



2022

SUSTAINABILITY
REPORT

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X5 Group is a leading Russian food retailer that manages the retail chains Pyaterochka, Perekrestok and Karusel alongside other assets. With our ambitious 30x30 sustainability targets for the year 2030, the Group works closely with a variety of stakeholders and organisations to have the greatest possible impact. Cooperation is the key to reducing our impact on the environment, promoting healthy lifestyles, and helping those in need.

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Chairman's statement



Dear stakeholders,

For the third year in a row, X5 Group is publishing its annual sustainability report as part of the Group's continued efforts to maintain a high level of transparency on our ESG and sustainability ambitions.

We are pleased to see our stakeholders' interest in this area continuing to increase, and I would like to thank all of you for your work and support, helping us to continue on our path to achieving our strategic goals in sustainable development, as well as to implement and scale new projects and initiatives.

The year 2022 was marked by external circumstances that forced us to re-assess the Group's sustainability targets. Despite the new challenges, long-term sustainable development remains an important part of X5's strategy. The Supervisory Board particularly welcomed X5's efforts to boost social support measures for local communities and employees, including the development of the Basket of Kindness food assistance project and the launch of a pilot food-sharing project.

Meanwhile, the X5 team upheld its commitments by introducing innovations to key operational processes, increasing sales in the healthy-living category, developing our ethics and human rights standards, reducing waste and promoting ecological habits among customers.

Our extensive efforts to increase sales in the healthy-living category have focused on improving the quality of our private label products, providing our customers with information about the products they can find in our stores, carrying out educational campaigns and creating in-store navigation that helps customers choose products for a healthy lifestyle. We also pay a lot of attention to promoting high quality standards among our suppliers, with a particular focus on small enterprises and farmers.

Being a food retailer, we are committed to minimising the amount of waste we generate as well as the impact of its processing. We are especially proud of our food-sharing initiative, which we are developing in several regions and planning to expand further.

Our promotion of ecological habits among customers includes initiatives such as encouraging them to give up paper receipts, opening eco-centres, and putting infrastructure in place to collect recyclable items in stores, among many others. Also, the Supervisory Board closely monitors the Company's programmes to improve labour conditions, inclusivity, and equal rights and opportunities for all employees. We met our ambitious target in terms of reducing our carbon emissions in 2022, and I would like to thank all our colleagues for this important achievement for the business.

This year, we plan to approve an updated sustainability strategy as part of the Group's overall long-term strategy of sustainable value creation. The Company remains committed to the principles of sustainable development, and together with our stakeholders we are keen to strengthen the Group's efforts in managing ESG topics and performance.

I would like to express my particular gratitude to our employees, who ensured the continuity of our business over the year and enabled us to continue moving forward with our ambitious sustainability strategy.

31 MAY 2023

Peter Demchenkov

CHAIRMAN OF THE SUPERVISORY BOARD



X5 President and X5 CEO's statement



Dear stakeholders,

We are proud to present our third annual sustainability report, which details all of our achievements towards reaching key goals in 2022. Last year, we not only remained committed to our sustainability projects but also implemented ambitious new initiatives that were positively received by our customers and partners.

We are very pleased to see that our customers, partners and employees continue to show demand for environmentally friendly products, responsible business practices and social projects.

Our food assistance programmes were particularly important in 2022, as we paid special attention to supporting those in need, expanding our assistance programmes and developing local communities. In July, we launched a pilot food-sharing project, which was introduced in several Russian cities and is set to be scaled up further. More than 5,800 people received help through the project in its first five months alone. We stepped up the project in the first quarter of 2023, rolling it out not only in stores but also in dark stores. The Basket of Kindness social project also saw significant expansion, delivering more than 518 tonnes of food to pensioners and large families, which was almost a 1.5-fold increase over the amount of food donated in 2021. In addition, we see the importance of preserving and strengthening local social ties and continue to actively develop the Local Community Centres project at our Pyaterochka stores; at present, more than 350 stores already serve as spaces for hosting exhibitions, giving lectures and providing a meeting place for residents in local communities.

Our team has succeeded in reducing greenhouse gas emissions, increasing the share of products with responsible packaging on our shelves, and maintaining the use of

renewable energy sources in our operations. The eco-projects across our retail formats are attracting increasing numbers of customers, who donate batteries for recycling and prefer to use reusable shopping bags instead of plastic bags.

One of the most important factors in maintaining the sustainability of our business is our adherence to consistently high standards of product safety and quality. In that regard, we are developing a dialogue with our suppliers, including small and medium-sized businesses, to ensure that together we can continue to provide our customers with a wide assortment of high-quality products.

Finally, we can't help but highlight the contribution of our employees to all of the achievements outlined above. Every day, our employees display outstanding productivity, ensure that our business performs at the highest level and support our sustainability efforts in even the most difficult external conditions. We are confident that together, we can achieve even more this year!

Igor Shekhterman

X5 GROUP CHIEF EXECUTIVE OFFICER

Ekaterina Lobacheva

X5 GROUP PRESIDENT



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About this Report

Report methodology

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Determination of material topics

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Report methodology

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X5 Group (“X5” or the “Company”) confirms that this Sustainability Report (the “Report”) has been prepared in accordance with the GRI Standards. **This Report has also been prepared taking into account the Central Bank’s guidelines for non-financial reporting, the Food Retail ESG Reporting Standard and SASB, and discloses the Company’s contribution to the UN Sustainable Development Goals to 2030.**

The Report discloses information on the Company’s progress in the area of sustainable development, as well as its activities in the economic, environmental and social spheres. The 2022 Report is the third report to be prepared in accordance with the GRI Standards. The Company plans to publish a sustainability report on an annual basis.

This Report covers the period from 1 January to 31 December 2022. Quantitative data is given as of the end of the year.

The Company’s management is responsible for the completeness and accuracy of the information in the Report. The material topics of the Report were identified based on the results of a survey in which the Company’s senior management took part.

Scope of the report

The information published in this Report relates to the activities of the publicly traded limited liability company X5 Retail Group N.V. and its subsidiaries. Information on all Group companies is consolidated in full for all major subsidiaries. The approach to disclosure under the GRI Standards and on material topics does not differ across the Company, unless otherwise stated.

In 2022, the scope of the Sustainability Report was expanded to include X5 Real Estate, X5 Technology and X5 Venture. The Report contains a number of clarifications about information presented in past reports, as indicated in the text. The scope of quantitative data disclosed under each of the main topics is described in more detail below.

Business units within the reporting boundaries ¹	Employees ²	Occupational health and safety	Local communities	Compliance	Environmental aspect ³
 Pyaterochka	✓	✓	✓	✓	✓
 Perekrestok	✓	✓	✓	✓	✓
 Ready Food	✓	✓	✓	✓	✓
 Chizhik	✓	✓	✓	✓	✓
 Mnogo Lososya	✓	✓	✓	✓	✓
 Karusel	✓	✓	✗	✓	✗
 Corporate Centre	✓	✓	✓	✓	✗
 X5 Venture	✓	✓	✓	✓	✗
 X5 Technology	✓	✓	✓	✓	✗
 X5 Transport	✓	✓	✓	✓	✓

1 Where the table indicates disclosure has been made for the divisions Corporate Centre, X5 Venture, X5 Technology, Service Centre, Shared Service Centre, X5 Real Estate, X5 Digital and Express delivery, this means disclosure of quantitative data only.

2 The disclosure of quantitative data about the Corporate Center and X5 Venture includes aggregate data for several business unites: Corporate Center, X5 Venture and the Security Division. With regard to the disclosure of employee data, the Security Division has been included in the data for the Corporate Center, as it is considered an integral function.

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

Scope of the report

Business units within the reporting boundaries ¹	Employees ²	Occupational health and safety	Local communities	Compliance	Environmental aspect ³
Business Support Division includes several business units: Offices, X5 Real Estate + Shared Service Centre ⁴	✓	✗	✗	✗	✗
X5 X5 Direct Imports	✓	✓	✓	✓	✓
X5 Service Centre	✗	✓	✓	✓	✗
X5 Offices	✓	✓	✓	✓	✓
X5 X5 Real Estate	✓	✓	✓	✓	✗
X5 X5 Digital (Includes several business units: Vprok.ru and Express delivery) ⁵	✓	✗	✓	✓	✗
Vprok.ru	✗	✓	✗	✗	✓
Express delivery	✗	✓	✗	✗	✗
5Post	✓	✓	✓	✓	✗
X5 X5 Media	✓	✓	✓	✓	✗

Due to the transformation of the Karusel retail chain, which was completed in February 2023, the number of stores decreased significantly over the reporting period since the start of 2022. As of the end of 2022, Karusel accounted for less than 0.6% of X5 Group’s total selling space and 1.3% of X5 Group’s total electricity consumption, which is negligible and enables us to exclude Karusel from the Report due to its immateriality. However, for the topics noted in the table "Business units within the reporting boundaries" quantitative data for the Group includes data on Karusel as well.

In November 2022, X5 finalised a strategic partnership with Krasny Yar and Slata, two leading retailers in Eastern Siberia, and acquired a 70% stake in the companies. Non-financial data for the new acquisitions will be provided for 2025.

1

Where the table indicates disclosure has been made for the divisions Corporate Centre, X5 Venture, X5 Technology, Service Centre, Shared Service Centre, X5 Real Estate, X5 Digital and Express delivery, this means disclosure of quantitative data only.

2

The disclosure of quantitave data about Offices and X5 Real Estate includes aggregate data for several business units: Offices, X5 Real Estate and the Shared Service Centre. When disclosing employee data, X5 Real Estate was included in data about the Business Support Division, as it is an integral function of that unit.

3

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

4

In 2022, the Business Support Division was transformed, as a result of which the Shared Service Centre was integrated into it and can no longer report separately.

5

In 2022, a new business unit, X5 Digital, was spun off, which includes Vprok.ru and Express delivery, among others.

Determination of material topics

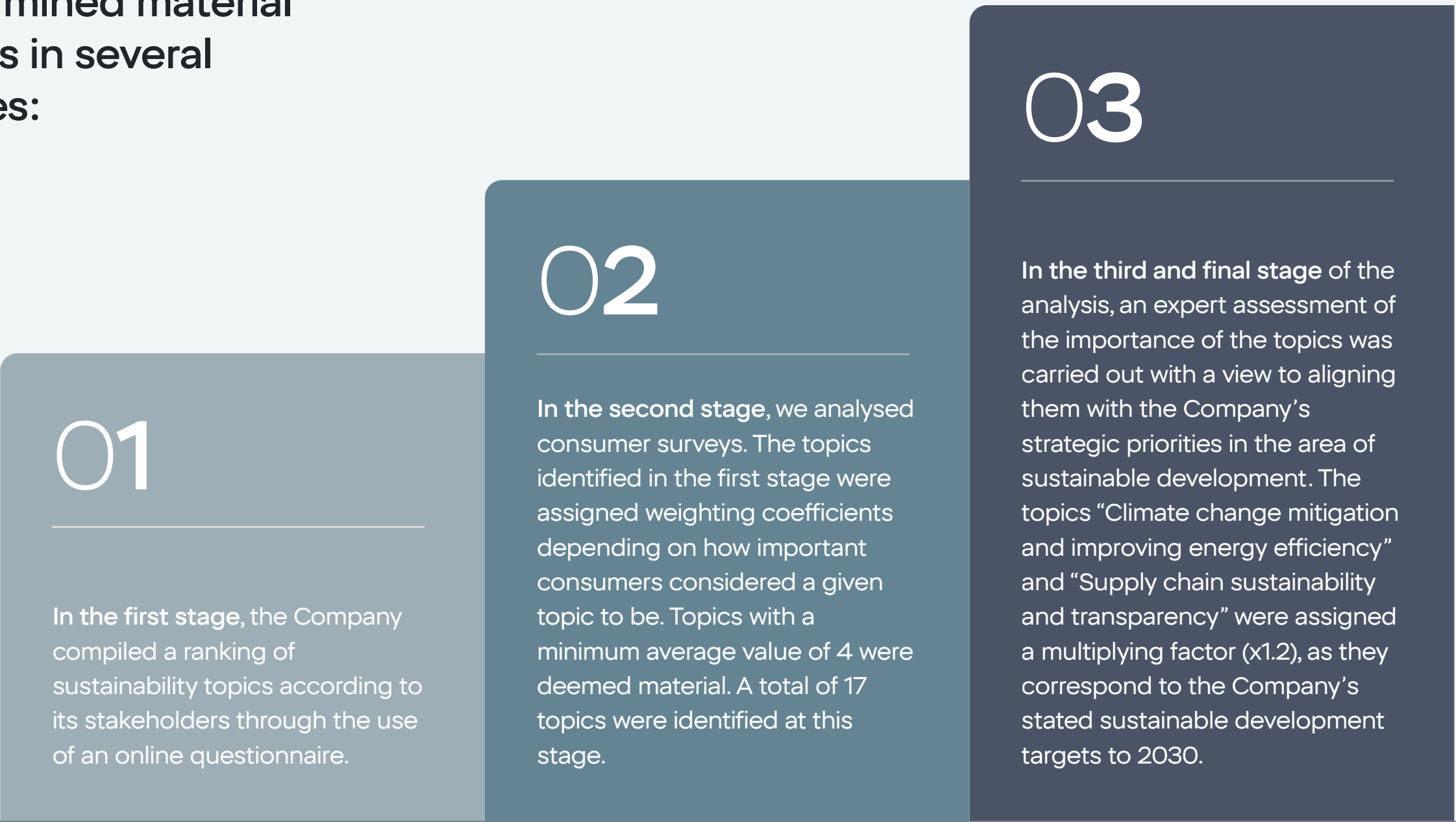
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Determining the contents of the Report involves identifying material topics – areas in which X5 Group has the greatest impact on the country’s economy, environment and people, including its impact on human rights. They also reflect the views of its stakeholders. In 2022, the Company revised its list of material topics in line with the requirements and recommendations of the GRI Standards for non-financial reporting.

