term incentive plan, and sustained leadership in revenue and enterprise value multiples to the long-term incentive plan, we feel that our remuneration policy for the Management Board adequately contributes to the Company's success in the short term, while also securing the long-term objectives of the Company.

Benchmarking

The remuneration of Management Board and Executive Board members is benchmarked against the labour market peer group every year. As a company with operations mainly in Russia, the reference group created for the benchmarking is composed of Russian companies equivalent in terms of size of business and complexity of operations. Although external market data provide useful context, it is ultimately the responsibility of the Supervisory Board to determine remuneration packages at an appropriate level that reflect the skills, level of responsibility and performance of each individual. As we aim to recruit and retain the most qualified talent available, the target Total Direct Compensation level for Management and Executive Board members is set between the 50th and the 75th percentile.

The remuneration of Supervisory Board members is benchmarked against a reference group of Dutch and other European companies that are comparable in size and complexity, as well as Russian and world leading retailers. In order to attract the most talented individuals with the necessary international experience, knowledge and ability, Supervisory Board fees are set between the 50th and the 75th percentile.

Internal pay ratio

As is commonly understood, pay ratios are specific to the company's industry, geographical footprint and organisational model. As a major food retail company, the relatively small number of executive staff vs. operational staff in stores and warehouses across seven federal districts in Russia adds to the variety of pay within the Company and substantially differentiates the average employee compensation with compensation levels of Management Board members. For companies in other industries, this will be different. Furthermore, pay ratios can be volatile over time, as they can be heavily dependent on the Company's annual performance since that performance impacts the remuneration of the Management Board (and Executive Board) much more than of all other employees.

Changes in Management Board remuneration

At the 2019 Annual General Meeting of Shareholders, both Igor Shekhterman and Frank Lhoëst were reappointed for, respectively, two- and four-year terms, while Quinten Peer was appointed as a new director for a four-year term. Upon his reappointment, Mr Lhoëst's base salary increased in line with compensation levels in peer group companies. Further information on remuneration in 2019 is explained below under "2019 Management Board remuneration".

Changes in Supervisory Board remuneration

The table below reflects the total remuneration of each member of the Supervisory Board in the five most recent financial years (in millions of Russian roubles).

	2019	2018	2017	2016	2015
Stephan DuCharme	40	39	34	42	11
Mikhail Fridman¹	–	–	–	–	–
Geoff King	36	35	34	36	21
Peter Demchenkov	31	24	20	11	8
Mikhail Kuchment	15	13	24	9	3
Andrei Elinson¹	–	–	–	–	–
Karl-Heinz Holland²	11	4	–	–	–
Nadia Shouraboura²	12	4	–	–	–
Alexander Torbakhov³	17	–	–	–	–

1 Mikhail Fridman and Andrei Elinson, in their role as representatives of CTF Holdings S.A., have waived any entitlement to Supervisory Board remuneration, whether in cash or restricted stock units.

2 Karl-Heinz Holland and Nadia Shouraboura were appointed by the General Meeting of Shareholders on 30 August 2018.

3 Alexander Torbakhov was appointed by the General Meeting of Shareholders on 10 May 2019.

Since the last revision of the Supervisory Board's remuneration in 2010, the Company evolved into a leading Russian retailer, with a Board profile that reflects X5's ambition to be fit for the future. In view thereof, the Supervisory Board proposed an adjustment of the Supervisory Board fees to the General Meeting of Shareholders in 2019, based on an external benchmark analysis commissioned by the Nomination and Remuneration Committee. Further details are reflected below under "2019 Supervisory Board remuneration".

2019 Management Board remuneration

The Management Board remuneration for 2019 is in accordance with the remuneration policy for members of the Management Board.

The following table provides an overview of the Management Board’s remuneration that became unconditional in 2019 or at year end (in millions of Russian roubles).