The Company determined material topics in several stages:



The expert also applied a multiplying factor to the topic “Protection of human rights” due to its importance in a global context. At all stages of the process of identifying material topics, the Company considered their impact on the fundamental human rights of all stakeholders. See the “[Stakeholder engagement](#)” section for more details.

As a result of the expert review, two more topics were identified as tier-1 material topics and one more topic was identified as a tier-2 material topic. A total of 18 material topics were identified.

When identifying material topics and interacting with stakeholders, the Company takes into account the positive impact and potential negative impact on the economy, the environment and people, including the impact on human rights.

A total of

2,267

respondents took part in the surveys, including:

GROUP OF STAKEHOLDERS

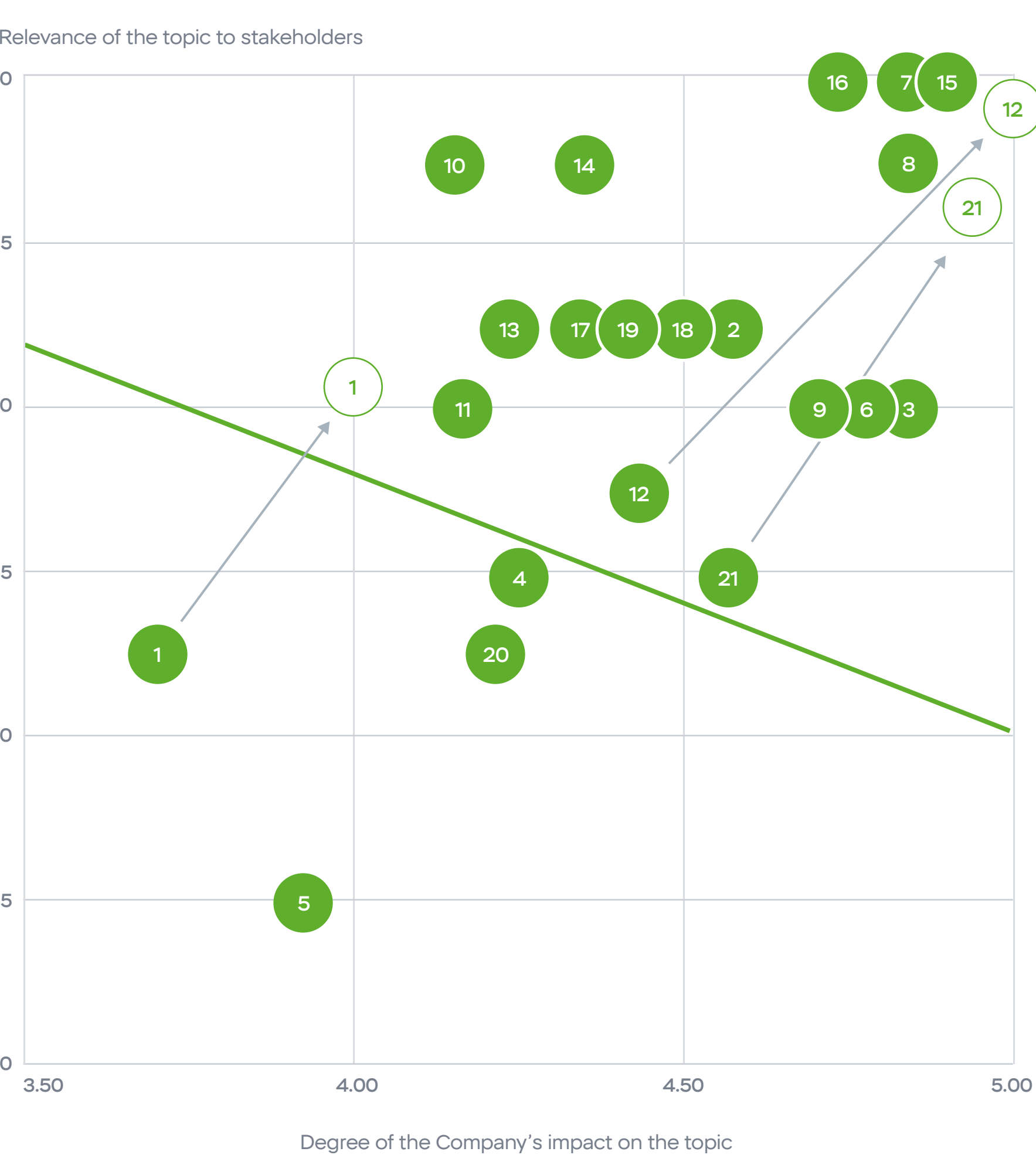
- Expert community
- Business partners
- Suppliers and contractors
- Investors
- Non-profit organisations
- Government officials
- Employees
- Senior management

The Company distinguishes three levels of materiality, of which the first two are considered material topics for the purposes of the Sustainability Report. These topics receive the most attention in the Report. In 2022, topics in relation to which the Company had a less material impact were efficient use of water resources, conservation of biodiversity, and responsible agriculture. However, the Company still discloses information on these topics in the Report.

List of material topics

Thematic group	Material topics	Change 2022 vs 2021
Environmental protection	2 Food waste management	✓
	3 General waste management and recycling of plastics	✓
	6 Sustainable packaging	✓
	1 Reducing the impact on climate change and improving energy efficiency	–
Human capital	7 Employee well-being and fair working conditions	✓
	8 Occupational health and safety	✓
	9 Staff training and development	!
Human rights	10 Privacy and data protection	!
	11 Social and cultural diversity and equal opportunities	!
	12 Protection of human rights	!
Corporate governance	14 Business ethics and anti-corruption	✓
	13 Corporate governance and economic performance	!
Care for society	15 Product safety, quality and affordability	✓
	16 Customer relations and responding to customer requests	✓
	17 Charity and corporate volunteering	!
	18 Products with healthy, balanced ingredients	✓
	19 Responsible product marketing and labelling	✓
Sustainable supply chain	21 Supply chain sustainability and transparency	✓
	5 Efficient use of water resources	
	4 Conservation of biodiversity	
	20 Responsible agriculture	

List of topics by magnitude of priority. Materiality matrix



- ✓

Material topic for 2022 and 2021
- !

New material topic for 2022
- Topic has been changed¹
- Tier-1 material topics: 15 (coordinates 4.3 – 5.0)
- Tier-2 material topics: 3 (coordinates 4.0 – 4.2)
- Other important topics: 3 (coordinates 0 – 3.9)

1 Topic combines the following topics from 2021: Energy efficiency and Reducing the impact on climate change.



02



About the Company

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Company profile and business model

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X5 Group is a leading Russian food retailer that operates in offline and online retail and develops additional services. X5 currently operates several retail chains: Pyaterochka proximity stores, Perekrestok supermarkets and Chizhik discount stores. The Company is a leader in e-commerce, developing the digital businesses Vprok.ru, 5Post and Mnogo Lososya.

Our business model is structured to create value for our stakeholders at every stage of operations – from engaging with suppliers and running the Corporate Centre to managing the Group’s online and offline businesses.

We believe it is important to strike a balance between meeting financial targets and achieving the Company’s long-term sustainable development in a changing environment.

Decentralised management means attention to every retail location

Our offline and online businesses are based on a decentralised management and operations model which allows maximum flexibility in responding to customer needs, while also leveraging our advantages of scale in terms of purchasing power, IT, digitalisation and logistics.

Although the marketing strategies and loyalty programmes of individual X5 businesses are largely independent of one another, the Group uses a common customer identification system (X5.ID) as well as shared big data analytics and IT infrastructure. All activities are managed using SAP ERP.

We oversee most logistics operations in-house: in 2022, centralised shipments from the Company’s distribution centres to its stores accounted for 95.5% of all deliveries.

This vision is reflected in the issues addressed at Supervisory Board meetings and in the decisions taken by the Company, including annual investments in meeting objectives that advance our sustainable development strategy and related activities.

We strive to ensure that food is accessible to all categories of the population, and work with the food supply chain to explore opportunities to make it more cost-effective as well as to reduce potential harm from our operations, such as the generation of food and solid waste, GHG emissions and atmospheric pollutants. We pay particular attention to responsible practices on the part of our suppliers and see ourselves as playing an important role in fostering responsible practices in the marketplace among small and medium-sized businesses.

As of 31 December 2022

21,323

stores with leading positions in Moscow and St Petersburg and a significant presence in the European part of Russia.

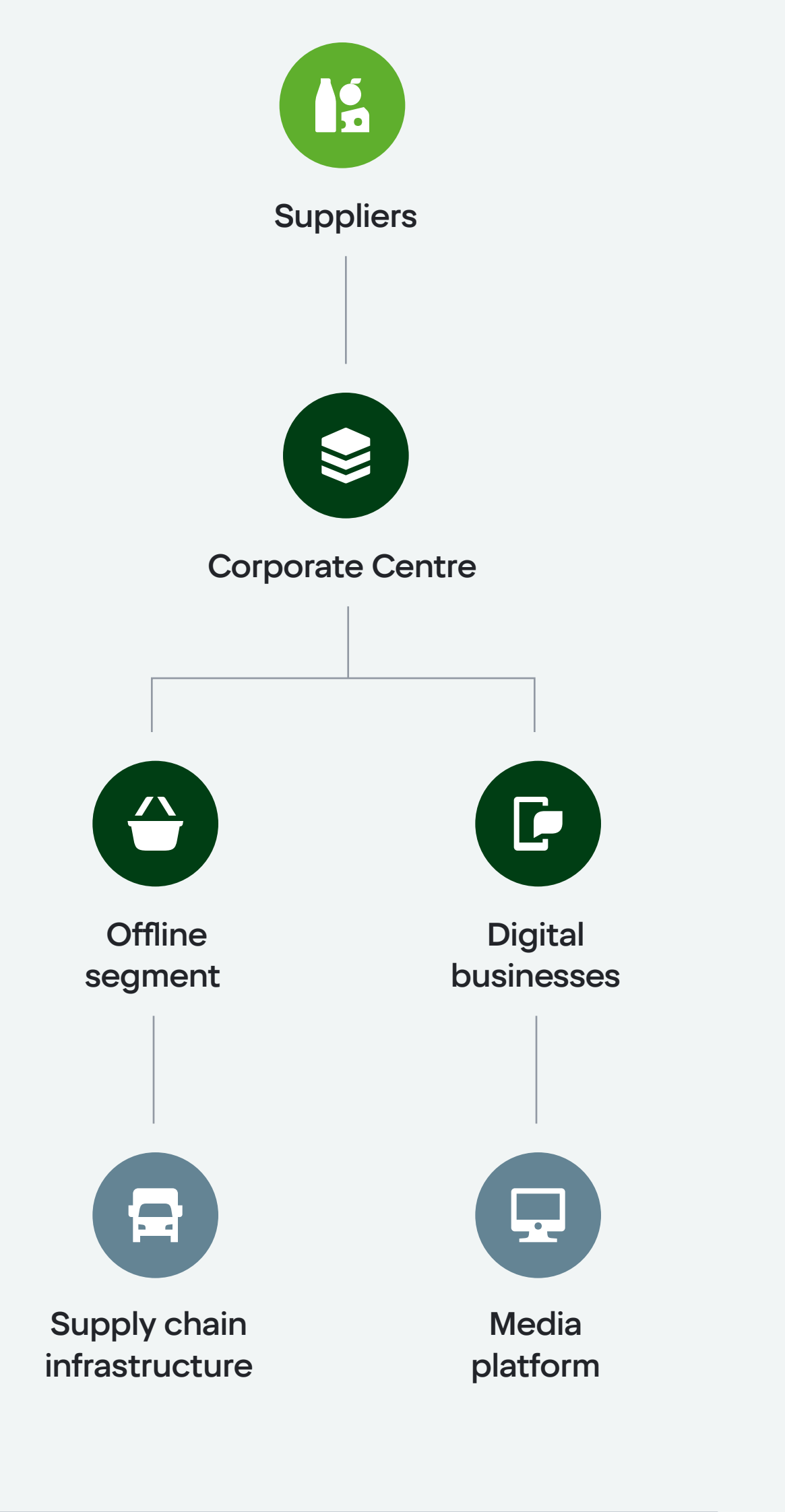
With over

353,000

people currently working at the Company, X5 is one of Russia’s largest employers.



Diagram of X5 Group’s business model



Suppliers

In our interactions with suppliers at all stages, we strictly adhere to the Declaration on Human Rights Protection¹, the Compliance Policy, the Code of Business Conduct and Ethics, and the Code of Interaction with Business Partners, including on matters of employment, occupational health and safety, environmental protection, product and service quality, and compliance with trade and competition law, anti-corruption and anti-fraud regulations.

In 2022, we expanded the functionality of the [Dialogue X5 supplier portal](#), increasing the transparency of all communications, transactions and document flow.

Our priorities in working with suppliers are:

- Developing a responsible supply chain
- Developing a partnership programme with SMEs, farmers and local producers
- Continuously improving the product quality control system

The Company supports suppliers and partners through participation in developing a voluntary standard for sustainable packaging, holding sustainability training for suppliers, and engaging in dialogue with suppliers at events, seminars and webinars.

The Company plans to further promote suppliers’ commitment to sustainability through a system of incentives.



Corporate Centre

X5 Group’s Corporate Centre is responsible for managing elements of the business’s shared infrastructure, such as IT systems, innovations and big data technologies, logistics, internal controls, as well as support functions, corporate finance, risk management and reporting. The Corporate Centre also engages in general management and the exchange of best practices.

Main aims and objectives:

- Setting and facilitating achievement of the Company’s strategic goals
- Ensuring that all employees have a healthy, safe environment
- Launching ESG innovations and digitalising non-financial reporting

The Company continues to develop its infrastructure and is constantly seeking out new opportunities to improve and optimise internal processes, including for stakeholder engagement. This is the third Sustainability Report to be published by X5 Group, and it provides all information about the Company and the results of its activities within the framework of X5’s sustainable development strategy.



Offline segment

X5 is continuously improving the value proposition of its offline businesses to meet the changing needs of customers and tap into new market segments. The Company operates the Pyaterochka and Perekrestok retail chains, as well as the Chizhik chain of hard discounters.

X5 engages in a number of activities that enable us to achieve our goals and meet the needs of all stakeholders. These include regular activities and initiatives for local communities; efforts to increase product availability and improve the quality of products for consumers; introducing various systems and equipment to mitigate adverse environmental impacts, including by transitioning some business units to renewable and low-carbon sources of energy; reducing the amount of non-recyclable waste through inventory management programmes, food-sharing and separate waste collection; and measuring employee loyalty and increasing the average pay.

¹ X5 Group’s Human Rights Policy, a revised version of the Declaration, was prepared in 2022. The Policy is scheduled to be approved in 2023.

Scope of the report

Offline segment

Main aims and objectives:

- Developing community care programmes and increasing the number of families receiving food aid through the Basket of Kindness project
- Reducing GHG emissions and the ratio of waste generated to retail sales
- Expanding the range of healthy lifestyle products and increasing the proportion of fresh products, fruit and vegetables
- Continuously developing the product quality control system
- Increasing the range of food products that can be reprocessed when no longer in saleable condition before their expiry date
- Increasing the share of X5’s private-label brands that use more environmentally friendly packaging
- Using renewable energy for the processes that are part of the Company’s operations
- Achieving an employee engagement rate of more than 75%



Supply chain infrastructure

Efficient and reliable logistics operations are critical to delivering the quality products and assortment that our customers expect across our operations, both in offline and digital. We continue to improve in this area by introducing advanced route planning technologies and driver monitoring systems, while also leveraging our extensive logistics infrastructure to build new businesses like 5Post, a last-mile parcel delivery service.

The Company operates 53 distribution centres with a total area of 1,507,710 sqm, located in seven of Russia’s eight federal districts.

Main aims and objectives:

- Reducing GHG emissions and the ratio of waste generated to retail sales
- Continuously developing the product quality control system
- Increasing the range of food products that can be reprocessed after having lost their marketable condition before the expiry date
- Increasing the share of renewable energy in our operations

The Company is taking a number of measures to improve its logistics operations, such as converting vehicles to hybrid engines and optimising logistics routes, using lightweight truck bodies, and introducing a standard for climate-neutral equipment to be used at newly opened and refurbished distribution centres and retail chains. Also, 11 of the Company’s distribution centres are being switched to low-carbon sources of energy.



Digital businesses

At all stages of the customer journey, including planning and selection, X5 is right there with its customers, and that interaction is based on the digital businesses, services and infrastructure that are part of the Company’s strategy.

X5's digital businesses include:

EXPRESS
DELIVERY

VPROK.RU

MNOGO
LOSOSYA

5POST

Main aims and objectives:

- Contributing towards achievement of the Company’s strategic goals
- Meeting consumer needs for rapid, high-quality grocery delivery, in line with market demand

The digital businesses allow users to save time shopping for groceries without having to sacrifice anything in terms of the quality and range of products. All privileges of membership in X5 Group’s loyalty programmes are equally available when using the services.



Media platform



X5’s online media platform, Food.ru, provides consumers with inspiration and information as they discover and plan their food shopping and cooking. With recipes and tips, as well as integration with X5’s online services such as Vprok.ru and express delivery, Food.ru is often the entry point for customers of X5 Group’s offline and digital businesses.

Main aims and objectives:

- Increasing the proportion of shoppers interested in leading a healthy lifestyle
- Developing educational initiatives and preventing diseases associated with unhealthy lifestyles

As a media platform dedicated to healthy eating and healthy lifestyles, Food.ru helps users obtain relevant and useful information while attracting potential new customers to the Company.

Our approach, values and goals

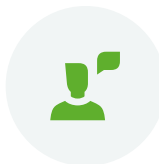
Values

The values are guidelines that we adhere to in our work and decision-making to drive the Company’s further development.



Respect

Recognising different perspectives and interests among colleagues, facilitating collaboration even when there are differences of opinion



Customer focus

Understanding customers’ true needs and expectations, and building long-term relationships with them based on trust



Commitment to excellence

Setting ambitious goals and undertaking efforts to achieve them



Honesty and integrity

Respecting agreements with business partners and suppliers

Approach

It is our mission to develop the X5 Group as a profitable and sustainable business, providing top-notch products and a modern level of service to the Russian public through both online and offline channels, while responding to the specific needs of our customers. To achieve this goal, we follow a set of principles which include:



Innovative technologies

We endeavour to identify, develop and implement technologies to power our digital businesses, such as express delivery and the Vprok.ru online hypermarket, and to streamline our operations to increase efficiency and boost our bottom line.



Regional presence

Expanding the geographical coverage of the Chizhik discount chain is an important area of focus, as it will enable more customers to obtain high-quality food at reasonable prices.

The Company’s business strategy is founded on sustainability principles that steer our business towards achievement of the UN SDGs we consider to be the most relevant in the context of X5 Group’s operations: Zero Hunger, Good Health and Well-being, Decent Work and Economic Growth, and Responsible Consumption and Production.

X5’s core values and principles are set out in the Company’s [Code of Business Conduct and Ethics](#) and corresponding internal policies. For further details about our values and corporate culture, see the [“Corporate culture and values”](#) section.

These documents are designed to assist employees in complying with the law and upholding X5’s ethical principles in the course of their day-to-day work. The documents are readily accessible to all staff via the Company’s website and/or intranet. The Code and related policies are periodically reviewed and updated to reflect changes in law and the Company’s internal procedures.

Sustainability goals

X5’s sustainability policy is based on the UN Sustainable Development Goals, which we use to identify and prioritise the ESG issues that are most relevant to our business.

The SDGs that we can have the greatest impact on are Zero Hunger, Good Health and Well-being, Decent Work and Economic Growth, and Responsible Consumption and Production. In our daily operations we also contribute to the goals of Gender Equality, Affordable and Clean Energy, Reducing Inequality, Sustainable Cities and Communities, Climate Action, Life Below Water, and Life on Land.

Information on the relevant UN SDG targets can be found in the “UN SDG content index” Annex.



The larger boxes indicate our primary goals; the smaller boxes – our secondary goals.

Drawing on these focus areas, we have developed a set of targets for the period to 2023 along with the business processes needed to achieve them. We have also set ambitious 30x30 targets that we aim to achieve by 2030.

For further details on the objectives of the strategy and achievement of the 2022 targets, see the “Sustainable development strategy” section of this Report.



PLANET

30%

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

30%

Share of renewable energy used in X5 operations

30%

Reduction in the ratio of waste generated to retail sales compared with 2019



LOCAL COMMUNITIES

UP TO 30%

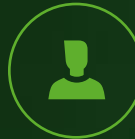
increase in the number of families receiving Basket of Kindness support per year



HEALTH

Promotion of responsible principles and practices across the supply chain

Expansion of healthy lifestyle assortment¹



EMPLOYEES

#1

Employer in the ranking of Russian food retailers

Ensuring all employees have a healthy and safe workplace

1 The healthy lifestyle assortment includes products in the following categories: gluten-free, sugar-free, organic, fresh from the farm, natural ingredients, high-protein, low-calorie and vegan.

Geography of operations

2-1

Against the backdrop of an ever-evolving retail landscape, the breadth and depth of our operations will help X5 Group remain the leader in Russia’s food market, delivering profitability and growth both offline and online, while we continuously work to improve our operations.

As of the end of 2022, X5 had an extensive network of 21,323 stores, with leading positions in Moscow and St Petersburg and a significant presence in the European part of Russia. The network consists of 19,164 Pyaterochka stores, 971 Perekrestok supermarkets and 517 Chizhik hard discounters. The total selling space is 9,107,479 sqm. The Company also operates 53 distribution centres with a total area of 1,507,710 sqm.

Our digital businesses remain a priority area in terms of X5’s strategic development. Our robust IT infrastructure and well-developed retail network enable us to deliver innovative services without compromising our bottom line.

As of the end of 2022, express delivery was available from 4,480 regular retail locations (3,672 Pyaterochka stores and 808 Perekrestok supermarkets) and 44 dark stores across 64 regions, compared to 1,611 stores and 50 regions a year ago. As of year-end, our last-mile e-commerce delivery service 5Post had over 23,000 pickup points, including 5,000 multi-parcel lockers, and we operated 56 Mnogo Lososya dark kitchens.

NUMBER OF STORES BY FEDERAL DISTRICT (FD)

	2016	2017	2018	2019	2020	2021	2022
Central FD	4,077	5,198	5,822	6,301	6,703	7,191	7,703
North-Western FD	1,095	1,416	1,668	1,836	1,910	1,998	2,081
Volga FD	2,468	3,169	3,820	4,306	4,621	4,895	5,256
Ural FD	764	999	1,168	1,358	1,535	1,672	1,885
Southern FD	606	874	1,222	1,501	1,718	1,951	2,211
North Caucasus FD	137	188	252	293	334	388	433
Siberian FD	40	277	479	702	886	1,036	1,696
Far Eastern FD ¹	–	–	–	–	–	–	58
Total	9,187	12,121	14,431	16,297	17,707	19,121	21,323

21,323

Retail stores
as at 31 December 2022

53

Distribution centres
as at 31 December 2022

44

Express delivery dark stores
as at 31 December 2022

3

Large Vprok.ru dark stores
as at 31 December 2022

For more information on our business model, see the “Our formats” section of the [2022 Annual Report](#).

1 Including Krasny Yar and Slata stores.

201-1

Despite the difficult economic situation, X5 Group continues to pursue its goal of providing affordable food products to all segments of the population in the regions where the Company operates.

We remain focused on implementing our strategy while adapting to a changing market in order to deliver value for our shareholders and all of X5 Group’s stakeholders.

X5 Club

The Company also launched a new loyalty programme, X5 Club, which had approximately 70 million active users by the end of Q4 2022.

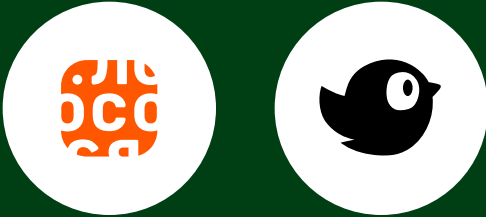
2022 key highlights

In 2022, the Company opened 2,202 new stores (compared with 1,366 new stores in 2021), driven by the expansion of our proximity and hard discounter chains. Total net sales increased by 18.3% to RUB 2.6 trillion, and net sales from X5’s digital businesses were also up significantly, with express delivery, the Vprok.ru online supermarket and Mnogo Lososya ready-to-eat digital service showing strong GMV growth in 2022.



In 2022, we continued to scale up our Pyaterochka and Perekrestok express delivery service, partnering with three leading delivery aggregators to make online delivery from X5 stores even more convenient.

Social responsibility became even more important for X5 in 2022. Despite supply-chain disruptions, the Company succeeded in keeping store shelves stocked with products. X5 also continued supporting local communities through various charitable initiatives. Under our Basket of Kindness social project, we collected more than 518 tonnes of food for those in need, or almost 50% more than in 2021. A pilot food-sharing project was also launched, which will be scaled up to include more regions of Russia.



In 2022, the Company expanded the geography and number of Chizhik discount stores in Russia’s Central Federal District. We also expanded the newly acquired chain of Mnogo Lososya dark kitchens, in line with X5’s strategy of meeting customer demand for reasonably priced food, including by expanding the Company’s offerings in the fast-growing ready-to-eat segment.



X5 Digital

We have also continued to grow our digital businesses and step up our presence at every stage of the customer journey.