NAME	YEAR	BASE SALARY (1)	SHORT-TERM INCENTIVE (2)	LONG-TERM INCENTIVE (3)	SHARE-BASED COMPENSATION (4)	SOCIAL SECURITY COST	TOTAL
Igor Shekhterman	2019	76	53	97	–	33	259
	2018	60	59	183	1	44	347
Frank Lhoëst	2019	22	13	–	–	–	35
	2018	20	13	–	–	–	33
Quinten Peer	2019	6	4	–	–	–	10
	2018	–	–	–	–	–	–
Total	2019	104	70	97	–	33	304
	2018	80	72	183	1	44	380

Ad (1)

Base salary

Base salaries are in line with compensation levels in peer group companies, based on the salary benchmarking survey conducted annually.

As described earlier in this report, the composition of the Management Board changed in 2019. At the 2019 Annual General Meeting of Shareholders, both Igor Shekhterman and Frank Lhoëst were reappointed for a new term of, respectively, two and four years. Upon reappointment, Mr Lhoëst’s base salary was set at EUR 315,000 in line with compensation levels in peer group companies. At the same shareholders meeting, Quinten Peer was appointed on a 50% FTE basis, with an annual base salary of EUR 137,500. In 2020, Mr Peer’s annual base salary amounts to EUR 275,000 on an FTE basis.

For Igor Shekhterman, the total remuneration in the table includes remuneration paid in the Netherlands and Russia: as a Russia-based member of the Management Board, Mr Shekhterman also has a contract of employment with an operational subsidiary in Russia. Under this contract 75% of his total base salary as well as variable remuneration components are paid in Russia. No other remuneration has been granted or allocated by subsidiaries or other companies whose financials are consolidated by the Company to members of the Management Board.

Ad (2)

Short-term incentive

Short-term incentives are based on results achieved in 2019 and payable in 2020. For 2019, the Supervisory Board determined that 50% of the total on-target bonus opportunity for the CEO and other members of the Executive Board depends on achieving financial performance measures, and 50% on non-financial performance measures, with revenue and profitability thresholds as a condition for payout. Financial performance criteria are like-for-like sales and return on investment (ROI), each equally weighted, reflecting the Company’s strategic direction to balanced growth through CVP improvements, operational efficiencies and digital transformation. As part of the Company’s strategic objective to achieve leadership in both customer and employee recognition, non-financial performance measures are net promoter score (NPS) and staff turnover metrics, each equally weighted. Both financial and non-financial performance measures contribute to the Company’s success in the short term, while also securing the long-term objectives of the Company. X5 does not disclose the actual targets per performance measure, as this is considered to be commercially sensitive information.

For the Company Secretary, the STI is based on individual, function-related performance measures with revenue and profitability thresholds as a condition for STI payout. The total on-target bonus opportunity for the COO of X5 Retail Group N.V. depends on return on investment as a financial performance measure with 30% weight, and individual non-financial performance measures with 70% weight, also with revenue and profitability thresholds as a condition for payout. The target payout as a percentage of base salary is set at a level of 100% for the CEO and 60% for the Company Secretary and the COO of X5 Retail Group N.V.

The achievement of performance targets was assessed and determined by the Supervisory Board for each Management Board member individually. For the 2019 reporting year, the revenue and profitability thresholds as a condition for payout were met.

For Igor Shekhterman (CEO) the achievement levels of financial performance targets set for 2019 were as follows: 58.2% for like-for-like sales and 91.8% for ROI. The achievement levels of non-financial targets NPS and staff turnover were, respectively, 87.3% and 133.4%. Due to achievement of performance targets like-for-like sales and NPS below target thresholds, this leads to a payout level of 56% of target payout (or base salary) for Igor Shekhterman. Taking into account the Company's overall performance in 2019, with strong like-for-like sales growth in comparison to the market, the Supervisory Board applied its discretion to increase the payout with 20% of target payout. This results in a total cash payout of 76% of the target payout (or base salary) for Mr Shekhterman.

For Frank Lhoëst (Company Secretary) the individual performance targets were achieved at target level, which results in a cash payout of 100% of the target payout, or 60% of base salary.