2022 financial and operating highlights



7.2 %

EBITDA margin
pre-IFRS 16



+10.8 %

Like-for-like sales
y-o-y



1.02 x

Net debt/EBITDA
pre-IFRS 16 as at 31 December
2022



26.0 MLN

Parcels delivered
by 5Post



70.4 RUB
BLN

Digital business sales
+46.6% y-o-y



20.5 MLN

Digital services, MAUs,
-23.6% y-o-y



69.3 MLN

active X5 Club loyalty
programme customers

+18.2% y-o-y

2,605 RUB
BLN

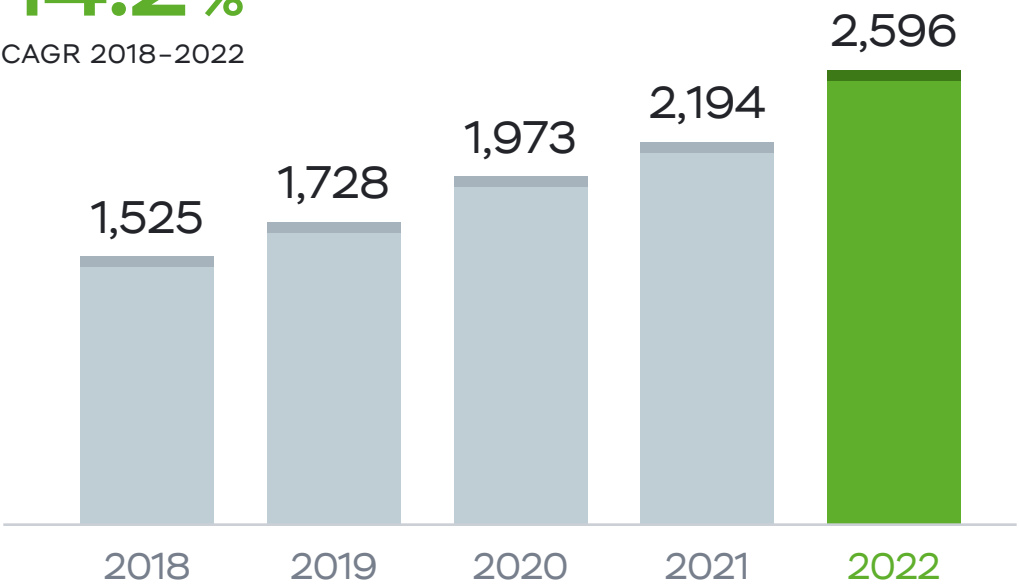
Revenue

Operational highlights

Net retail sales, RUB bln

14.2 %

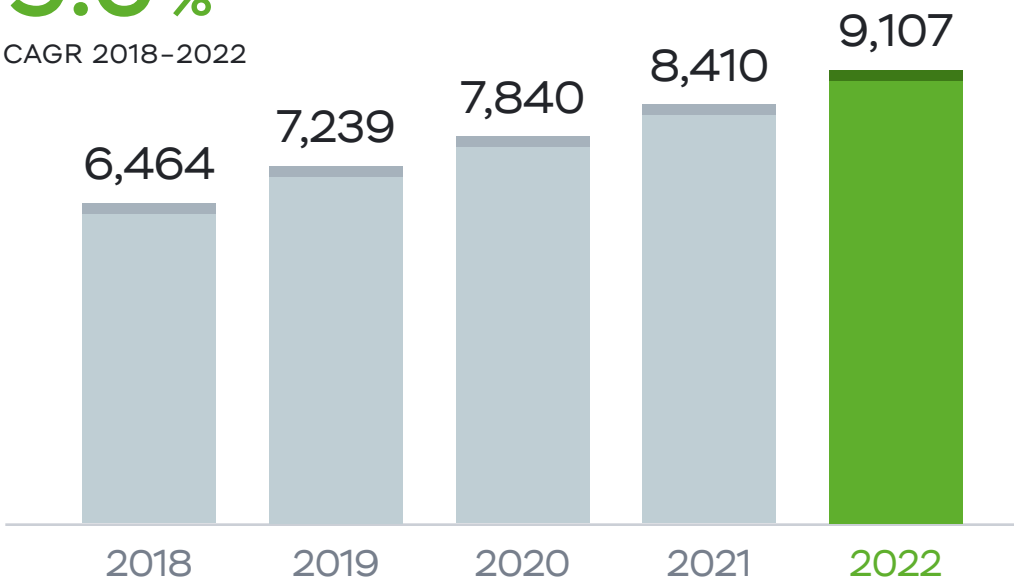
CAGR 2018–2022



Selling space, ths sqm

9.0 %

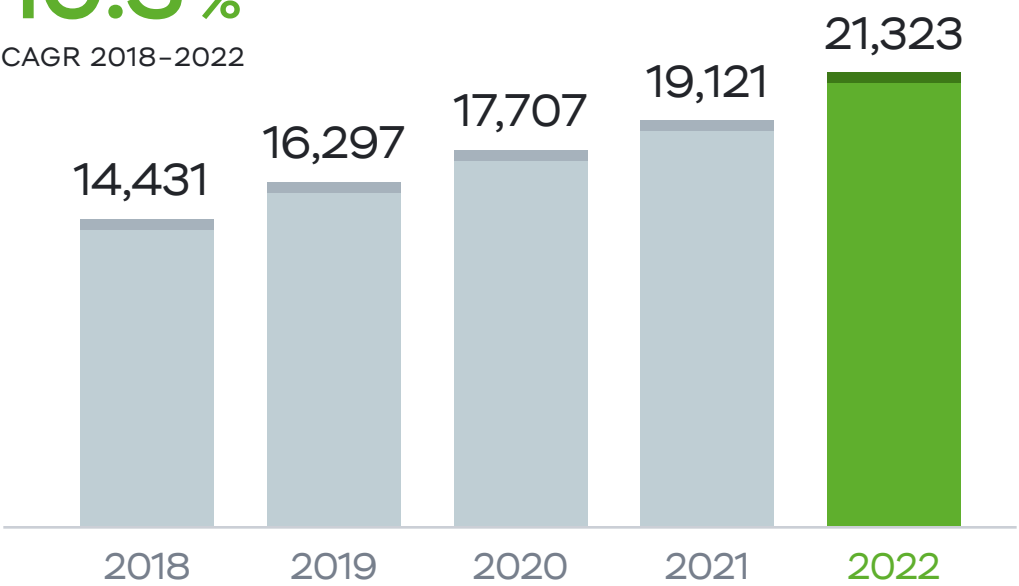
CAGR 2018–2022



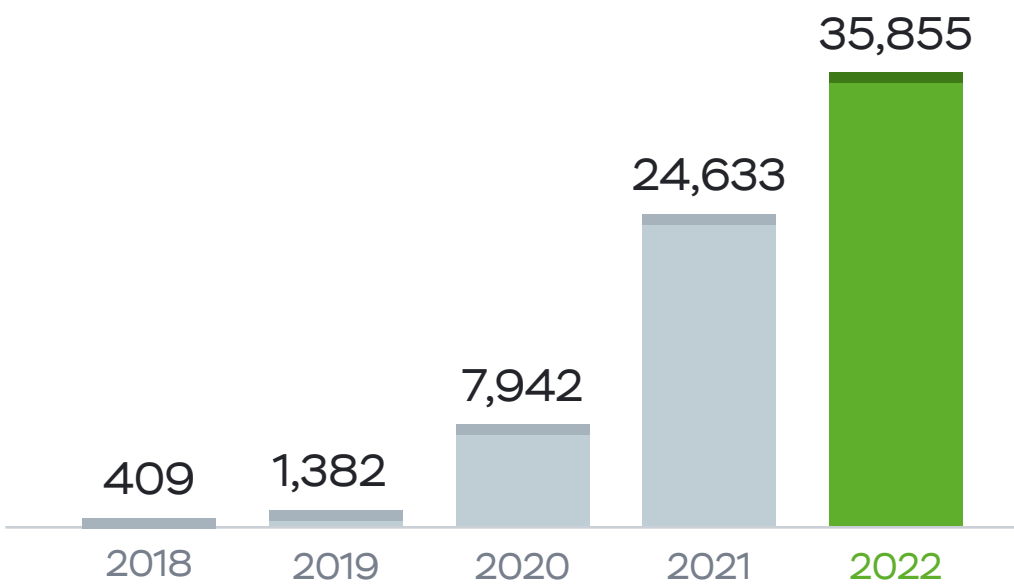
Number of stores

10.3 %

CAGR 2018–2022



Number of orders in online businesses¹



For more details on the Company’s operational and financial results,
see the [2022 Annual Report](#).

¹ Data has been revised since the publication of the 2020 and 2021 Sustainability Reports, following changes to the data collection process.

Value created and distributed¹, RUB mln

201-1	2020	2021	2022
Direct economic value generated	1,993,952	2,225,910	2,630,954
Revenue from the sale of goods	1,978,026	2,204,819	2,605,232
Revenue from financial investments	44	154	5,248
Income from the sale of tangible assets	15,882	20,937	20,474
Distributed economic value	1,840,854	2,049,632	2,369,398
Operating expenses	1,752,141	1,960,846	2,325,408
of which: salaries and other employee remuneration	188,863	218,948	248,368
Payments to the state	23,463	22,190	21,186
Social investments	66.0	178.2	268.8
Payments to providers of capital	65,184	66,418	22,535
of which: dividends paid	49,993	50,006	0
of which: finance costs	15,191	16,412	22,535
Undistributed economic value	153,098	176,278	261,556

Direct economic value generated reflects the main sources of the Company's income. Distributed economic value reflects the Group's expenses related to the distribution of direct economic value among the Company's stakeholders. Undistributed economic value is calculated as the difference between direct economic value generated and distributed economic value.

See more details on the Company's operating and financial results in the [2022 Annual Report](#).

1 Figures may not add up due to rounding.

Offline segment

We continuously develop the customer value propositions (CVPs) of our offline businesses to meet changing customer needs and tap into new segments of the market.

In 2022, we continued to actively roll out the Chizhik hard discounter chain, while opening and refurbishing Pyaterochka and Perekrestok stores in line with our new store concept. As of 31 December 2022, 6,046 Pyaterochka locations, or 31.5% of the chain's stores, and 262 Perekrestok locations, or 27% of the chain's supermarkets, were operating under the new concept.



19,164

Pyaterochka proximity stores
operating in 67 regions



971

Perekrestok supermarkets
operating in 46 regions



517

Chizhik hard discounters
operating in four regions



Digital businesses



Express delivery

X5 continues to develop its express delivery service from Pyaterochka stores and Perekrestok supermarkets. In October 2022, X5 partnered with leading food delivery aggregators to expand the online delivery offerings from its stores. As of the end of 2022, express delivery was available from 4,480 regular retail locations (3,672 Pyaterochka stores and 808 Perekrestok supermarkets) and 44 dark stores across 64 regions, compared to 1,611 stores and 50 regions the previous year. In 2022, some 29 million orders were placed, up 51.5% year-on-year, while annual sales from express deliveries increased by 64.2% to RUB 50,587 million.

X5 continues to develop its express delivery services and partner with aggregators to offer its customers the convenience of omni-channel shopping. In Q4 2022, a total of 10.379 million orders were made, up 61.7% year-on-year. The approximate delivery time was 60 minutes, and the average bill for Pyaterochka and Perekrestok stores increased by 2.8% from the previous year.

64

Regions

44

Dark stores



5Post

In Q4 2022, 5Post’s e-commerce delivery service revenue fell by 30% year-on-year amid a decline in the number of parcels from international suppliers. At the same time, the service’s financial performance improved significantly thanks to the growing share of local partners. The number of parcels delivered by 5Post in Q4 2022 halved in comparison to the same period in 2021, dropping from 12.2 million to 6.9 million parcels per quarter. The number of pickup points grew from 16,900 to 23,000, including 5,700 and 5,000 multi-parcel lockers, respectively.

5Post is increasing the number of parcels it handles from existing partners and ramping up integration with new partners. Parcel lockers and in-store pickup points generate an LFL traffic increase of 2-3%.

58

Regions

26 MLN

Deliveries made

23,000

Pickup points
including 5,000 parcel lockers



Mnogo Lososya

The Mnogo Lososya ready-to-eat digital service, which became part of X5 Group in late March 2021, continued to expand. As of the end of December 2022, the service operated 56 dark kitchens (4 of which are franchisees) as well as 235 sushi points in Perekrestok supermarkets, up from 50 at the end of September.

In Q4 2022, Mnogo Lososya’s net sales totalled RUB 658 million, a quarter-on-quarter increase of 65.7%, and the average bill was RUB 1,970, up 14% year-on-year. The number of orders in the final quarter also rose from 284,000 to 400,000.

56

Dark kitchens



Vprok.ru

In 2022, Vprok.ru revenue increased by 19% year-on-year to RUB 26.2 million. The total number of orders placed through Vprok.ru was up 13% year-on-year, reaching 5.3 million orders in 2022.

The number of Vprok.ru orders fell by 17.5% year-on-year to 1.2 million in Q4 2022. But the price of the average Vprok.ru basket was RUB 5,307 or 19% higher than in Q4 2021. In October 2022, X5 Group expanded its partnership with SberMarket by launching delivery from Vprok.ru in Moscow and St Petersburg.

55

Regions

3

Dark stores

850

Light trucks

3.4 MLN

MAUs

Strategic highlights

X5 Group’s strategic priorities



Recognising other groups of stakeholders – suppliers, local communities, the government – is essential to moving sustainably towards our goal.



We build relationships with our suppliers on the basis of mutual commercial interests and focus on long-term partnerships with producers.



We maintain an open dialogue with governmental and civil society institutions and pursue cooperation with local communities.



Leadership in the food market

Despite recent consolidations among other major retailers and heightened competition from niche players and digital ecosystems, X5 confidently maintained our leading position in Russia’s food market. X5 Group’s overall share of food retail revenue in 2022 increased to 13.2% (from 12.7% in 2021), thanks to 18.2% year-on-year growth in our total revenue and 46.6% year-on-year growth in net sales from our digital businesses.

Growth in the top line was supported by both an 8.3% increase in selling space and a 10.8% increase in like-for-like (LFL) sales. In 2022, the number of active users of our loyalty cards, which are a key element of our ability to offer each customer a more personalised experience tailored to their needs, increased from 62.6 million to 69.3 million, and loyalty card users accounted for 78.3% of the Group’s net retail sales. The average bill of an active customer who uses a loyalty card is double that of an active customer who does not use a loyalty card.

Our market leadership is mainly driven by our ability to effectively serve our customers and create value for them every time they visit one of our stores or use one of our online services.

X5’s suppliers are a key group of stakeholders that contribute to our success, and we seek to create value for them as business partners.



Leadership in digitalisation

Digitalisation is a vital component of our ongoing efforts to enhance our existing business by increasing efficiency and becoming even better at putting our customers at the centre of our decision-making. The benefits of digitalisation continue to be reflected in growth in the Company's bottom line.

As we build out our digital businesses and the Food.ru media platform, we continue to attract both existing and new visitors whose customer journey often starts online. In Q4 2022, the number of unique users of X5 Group’s digital services fell 23.6% to 20.5 million as a result of a 52.7% drop in the number of users of the Food.ru media platform, attributable to the imposition of restrictions on foreign social networks in Russia.



Commitment to shareholders

As we continue to invest in our offline and digital businesses, we are delivering value for shareholders: X5 Group’s adjusted ROIC pre-IFRS 16 for 2022 was 19.2% (up from 17.1% in 2021) and EBITDA margin pre-IFRS 16 remained steady at 7.2% (in 2021 it was 7.3%).

Strategic highlights



Innovations in transportation

We continue to develop our unified digital platform, X5 Transport, by expanding the range of services and solutions for planning and monitoring Company-owned transportation and contract carriers in order to increase the efficiency of our network with the use of AI and big data. This solution contributes towards protection, regeneration and sustainable use of terrestrial and inland freshwater ecosystems, including forests, freshwater bodies and others.

In 2022, the Company took significant strides in improving electronic document workflow for transportation:

- Increased the use of electronic waybills for shipments handled by the Company and third parties (more than 90% of the shipments delivered by the Company and 30% of the shipments delivered by contract carriers)
- Made mutual payments through an Electronic Data Interchange (EDI) system for spare parts, fuel, expendable goods and services
- Developed and piloted an electronic vehicle insurance service
- Implemented and actively maintained personal accounts for drivers and administrative staff
- Implemented a web portal for the tendering of bids by contract carriers
- Stopped using veterinary QR codes on paper for 100% of shipments delivered by the Company
- Electronic universal transfer document functionality has been developed with commercial counterparties. Counterparties are actively transitioning to electronic document workflow

Initiatives aimed at reducing paper consumption are estimated to have saved ~1,500 trees in 2022.



ESG leadership

In 2022, X5 Group continued to work towards achieving the goals set previously within the framework of the strategic priorities:

- As part of the Company's Planet focus area, we increased the use of recyclable materials to a share of 92% in the reporting year
- The Company's efforts to promote a healthy lifestyle were seen in the fact that fresh products, fruit and vegetables accounted for 46% of sales, compared to a target of 44.9%
- X5 Group also continued to improve working conditions and ensure equal opportunities for its employees: the Company retained its platinum status in the Forbes employer ranking and was ranked number one among Russian food retail employers
- The Company actively implements community welfare initiatives such as the Basket of Kindness social project, which was recognised at the Company of the Year 2022 awards in the Charity category

The depth of the Company's commitment to the sustainability agenda and its proactive implementation of ESG solutions are reflected in X5's position in sustainability rankings. For example, the Company retained its leading position in the retail industry in the RAEX-Europe ESG rating for 2022 and has also been included in the leading sustainability indices of the Russian Union of Industrialists and Entrepreneurs under the categories Responsibility and Transparency and Sustainable Development Vector.

For more details on the Company's progress towards its ESG targets, see the "Sustainable development strategy" section.



Geographical expansion

X5 Transport ensures that products are delivered reliably and efficiently to the stores of X5 Group's growing retail chains. Trucks are mainly used, but some shipments to more remote cities are made by rail. X5 Transport also carries out international shipments.

X5 continues to focus on strengthening its position in key regions where it operates and on expanding its presence and market share organically, as well as through tactical mergers and acquisitions.

In November 2022, X5 finalised a strategic partnership with the Krasny Yar and Slatá groups, two leading retailers in Eastern Siberia.

In 2023, a key area of focus will be expansion into Russia's Far East, which will significantly extend X5's geographic reach and offer new opportunities for customers and suppliers in the region. Having signed a cooperation agreement with the Far East and Arctic Development Corporation (FEDC) in September 2022, we plan to assess local infrastructure needs in Q1 2023 to chart a course forward.

For more details, see the "Strategic report" section of the 2022 Annual Report.



03



Sustainable development and the Company's business

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Sustainable development governance model

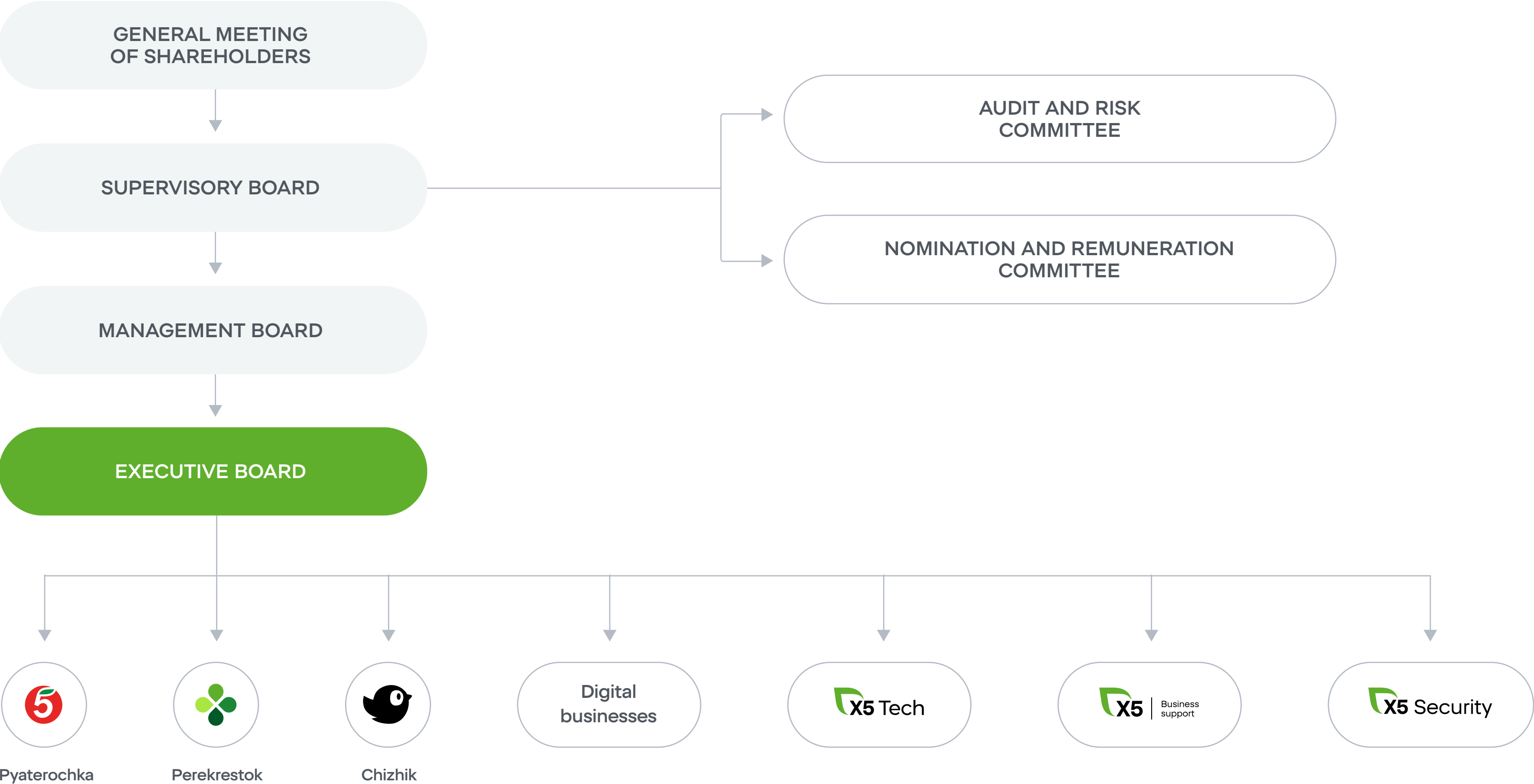
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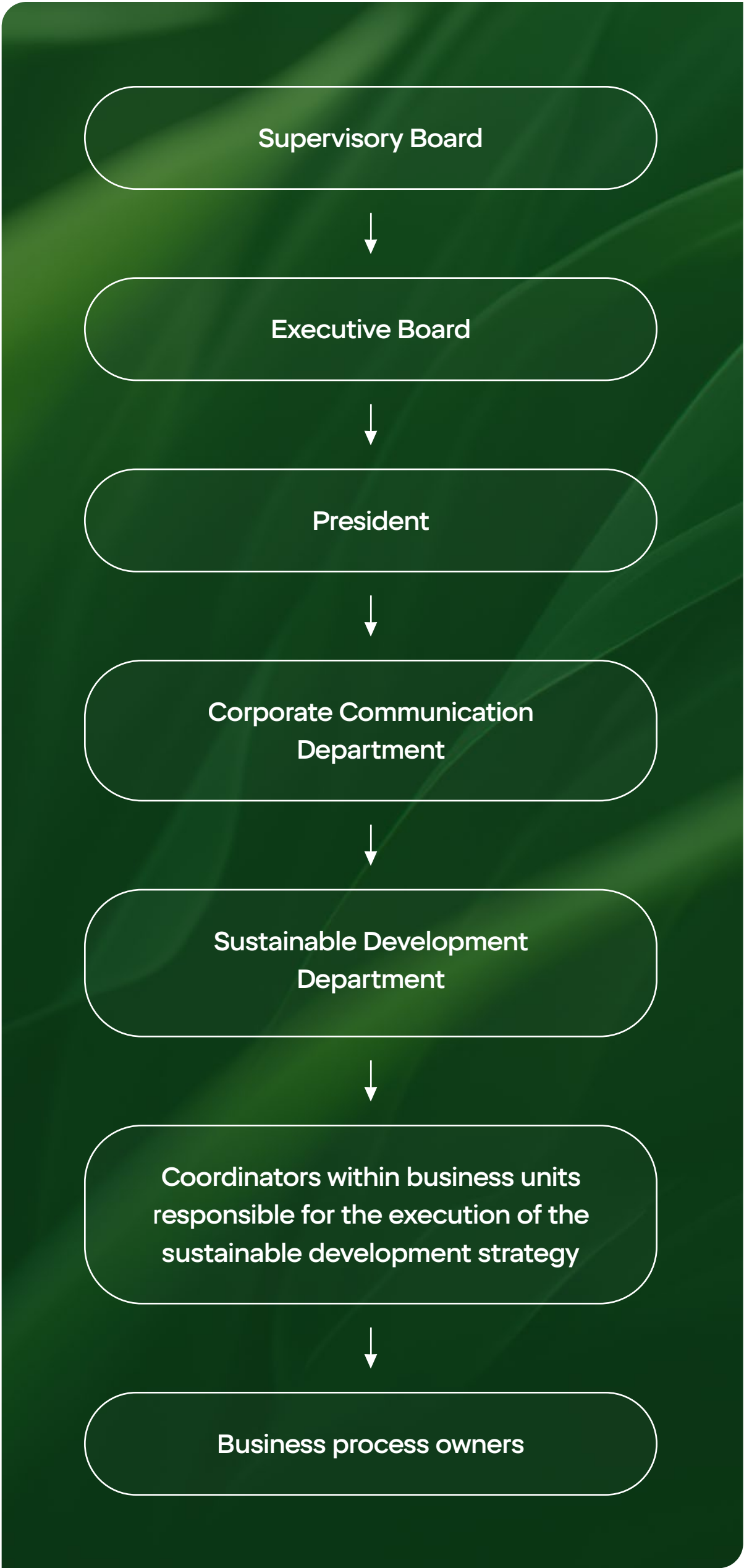
Overall corporate governance structure

X5 Retail Group N.V. has a two-tier system of corporate governance, consisting of a Management Board and a Supervisory Board. The Management Board and Supervisory Board are independent of each other and report to the General Meeting of Shareholders.

The Chairman of the highest governing body is not the executive director of the organisation.

For more information about the Company’s corporate structure, please see the [2022 Annual Report](#).





Corporate governance structure in the area of sustainable development

In 2022, X5 Group introduced the position of President, who is on the same level as the CEO of the Company. In organisational terms, sustainable development falls within the President’s responsibilities. Sustainability issues at the Company are handled by the Sustainable Development Department, which is part of the Corporate Communications Department and is subordinate to the President of the Company. The President approves key investment decisions and oversees the sustainable development goals based on the Company’s mission.

The Supervisory Board considers matters related to sustainable development twice a year. It approves the strategy, sets targets, monitors the attainment of goals by those responsible, modifies goals, and discusses climate and risk issues associated with sustainable development.

In 2022, X5 Group joined the **National ESG Alliance**. The President of the Company serves as Chairman of the Supervisory Board and of the meeting of the National ESG Alliance’s founding participants. Together with the ESG Alliance, X5 promotes the ESG agenda in Russia, contributing to the Russian economy’s transition to a sustainable model of development through partnership and consolidation of stakeholders’ efforts to preserve the environment, support the well-being of society and promote long-term business growth.

The Audit and Risk Committee

works to ensure the integrity of X5’s financial statements, the system of internal business controls and risk management, financing and finance-related strategies, tax planning, and the Company’s compliance with legal and regulatory requirements. The Committee also deals with the qualifications, performance and independence of the external auditor and the conduct of internal audits, as well as addressing conflicts of interest and/or related-party transactions.

The Nomination and Remuneration Committee

makes recommendations to the General Meeting of Shareholders regarding the formation of remuneration payments to members of the Management Board, prepares proposals for the Supervisory Board on remuneration of individual members of the Management Board, and advises the Management Board on the level and structure of remuneration payable to other executive officers. The Nomination and Remuneration Committee also advises on selection and appointment of members of the Supervisory Board, the Management Board and the Executive Board.

Supervisory Board

oversees the activities of the Executive Board both in terms of strategy development and the implementation of ESG projects, including climate change initiatives. During the reporting period, the Company held five meetings on sustainable development, focusing on changes to the legislation from an ESG perspective, particularly in regards to waste, the relevant processes at X5 and progress towards achieving the Company’s sustainable development goals.