For Quinten Peer (COO X5 Retail Group N.V.) the achievement level of financial performance target ROI was 91.8%. The average achievement level of individual non-financial performance targets was above target. This results in a cash payout of 101% of target payout for Mr Peer, or 60.6% of base salary.

Ad (3)

Long-term incentive

For the CEO, the long-term incentive amount in 2019 was composed of a final deferred payout under the 2015–2018 LTI programme (RUB 37 million) as well as an accrual-based amount under the current 2018–2020 LTI programme (RUB 75 million), in line with IFRS reporting requirements (see note 28 "Staff costs" on pages 310–314).

The 2015–2018 LTI Programme came to an end when targets were achieved in 2017. Under the programme's deferred payout mechanism, 50% of the total award under the second stage of the programme was paid in 2018, with a final 50% deferred payout in 2019. Payouts were based on achieving and maintaining revenue leadership targets throughout 2018, with an EBITDA threshold to protect profitability.

The current LTI is a cash incentive programme over a three-year period from 1 January 2018 until 31 December 2020, also with an extension component of deferred, conditional payouts in order to maintain the focus on long-term goals and to provide for an effective retention mechanism. Targets under the LTI are structured to align the long-term interests of shareholders and management, with enhanced focus on sustainability and strategic objectives that contribute to long-term value creation for the Company. This is translated into performance criteria geared to leadership in terms of revenue and enterprise value multiple relative to competition. Additionally, the LTI includes thresholds relating to (i) the EBITDA margin to ensure that profitability is not sacrificed and (ii) the net debt/EBITDA ratio to retain focus on prudent financial and balance sheet management. Under the programme, 50% of the total award is paid in 2021 subject to maintaining achieved targets until the end of 2020, while the other 50% is deferred to 2022 with a profitability threshold as a condition for deferred payout.

Members of the Management Board based in the Netherlands do not participate in the LTI Programme.

Ad (4)

Share-based compensation

Members of the Management Board are no longer entitled to restricted stock units or other share-based compensation. The share-based compensation in the table below reflects the restricted stock units awarded to Mr Shekhterman in his previous role as a member of the Supervisory Board.

Restricted stock units awarded and outstanding to members of the Management Board

	Tranche	RSUs awarded in 2014	RSUs awarded in 2015	RSUs awarded in 2016	Year of vesting	RSUs vested	Value on vesting date ¹	GDRs locked up as per 31/12/2019 ²	End of lock-up period	RSUs outstanding as per 31/12/2019	RSUs outstanding as per 31/12/2018
I. Shekhterman	4	7,384	—	—	2016	7,384	9	—	2018	—	—
	5	—	15,793	—	2017	15,793	33	—	2019	—	—
	6	—	—	11,396	2018	11,396	21	11,396	2020	—	—

1 The vesting date is 19 May of each respective year of vesting. If 19 May falls on a weekend, the vesting date is the immediately following business day (in 2018, 21 May; in 2019, 20 May).

2 The number of GDRs held during the lock-up period is equal to the number of vested RSUs minus GDRs sold to cover taxes, if any.

2019 Supervisory Board remuneration

In 2019, the remuneration policy for members of the Supervisory Board was applied, taking into account the adjusted base fees approved by the 2019 Annual General Meeting of Shareholders.

The following table provides an overview of the Supervisory Board's remuneration that became unconditional in 2019 or at year end (in millions of Russian roubles).

NAME	POSITION	(1) BASE REMUNERATION		(2) SHARE-BASED COMPENSATION		TOTAL REMUNERATION	
		2019	2018	2019	2018	2019	2018
Stephan DuCharme	Chairman	19	20	21	19	40	39
Andrei Elinson¹		—	—	—	—	—	—
Mikhail Fridman¹		—	—	—	—	—	—
Geoff King	Chairman, Audit and Risk Committee	18	19	18	16	36	35
Peter Demchenkov	Chairman, Nomination and Remuneration Committee	17	15	14	9	31	24
Mikhail Kuchment		8	7	7	6	15	13
Karl-Heinz Holland		7	4	4	—	11	4
Nadia Shouraboura		8	4	4	—	12	4
Alexander Torbakhov²	Chairman, Innovation and Technology Committee	14	—	3	—	17	—

1 Mikhail Fridman and Andrei Elinson, in their role as representatives of CTF Holdings S.A., have waived any entitlement to Supervisory Board remuneration, whether in cash or restricted stock units.