Executive Board

is involved in approving strategy, setting sustainable development goals, and monitoring their achievement throughout the Group. Aspects of sustainable development are addressed at regular meetings four times a year.

The Strategic Committee

considers sustainability issues such as the strategy and goals within the sustainable development strategy, as well as monitoring the implementation of goals and objectives; assessment of the Company’s risks; and monitoring risk prevention and mitigation measures.

THE SUSTAINABLE DEVELOPMENT COMMITTEE

has been an internal body since 2022 and operates at the level of Company management, and all of the committee’s competencies have been transferred to the Strategic Committee at the level of the Supervisory Board. In 2022, about five meetings were held, addressing issues such as updating the Company’s ESG transformation, progress in attaining the Company’s strategic goals, and plans to achieve them.

At the management level, a separate cross-format Sustainable Development Committee was set up in 2022

to make key decisions on achieving X5 Group’s sustainable development strategy goals, including monitoring the process of achieving the goals, prioritising tasks of X5 Group business units within the framework of achieving the goals, and coordinating work on achieving the goals. The cross-format Sustainable Development Committee also has a sub-committee on ESG innovation and a committee on GR ESG.

Sustainable development management at X5 divisions

Each business unit and retail chain has teams that implement sustainable development programmes and represent their divisions in pursuing X5’s corporate goals.

The implementation of ESG practices is monitored at regular meetings held at the level of the CEO and division heads. Also, every six months the chains or business units report to the Executive Board, summarising the progress they have made to date towards achieving their strategic sustainable development goals.

They measure their progress against targets that have been set, while our Corporate Centre works together with the Executive Board in reviewing the broader implementation of the Group’s strategy.

Long-term ESG KPIs are set for X5 management and included in the long-term incentive (LTI) programme, and the amount these employees receive is linked to achievement of the KPIs.

The KPIs include indicators related to climate change and those set out in the Company’s programme for the implementation of the goals by 2023. For example, the LTI programme takes into account current decarbonisation goals: a 10% reduction in carbon emissions by 2023 compared to 2019. The KPIs also include other measures to improve sustainability, such as increasing the share of recyclable packaging in private label goods and implementing waste management projects to increase the proportion of recyclable solid waste, which are important steps in reducing Scope 3 emissions. KPIs related to climate change account for 5% of all management KPIs.

10 %

Reduction in carbon emissions by 2023 compared to 2019

5 %

Of all management KPIs are tied to climate change

Key regulatory instruments in the area of sustainable development

The Company develops internal regulations and adheres to them at all stages of its business operations:

- Code of Business Conduct and Ethics
- Declaration on Human Rights Protection¹
- Personal Data Policy
- Sustainable Development Policy
- Waste Minimisation Policy
- Occupational Health and Safety Policy
- Equal Opportunities Policy
- Policy on Promoting Healthy Living and a Healthy Diet
- Energy Efficiency and Climate Change Policy
- Responsible Marketing Policy
- 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 Retailer Chains (supplemented by sustainable development principles)

More information about X5’s approach to corporate governance can be found in the “Corporate Governance” section of the [2022 Annual Report](#).

1 X5 Group’s Human Rights Policy, which is a revised version of the Declaration, was developed in 2022. The Policy is scheduled to be approved in 2023.

Sustainable development strategy

2-12 3-3 404-2

In December 2019, X5 Group developed and approved a long-term sustainable development strategy. The strategy is based on the 17 Sustainable Development Goals adopted by the United Nations in 2015.

In addition to setting long-term goals to 2030, the Company is following detailed plans and metrics to the year 2023 which have been integrated into its business strategy, and continues to contribute to Russia’s National Development Goals to 2030:

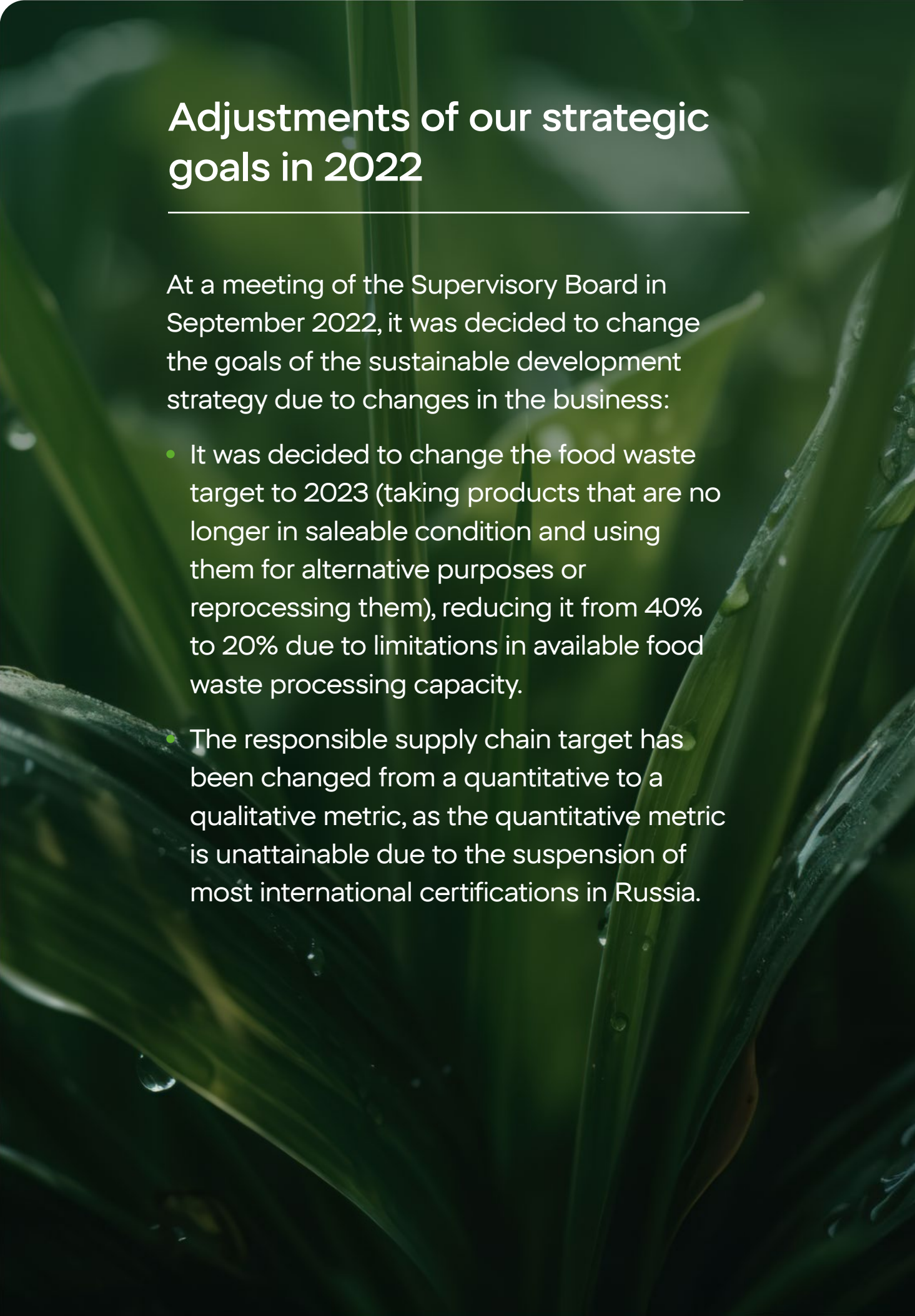
- preservation of the population
- good health and well-being
- decent, productive work and successful business
- a comfortable and safe living environment

The Company adjusted a number of targets in 2022, while in 2023 it plans to update its Strategy on short-term goals to 2025 in keeping with the timeline of the Group’s overall strategy to 2030.

The X5 Executive Board is involved in approving strategy and policies, setting strategic goals and monitoring risks, as well as evaluating the Company’s development and performance. The strategy is approved by the Supervisory Board, which also oversees the activities of the Executive Board both in terms of strategy development and the implementation of ESG projects, including climate change initiatives.

In 2022, a separate category was created under the Company’s investment policy, consisting of projects aimed at achieving X5’s strategic sustainable development goals. The projects in this category are aimed at efficiency improvements, have their own recoupment periods and terms, and involve investment in sustainable development initiatives.

More details on X5’s corporate governance structure and the persons responsible for implementing the strategy can be found in the section “Sustainable development governance model”.



Adjustments of our strategic goals in 2022

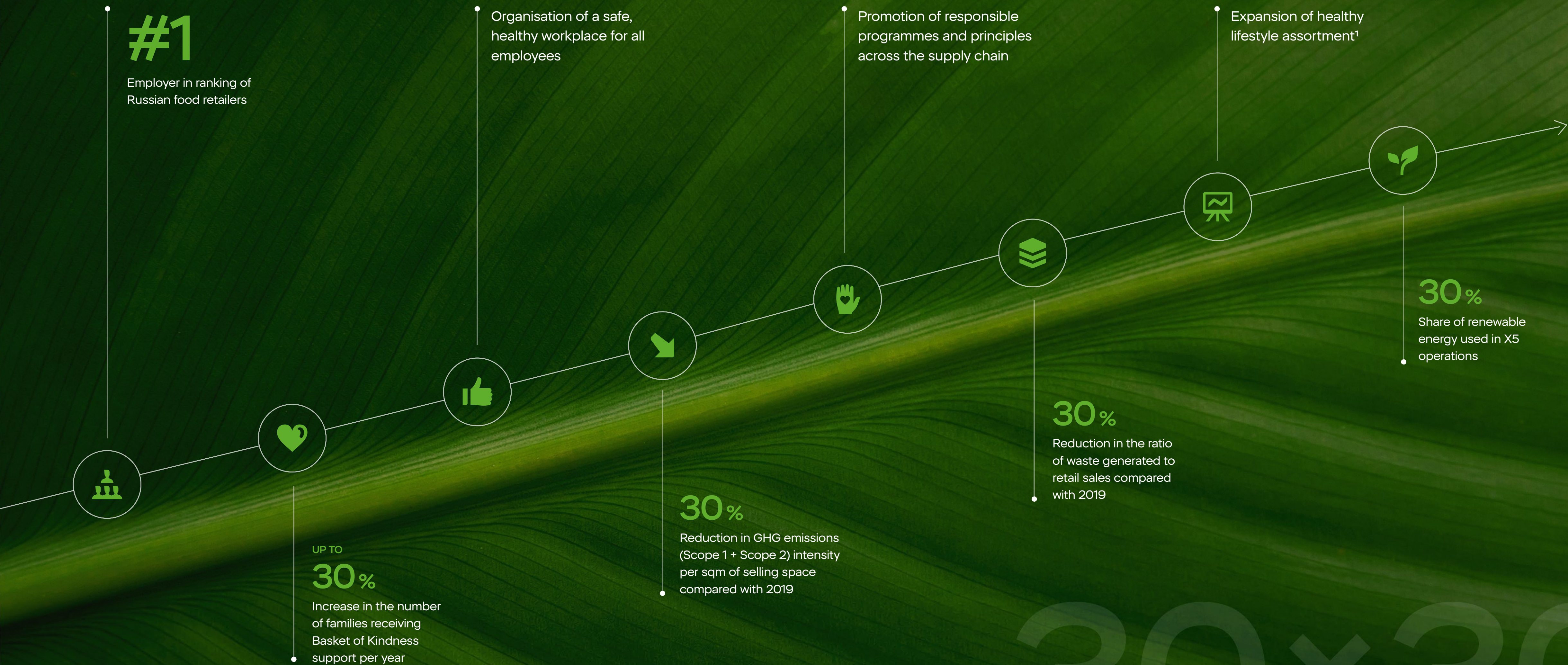
- At a meeting of the Supervisory Board in September 2022, it was decided to change the goals of the sustainable development strategy due to changes in the business:
- It was decided to change the food waste target to 2023 (taking products that are no longer in saleable condition and using them for alternative purposes or reprocessing them), reducing it from 40% to 20% due to limitations in available food waste processing capacity.
 - The responsible supply chain target has been changed from a quantitative to a qualitative metric, as the quantitative metric is unattainable due to the suspension of most international certifications in Russia.

Sustainable development strategy and the UN Sustainable Development Goals

In 2022, X5 Group continued to work towards achieving the UN’s Sustainable Development Goals (SDGs) in line with our sustainable development strategy, which is based on the 17 SDGs. The Company continues to adhere to the principles of sustainable development and considers them critical to achieving both its short- and long-term business goals.

Our 30x30 long-term strategy aims to reduce greenhouse gas emissions by 30% per square metre of selling space, increase the share of renewable energy used in X5’s operations to 30%, and reduce the ratio of waste generated to retail sales by 30% – all of which we aim to achieve by 2030. We also aim to increase the proportion of the Company’s solid waste that is sent for recycling to 95% by the end of 2023.

X5's long-term targets to 2030



1 The healthy lifestyle assortment includes products in the following categories: gluten-free, sugar-free, organic, fresh from the farm, natural ingredients, high-protein, low-calorie and vegan.

X5’s goals to 2023¹

- Reduce GHG emissions (Scope 1 + Scope 2) intensity per sqm of selling space by 10% compared with 2019
- Increase renewable energy used by in-house operations
- Reduce the ratio of waste generated to retail sales by up to 10% compared with 2019
- Increase the share of recyclable solid waste generated by our retail chains that is sent for recycling to up to 95%
- Increase the proportion of food products that can be reprocessed when no longer in saleable condition prior to their expiry date to 20%²
- Increase the share of fresh products, fruits and vegetables in the assortment to up to 50%
- Double the number of families receiving food aid through the Basket of Kindness project compared with 2019
- Have all stores engaged in the Safety Zones programme
- Develop programmes aimed at helping local communities
- Develop partnership programmes with small and medium-sized businesses, farmers and local producers
- Increase the share of customers who believe that X5’s retail chains support a healthy lifestyle
- Expand the healthy lifestyle assortment
- Develop quality control systems
- Achieve an employee engagement rate of over 75%
- Become the #1 employer in the Russian food retailers rating
- Create a safe, healthy workplace for all employees
- Increase the share of private label products that use sustainable packaging to up to 50%
- Promote responsible sourcing programmes and principles across the supply chain among suppliers
- Develop a responsible supply chain³

OUR GOAL

95%

Share of recyclable solid waste generated by our retail chains that is sent for recycling

1 The base year is 2018 for employee engagement and 2019 for the other targets. Achievement of the goals will be assessed when the 2023 year-end results become available.

2 In 2022, the target was lowered from 40% to 20% due to a reduction in the number of counterparties that accept such products for use on farms, stricter legislation on processing of food waste (Russian Federal Law No. 29 On Food Quality and Safety), and a reduction in available recycling capacity.

3 In 2022, the target was changed from quantitative to qualitative due to the suspension of a number of international certification organisations in Russia and the formation of national initiatives to replace them.



Success in achieving the sustainable development goals

3-3

404-2

In the spring of 2020, X5 Group became the first Russian retailer to join the United Nations Global Compact, an international business initiative for corporate social responsibility and sustainable development.

UN SDGs 2 ZERO HUNGER	Key achievements in 2022 - Food drive initiatives at X5 stores and on the Basket of Kindness website brought in over 518 tonnes of food products, almost 50% more than in 2021 6,093 Pyaterochka and Perekrestok stores and approximately 14,500 volunteers took part in the Basket of Kindness project in 2022 - Over 199,100 people, or around 51,800 families, received Baskets of Kindness - Store employees and volunteers helped 1,183 lost people, including 228 children, return home through our Safety Zones programme - The Chizhik discount chain expanded its geography of operations, bringing affordable, high-quality food to a greater number of people	Our goals to 2023 - Double the number of families receiving food aid as part of the Basket of Kindness project compared with 2019 - Develop programmes aimed at helping local communities - Develop partnership programmes with small and medium-sized businesses, farmers and local producers - Have all stores engaged in the Safety Zones programme	Long-term targets to 2030 Increase the annual growth rate in the number of families receiving assistance through the Basket of Kindness programme to up to 30% per year
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UN SDGs 3GOOD HEALTH AND WELL-BEING	Key achievements in 2022 - Updated the agreement on quality audits of private label goods between our chains Pyaterochka and Perekrestok - Developed a set of rules and regulations for Pyaterochka covering the entire supply chain from production to consumption - Continued to increase the amount of shelf space in Pyaterochka for its healthy living products and to develop a new classification system for such products - Increased the share of fresh produce, fruit and vegetables as a percentage of the assortment at Pyaterochka and Perekrestok to 44.59% and 54.1%, respectively - Adjusted the set of products included in the Basket of Kindness in accordance with the recommendations of Russia’s federal consumer rights agency (Rospotrebnadzor) and the Federal Research Institute for Nutrition	Our goals to 2023 - Increase the share of fresh products, fruits and vegetables in the assortment to up to 50% - Increase the share of customers who believe that X5’s retail chains support a healthy lifestyle - Expand the healthy lifestyle assortment - Develop quality control systems	Long-term targets to 2030 - Expand our range of products for a healthy lifestyle - Develop principles and practices for monitoring suppliers’ responsible sourcing of goods
UN SDGs 8DECENT WORK AND ECONOMIC GROWTH 5GENDER EQUALITY 10REDUCED INEQUALITIES	Key achievements in 2022 - Staff turnover decreased to 33.4%, almost 3 percentage points lower than in 2021 - Advanced a flexible digital HR management system based on big data, electronic services, continuous feedback from employees, and the creation of flexible HR tools - Our employee Net Promoter Score (eNPS) rose to 40.9%, up 11 percentage points compared with 2021	Our goals to 2023 - Achieve an employee engagement rate of over 75% - Become the #1 employer in the Russian food retailers rating - Organisation of a safe, healthy workplace for all employees	Long-term targets to 2030 - Maintain our #1 position among food retailers in rankings of Russian employers - Introduce an appropriate standard for a safe and healthy work environment for all employees

UN SDGs



Key achievements in 2022

- In 2022, the online hypermarket Vprok.ru continued to practice separate waste collection and handed over recyclable cardboard to a contractor for recycling
- For deliveries from suppliers, Mnogo Lososya replaced plastic packaging with cardboard, which is recycled after use
- The Company supported its customers’ wish to do away with single-use plastic bags: together, Pyaterochka and Perekrestok sold 3,760,341 reusable shopping bags and 267,447 reusable sacks for fruit and vegetables
- The Company’s retail chains continued to collect recyclable plastic packaging through already-installed reverse vending machines
- The Company continues to collect batteries from its customers for recycling: over 33.4 tonnes of batteries were collected at Pyaterochka and Perekrestok through the initiative
- A Perekrestok initiative saw 177,000 customers forego paper receipts. The number of customers taking part is growing, saving some 4.4 million receipts from being printed over the year. In 2022, 10,864,485 electronic receipts were issued, saving an estimated 1,742,547 metres of paper
- Transport distances were shortened by optimising logistics chains

Our goals to 2023

- Reduce GHG emissions (Scope 1 + Scope 2) intensity per sqm of selling space by 10% compared with 2019
- Increase the share of renewable energy used by in-house operations
- Reduce the ratio of waste generated to retail sales by up to 10% compared with 2019
- Increase the proportion of our retail chains’ solid waste that is sent for recycling to 95%
- Increase the proportion of food products that can be reprocessed when no longer in saleable condition prior to their expiry date to 20%¹
- Promote responsible sourcing principles among suppliers across the supply chain
- Develop a responsible supply chain²
- Increase the share of private label products that use sustainable packaging to up to 50%

Long-term targets to 2030

- Reduce GHG emissions (Scope 1 + Scope 2) intensity per sqm of selling space by 30% compared with 2019
- Increase the share of renewable energy used in our operations to 30%
- Reduce the ratio of waste generated to retail sales by 30% compared with 2019

1 In 2022, the target was lowered from 40% to 20% due a reduction in the number of counterparties that accept such products for use on farms, stricter legislation on processing of food waste (Russian Federal Law No. 29 On Food Quality and Safety), and a reduction in available recycling capacity.

2 In 2022, the target was changed from quantitative to qualitative due to the suspension of a number of international certification organisations in Russia and the formation of national initiatives to take their place.

Innovation

X5 Group continues to actively pursue innovation. The core principles of X5 Group’s work with innovation are:

- an accelerated decision-making process
- a separate budget for innovation
- acceptance of the risky nature of innovative projects
- assignment of the work to a dedicated team, without burdening X5’s regular resources

X5 Group’s work with innovation is based on the division of functions between the following groups in the Innovation Department: scouting, corporate entrepreneurship, project office and laboratory.

The scouting team searches the market for new ideas and technologies, evaluates them, and selects the most promising projects. Corporate entrepreneurship focuses on developing internal projects and fostering innovation within the Company. The project office manages and supports projects, while the laboratory is responsible for research and development of new technologies and products.

This approach optimises the Innovation Department’s work and helps make the Company’s innovation projects more effective. By clearly delineating responsibilities between the various groups, each team can concentrate on its own functions and goals.

When developing new solutions, the Company takes into account a set of ESG factors such as reducing GHG emissions, reducing food waste, and others.

X5 Group is a founder of the Retail Innovation Tech Alliance (RITA), Russia’s first collaborative innovation partnership in retail. RITA offers a platform for sharing best business practices, experiences in developing and implementing new technologies, and collaborative scouting, as well as addressing import substitution of technological solutions that became unavailable in 2022. The Alliance studies technological trends in various areas, including sustainable development.

Projects aimed at introducing ESG technologies include modernising waste management processes, introducing energy-efficient technologies, and ensuring product safety.

At present, ESG technologies are mainly focused on achieving four of the UN Sustainable Development Goals: SDG 2 (Zero Hunger), SDG 3 (Good Health and Well-being), SDG 8 (Decent Work and Economic Growth), SDG 12 (Responsible Consumption and Production).

In 2022, X5 allocated a separate budget for the realisation of ESG technologies. Following interviews and workshops with management and a pitch session involving 10 Russian start-ups, 4 projects were accepted for piloting.

The pilot projects include: implementing environmentally friendly cooling technology at the Lobnya distribution centre; promoting healthy living and environmental awareness for children through lessons run by Pyaterochka; and using a digital assistant for separate waste collection.

X5 Group continues to work on innovative projects and the advancement of ESG technologies, taking into account a wide range of factors and striving for sustainable development.



Pilot projects¹

01

Recycling food waste into compost

This technology is being prepared for testing at the Bogorodsk distribution centre and allows for accelerated composting based on controlling the growth of anaerobic bacteria to recycle food waste in special Reddonatura composting equipment.

The technology makes it possible to:

- reduce waste by up to 97%
- reduce costs on removal and disposal
- reduce payments for harmful environmental impact
- capitalise investments in modern technology
- reduce energy consumption by 30% compared to existing alternatives

02

Environmentally friendly cooling technology

The project at the Lobnya distribution centre consists of an air-conditioning unit whose main component is a unique heat exchanger that is based on the principle of regenerative indirect-evaporative cooling, which uses ordinary water as a refrigerant.

Use of this type of heat exchanger has the following benefits:

- no freon
- low energy consumption (up to 10 times lower)
- low refrigerant purification costs

03

Healthy living and environmental awareness for children

The project is being implemented by Pyaterochka through lessons taught at schools with various objectives:

- raising awareness of X5's priority SDGs among schoolchildren and their parents
- improving visibility of the retail chain's brand among children and their parents
- creating opportunities for the volunteer community to work with students

This project aims to:

- get parents interested in buying environmentally friendly products by improving their children's awareness of environmental issues
- increase brand awareness through scaling-up of the project and extensive viral content created by children
- integrate the brand into the urban environment through special materials in stores and a city festival
- develop a socially responsible aspect to the brand

04

Digital assistant for separate waste collection

The project introduces innovative technology in the form of an app that can determine whether packaging is recyclable and helps in sorting suitable recyclables into 5 bags: PET bottles, other plastic, metal, paper and glass.

The app offers users a choice of the most convenient way for them to hand over the bags: in person or by leaving them at the door. The bags are collected by an eco-friendly taxi at any convenient time.

The main impact of the project is to improve users' knowledge of separate waste collection, as well as increasing NPS and brand perception.

¹ Start-ups 1, 2 and 3 are being piloted at Pyaterochka, and start-up 4 is being piloted in X5 Group.

Sustainable development training and raising staff awareness

Success in ESG is the result of teamwork, so our achievements in this area depend on all X5 employees understanding the key concepts of sustainable development and the actions X5 takes to achieve its goals.

X5 implements three educational strategies: informing, conducting training, and encouraging engagement outside each employee’s job duties.

The Company provides environmental responsibility and sustainable development trainings on an ongoing basis, and the latter is also part of the induction programme for new employees. X5 has also developed dashboards for each of our retail chains and business units to track progress towards our sustainability targets, using this information to promote internal engagement on the issue.

The Company also organises sustainable supply chain training for our suppliers.

Responding to global challenges

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In 2022, many Russian companies faced unprecedented challenges and a state of uncertainty. Despite this, X5 continued working to support our stakeholders, including staff and local communities, to the best of our ability.

Despite the difficulties associated with international deliveries to the Russian Federation in 2022, the Company’s transport unit was able to work out alternative methods of delivery to Kaliningrad by ferry and rail. New schemes for importing goods have been adapted to the new legislative restrictions in the Russian Federation. X5 has been building relationships with suppliers that engage in logistics in the Russian Federation and are from countries that continue to work with Russian counterparties. In this way, alternative supply chains have been established.

Additionally, the Company operated the X5 Support programme in 2022. It consisted of various communication tools, including seminars with psychologists, fielding questions from employees, and regular communications from managers. The programme also included staff support measures such as a telephone hotline with psychologists.

The Company also faced the COVID-19 pandemic and the spread of swine flu, which could adversely impact the health and well-being of our employees. X5 acted swiftly in response to these outbreaks.



Measures to prevent the spread of swine flu

Vaccination points were set up at the Company’s offices: in early autumn, doctors’ offices were stocked with flu vaccines. Flu vaccination was also included under the staff voluntary health insurance policy.

X5 also ran a staff awareness campaign. For example, the Company organised meetings with health professionals, sent out regular newsletters reminding employees of the importance of flu vaccination, and created an e-mail address for staff to submit questions about vaccination and flu prevention.



Measures in response to the COVID-19 pandemic

X5 Group had already fully adapted its processes to adjust to the coronavirus pandemic. In 2022, the Company continued to take measures to prevent the spread of COVID-19 by creating analytical tools that allow for rapid collection of data on COVID-19 infections and vaccination. The launch of the tools made it possible to organise operational management of risks associated with staffing.

Information and awareness-raising materials on the risks of coronavirus infection were also posted at the Company’s facilities (offices, warehouses, dark stores, haulier companies, distribution centres and stores).

For more information about interaction with X5 staff in the context of the pandemic, see the “Employees” chapter of this report.

Respect for human rights

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Ensuring that human rights are respected and protected is a fundamental principle underpinning the Company’s activities and is the foundation for its stakeholder engagement.

Overall management of human rights issues is handled by the Corporate Law and Compliance Directorate, and every line manager and employee contributes directly to the Company’s observance of human rights on a daily basis.