2 Alexander Torbakhov was appointed by the Annual General Meeting of Shareholders on 10 May 2019, and remunerated as of 25 January 2019, the date of his nomination by the Supervisory Board.

Ad (1)

Base remuneration

Supervisory Board fees are set at an appropriate level to attract individuals with the necessary international experience, knowledge and ability to make a significant contribution to the Company's strategy, long-term developments and sustainability. In 2019, the General Meeting of Shareholders approved an adjustment of the Supervisory Board fees based on an external benchmark analysis commissioned by the Nomination and Remuneration Committee. This resulted in the following fee schedule, effective 1 June 2019:

ROLE	FEE (EUR)
Supervisory Board Chair	250,000
Supervisory Board Member	100,000
ADDITIONAL ALLOWANCE FOR:	
Supervisory Board Vice-Chair	50,000
Committee Chair	100,000
Committee Member	16,000

In December 2019, the Board resolved to dissolve the Related-Party Committee as of 1 January 2020 and to integrate its responsibilities into the overall remit of the Audit and Risk Committee.

Ad (2)

Share-based compensation

The share-based compensation reflects the accrued amounts related to the Restricted Stock Unit Plan (see table below).

All remunerated Supervisory Board members are entitled to equity in the form of restricted stock units (RSUs). This structure aligns the interests of Supervisory Board members with those of shareholders and strengthens their commitment to, and confidence in, the future of the Company. Equity-based awards given to members of the Supervisory Board are not subject to performance criteria and are determined by the General Meeting of Shareholders.

The number of RSUs awarded in each given year is based on 100% of the respective Board member's fixed annual remuneration divided by the average market value* of a GDR on the relevant award date. RSU awards are subject to a three-year vesting period and a further two-year lock-in period. RSU awards to members of the Supervisory Board are not subject to performance criteria and are determined by the General Meeting of Shareholders.

In 2019, following the appointment of Karl-Heinz Holland and Nadia Shouraboura as Supervisory Board members in 2018, the General Meeting of Shareholders approved 2018 RSU awards to Mr Holland and Mrs Shouraboura equal to 100% of their pro rata annual remuneration in 2018 divided by USD 30, the average market value of one GDR as of 21 May 2018. These RSUs were awarded under tranche 9 and will vest in 2021, followed by a lock-in period ending in 2023.

Furthermore, the General Meeting of Shareholders approved the 2019 RSU awards under tranche 10, meaning that the Supervisory Board members Stephan DuCharme, Peter Demchenkov, Geoff King, Mikhail Kuchment, Karl-Heinz Holland, Nadia Shouraboura and Alexander Torbakhov were awarded a number of RSUs with an award date of 19 May 2019 equal to 100% of the gross annual remuneration of the relevant Supervisory Director in 2019 divided by USD 30.87, the average market value of one GDR as of 20 May 2019. The RSUs awarded under tranche 10 will vest in 2022, followed by a lock-in period ending in 2024.

* The average market value is defined as the volume weighted average price of a GDR over the 30 calendar days immediately preceding the award date. The volume weighted average price is calculated using the closing price of a GDR taken from the Official List of the London Stock Exchange.

	Tranche	RSUs awarded in 2016	RSUs awarded in 2017	RSUs awarded in 2018 ³	RSUs awarded in 2019 ⁴	Year of vesting	RSUs vested	Value on vesting date ¹	Vested GDRs after tax	GDRs locked up as of 31/12/2019 ²	End of lock-up period	RSUs outstanding as of 31/12/2019	RSUs outstanding as of 31/12/2018
Stephan DuCharme	7	25,703	-	-	-	2019	25,703	53	13,257	13,257	2021	-	25,703
	8	-	9,631	-	-	2020	-	-	-	-	2022	9,631	9,631
	9	-	-	9,977	-	2021	-	-	-	-	2023	9,977	9,977
	10	-	-	-	9,722	2022	-	-	-	-	2024	9,722	-
Geoff King	6	13,250	-	-	-	2018	13,250	25	8,749	8,749	2020	-	-
	7	14,280	-	-	-	2019	14,280	29	9,449	9,449	2021	-	14,280
	8	-	8,026	-	-	2020	-	-	-	-	2022	8,026	8,026
	9	-	-	9,977	-	2021	-	-	-	-	2023	9,977	9,977
	10	-	-	-	9,373	2022	-	-	-	-	2024	9,373	-
Peter Demchenkov	6	5,698	-	-	-	2018	5,698	11	3,762	3,762	2020	-	-
	7	5,712	-	-	-	2019	5,712	12	3,779	3,779	2021	-	5,712
	8	-	5,618	-	-	2020	-	-	-	-	2022	5,618	5,618
	9	-	-	7,982	-	2021	-	-	-	-	2023	7,982	7,982
	10	-	-	-	8,942	2022	-	-	-	-	2024	8,942	-
Mikhail Kuchment	7	5,712	-	-	-	2019	5,712	12	3,779	3,779	2021	-	5,712
	8	-	3,210	-	-	2020	-	-	-	-	2022	3,210	3,210
	9	-	-	3,991	-	2021	-	-	-	-	2023	3,991	3,991
	10	-	-	-	4,099	2022	-	-	-	-	2024	4,099	-
Karl-Heinz Holland	9	-	-	1,995	-	2021	-	-	-	-	2023	1,995	-
	10	-	-	-	3,749	2022	-	-	-	-	2024	3,749	-
Nadia Shouraboura	9	-	-	1,995	-	2021	-	-	-	-	2023	1,995	-
	10	-	-	-	4,099	2022	-	-	-	-	2024	4,099	-
Alexander Torbakhov	10	-	-	-	7,365	2022	-	-	-	-	2024	7,365	-

- 1 The vesting date is 19 May of each respective year of vesting. If 19 May falls on a weekend, the vesting date is the immediately following business day (in 2018, 21 May; in 2019, 20 May).
- 2 The number of GDRs held during the lock-up period is equal to the number of vested RSUs minus GDRs sold to cover taxes, if any.
- 3 2018 RSUs for Karl-Heinz Holland and Nadia Shouraboura were effectively awarded in 2019, as both were appointed as Supervisory Board members after the award date in 2018. The awards were based on a 6/12 pro rata factor.
- 4 For Alexander Torbakhov, a pro rata factor of 11/12 was applied for the 2019 RSU award.

**Remuneration
by subsidiaries or
other companies**

No remuneration has been granted and allocated by subsidiaries or other companies whose financials are consolidated by the Company to members of the Supervisory Board.

Loans

The Company has not granted any (personal) loans to, nor has it granted any guarantees or the like in favour of, any of the members of the Management Board or the Supervisory Board.

**Claw-back variable
remuneration**

No variable remuneration has been clawed back.

**Severance
payments**

No severance payments were granted to members of the Management Board or the Supervisory Board.

2020 outlook

We will present this remuneration report to the General Meeting of Shareholders in 2020 for an advisory vote. The Supervisory Board will also submit the remuneration policies for the Management Board and the Supervisory Board updated in accordance with SRD II.

In 2019, both remuneration policies were applied, and it is the intention that they will be continued in the next financial year.

In 2019, X5 made significant progress in achieving the long-term strategic goals set by the Supervisory Board under the long-term incentive plan. With the programme coming to an end on 31 December 2020, the Nomination and Remuneration Committee will, over the course of 2020, reflect on a programme extension taking into account the Company's long-term strategic objectives. Meanwhile, due to the rapidly changing environment in which the Company operates, the Supervisory Board recognises the challenge of constantly evolving targets and performance criteria to secure sustainable growth and long-term value creation for the Company.

The Supervisory Board

18 MARCH 2020