The Company takes into account positive impacts and potential negative impacts on human rights, the economy, the environment and people when identifying material topics, engaging with stakeholders, and shaping its internal regulations.

X5 Group does not tolerate discrimination in any form or manifestation, and strives to create equal opportunities and an inclusive environment. The Company tracks all instances of discrimination and takes corrective action in accordance with the Company’s procedures.

To achieve a high level of governance in the context of human rights, X5 Group plans to work on the following areas:

- conducting regular reviews and adjustments of management approaches to human rights issues to bring them in line with international and national standards and guidelines, as well as industry best practices in the field of human rights
- conducting human rights monitoring and compliance assessments
- providing specific training on human rights issues
- assessing potential risks and potential negative impacts in the area of human rights and in the value chain

In 2023, X5 Group plans to assess its due diligence processes in terms of observing human rights among key stakeholder groups in order to identify and prevent potential negative impacts on human rights when shaping strategy and objectives, introducing social and other initiatives at the Company, and setting targets for them.

In recognition of our impact on the observance of human rights by contractors and suppliers, particularly small and medium-sized businesses, the Company plans to produce informational materials describing practical aspects of respect for human rights in a business context for companies in this segment.



Declaration on Human Rights Protection

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In 2022, X5 Group’s Declaration on Human Rights Protection was in force. It sets out principles and rules on how to comply with and promote high international human rights standards at all levels of the Company’s operations.

The Declaration on Human Rights Protection complements the Code of Business Conduct and Ethics and is also binding on all X5 employees. Human rights training is part of our corporate training on business ethics, which is mandatory for all staff.

X5 Group’s Human Rights Policy was developed in 2022 to replace the Declaration. The Policy is scheduled to be approved in 2023.

The Human Rights Policy sets out the Company’s human rights goals, objectives and commitments, and specifies key international and national regulations in this area which the Company commits to adhere to.

The Policy sets out guiding principles for the Company in the area of human rights:

- Unacceptability of discrimination and forced labour
- Unacceptability of harassment
- Respect for cultural diversity and values
- Respect for the right of freedom of assembly and association
- Compliance with occupational health and safety regulations

The document also specifies that a stakeholder feedback mechanism in the form of a telephone hotline be set up as a tool enabling the provisions of the Policy to be implemented.

The hotline is a communications channel that employees can use to raise concerns about violations of the Code of Business Conduct and Ethics. All reports made using the hotline are handled by members of the Compliance department. When a violation is reported, an investigation is launched and corrective measures are taken, with information communicated to the Company’s competent management bodies on a monthly basis. If a human rights violation has been detected, the Company takes measures to remedy the situation and prevent future violations through the procedure in place at the Company.

The Policy applies to both the staff of the Company and all contractors and business partners of X5 Group.

Human rights training for staff

Special human rights training for all employees is mandatory and is included in X5 Group’s corporate ethics training. This training is part of our system for implementing and monitoring observance of human rights and is enshrined in X5 Group’s Declaration on Human Rights Protection. Mandatory training will also be enshrined in X5 Group’s Human Rights Policy, which will replace the Declaration in 2023.

The following are currently under development:

- Staff training on interacting with customers with disabilities
- Staff training on non-discrimination and the need for mutual respect when interacting with customers
- Awareness training for suppliers and their staff on general human rights issues
- Training on interaction with customers in a variety of stressful situations
- Occupational health and safety training for employees, with a focus on preventing potentially hazardous or fatal situations

Inclusion

X5 Group is committed to implementing the principles of inclusion. The Company has adopted and complies with the Diversity Policy and the Equal Opportunities Policy.

The Company cares about all its stakeholders, including its customers. For example, as part of its support for people with disabilities, X5 has the following programmes in place:

- Affordable Stores
- Care You Can Feel
- An Accessible Environment: the Perekrestok Experience
- In-Store Assistive Systems for the Visually Impaired

More information about X5’s various inclusion initiatives can be found in the chapter “**Care for the Community**”.

Stakeholder engagement

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In our work, we interact with a wide range of stakeholders on a daily basis. Maintaining a regular dialogue enables us to successfully create value and ensure business growth over the long term.

For the convenience of all stakeholders, we have a separate [website](#) dedicated to sustainable development.

The website contains comprehensive information about X5’s sustainable development strategy, including the Company’s goals, programmes and achievements in this area. The website also contains X5’s corporate sustainability policies, reports and news on ESG-related topics.

1 In 2022, the Company supplemented the list of key stakeholder groups with Russian banks, whose new requirements introduce an assessment of compliance with ESG criteria for corporate sustainability activities. In 2023, X5 Group will launch a Green Factoring programme in partnership with one of the leading banks in Russia.

We have **seven** key stakeholder groups

- Customers
- Employees
- Shareholders and investors
- Suppliers and business partners
- Society and local communities
- Regulators and government officials
- Russian banks¹

This classification is based on both the influence of the Company on its stakeholders and the importance of specific stakeholders’ views as a factor in our decision-making. The table on “Stakeholder engagement performance highlights” further below presents the key outcomes of engagement with each of these groups.





Key topics for stakeholders

We used a stakeholder survey to identify the topics that are of greatest interest to stakeholders



Customers

- Product safety, quality and affordability
- Products with healthy and balanced ingredients
- Efficient use of water resources
- Preservation of biodiversity
- General waste management and recycling of plastics



Expert community

- Occupational health and safety
- Employee well-being and fair working conditions
- Product safety, quality and affordability
- General waste management and recycling of plastic



Business partners

- Occupational health and safety
- Training and development
- Product safety, quality and affordability
- Customer relations and responding to customer requests



Suppliers and contractors

- Customer relations and responding to customer requests
- Product safety, quality and affordability
- Privacy and data protection



Investors

- General waste management and recycling of plastics
- Employee well-being and fair working conditions
- Occupational health and safety
- Product safety, quality and affordability



Non-profit organisations

- Food waste management
- General waste management and recycling of plastics
- Sustainable packaging



Government officials

- Employee well-being and fair working conditions
- Product safety, quality and affordability
- Customers relations and responding to customer requests
- Products with healthy and balanced ingredients



Employees

- Occupational health and safety
- Employee well-being and fair working conditions
- Training and development
- Customers relations and responding to customer requests
- Product safety, quality and affordability

Stakeholder engagement performance highlights

2-29

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Stakeholder group	Why we interact	How we interact	2022 performance highlights
 Customers	• To ensure customers are aware of the value propositions of our retail formats • To differentiate ourselves from other food retailers • To encourage the use of loyalty programmes and CVM (customer value management) to offer a more personalised experience • To facilitate customer feedback, which helps us improve our assortment and business processes • To answer customers’ questions and address their complaints • To stay ahead of the curve in responding to changing consumer trends and emerging demand • To encourage more sustainable shopping practices, such as reusable and recycled bags, plastic bag collection and reverse vending machines for recycling, etc.	• We maintain over 20 channels for interaction with customers, ranging from chatbots in messenger apps to social media and a telephone hotline • We integrate feedback and rating tools into our apps and website to enable collection and analysis of customer preferences • We measure customer satisfaction by conducting a country-wide Net Promoter Score (NPS) assessment • We use big data analytics of customer transactions to help X5 and our suppliers make more informed decisions about customer demand	• Around 6.3 billion purchases were made in 2022 • The NPS scores for Pyaterochka and Perekrestok saw a year-on-year increase of 7 and 4 points, respectively • Perekrestok ranked third in terms of NPS for its healthy lifestyle assortment, according to an Ipsos survey • Continued developing express delivery, with 4,480 stores and 44 dark stores in 64 regions of Russia offering the service • Launched the revamped X5 Club loyalty programme, with around 70 million active users by year end • Continued to develop customer value management systems, which generate customised offers through automated tools based on big data • Further enhanced the CVPs of our store formats • Continued the 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 • Developed a variety of joint pilot projects with partners in all our formats to promote sustainability principles, including a food-sharing project in several regions of Russia



Stakeholder group	Why we interact	How we interact	2022 performance highlights
 Employees	• To support the professional growth and well-being of employees • To prepare our employees for the future of retail by enhancing their understanding of and ability to contribute to our digital and omni-channel businesses • To develop a corporate culture that helps us achieve our strategic goals • To further improve occupational health and safety across our operations • To provide training and other tools to encourage employee engagement in our sustainability initiatives • To ensure that employee ideas that will further improve our operations are heard and can be acted upon • To retain and develop a workforce of skilled and motivated employees • To further improve our reputation as an attractive employer for current and potential employees • To educate employees about X5’s sustainable development strategy and goals and about how they impact our business	• We provide meaningful career opportunities in addition to competitive, fair and transparent salaries and motivation schemes • We have added and improved employee feedback mechanisms, enabling us to better shape the agenda in areas such as working conditions, compensation, management and corporate culture • We run the Shelf corporate university, which combines the Company’s educational activities with external training and is being developed as an educational marketplace • We uphold our human rights policy and ensure that employees can enjoy all the freedoms they are entitled to • We implement strict occupational health and safety policies, including in response to the COVID-19 pandemic, and inform employees about workplace health and safety requirements • We support employees in need in cases of long-term illness or accidents, bereavement or loss of property • We create opportunities to engage with the corporate social responsibility agenda and make a positive social impact	• Staff turnover was 33.4%, 3 p.p. lower than in 2021 • Our employee net promoter score (eNPS) rose to 40.9%, up 11 p.p. from 2021 • Actively implemented the Partnership Principle in the management model for the Group as a whole and its various divisions, with continued development of the Store Director-Partner programme, new incentive schemes for store directors, and a training programme focused on HR management and dealing with losses. As of the end of 2022, Perekrestok and Pyaterochka had 1,133 store directors-partners • Ensured that employees are treated equally, regardless of gender. At X5, 44% of the management positions are held by women • The Company was ranked among the country’s best employers, achieving Forbes’ “Platinum” status, and came in near the top in various other rankings • Pyaterochka and Perekrestok signed the National Inclusion Agreement as part of our ongoing work to improve inclusion and provide an accessible environment for people with disabilities • The X5 project “Creation of a Shared HR Service Centre” won the ABPMP Russia Community Award in the BPM Project of the Year competition
 Shareholders and investors	• To inform investors about X5’s business and sustainability goals, current financial and operating performance and other significant events • To explain how we plan to increase the value of our business • To engage in a dialogue to receive feedback that may help us further improve our business • To ensure investor support for X5’s capital markets activities • To support growth in market capitalisation over the long term	• We disclose information on updates and shifts in our strategic priorities • We upgrade our ESG disclosure practices to align them with globally recognised best practices • We explain our view of the food market and competitive environment, and how it will develop • We implement corporate governance systems that are in line with global best practice • We regularly publish timely, accurate and relevant information about Company performance via our investor website along with annual reports, financial statements, press releases and presentations • We participate in virtual and in-person roadshows, webcasts, conferences and group meetings with analysts and investors	• Held frequent phone and conference calls and meetings with investors and analysts • Continued publishing the ESG data directory on the corporate website • Conducted four webcasts and participated in a conference for private investors • Published 56 press releases through our Press Centre • Published our third Sustainability Report compliant with GRI Standards



Stakeholder group	Why we interact	How we interact	2022 performance highlights
 Suppliers and business partners	• To ensure the reliable and timely supply of high-quality goods • To facilitate access to X5’s network of stores for local producers across the regions where we operate • To help suppliers better understand consumer demand and offer more effective promos • To implement systems to ensure the health and safety of the products we sell • To work with suppliers to enhance the sustainability of packaging • To continuously improve the efficiency of our supply chain	• We use big data-powered tools to provide suppliers with access to better analytics about customer demand and preferences • We uphold high standards based on trust and respect in our relationships with suppliers, enabling the proper handling of customer complaints and feedback • We collaborate with regional producers to increase the share of local products at X5’s retail chains • We enable access for both large nationwide and smaller local suppliers to our transport and logistics infrastructure • We are developing the X5 Dialogue virtual platform to raise awareness of sustainable development and other topics • We conduct regular surveys and other activities to collect and analyse supplier feedback • We conduct webinars for suppliers to give an overview of packaging problems and solutions	• Continued developing the X5 Dialogue virtual platform, which included training courses on sustainability topics for suppliers • Developed a more transparent approval process for supplier’s commercial offers and product flypages. By creating special roadmaps, we have made it easier for our suppliers to keep track of their commercial offers and products • Launched the Farmers' Markets pilot project in conjunction with the Federal Corporation for the Development of Small and Medium-sized Businesses • Maintained a dialogue with suppliers on certification and packaging issues and worked together on sustainable development programmes
 Society and local communities	• To secure our licence to operate from society by ensuring that we contribute to the development and well-being of local communities • To conduct surveys and other activities to enhance our understanding of local communities’ priorities and concerns • To support the health and well-being of the communities we operate in • To continuously monitor and strengthen the reputation of our brands • To use a variety of channels to communicate with local communities, from in stores to local and national media and social media	• We 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 needed • We implement programmes that empower our customers to donate to good causes together with X5 • We identify and execute events that are priorities for local communities, like tree planting, green-up days, national holidays and others • We ensure that our operations comply with environmental regulations • We report about our environmental performance, including measures to reduce emissions, consumption and waste generated by our activities • We work with municipal, regional and federal governments to facilitate initiatives aimed at supporting disadvantaged groups, such as pensioners and families with children in need	• Paid more than RUB 136 billion in taxes at the local, regional and federal levels • Provided convenient and reliable modern retail services in 66 regions across seven federal districts of Russia • Collected and donated over 518 tonnes of food to help more than 199,000 people in need as part of the Basket of Kindness project • Implemented other socially-oriented charity projects, including the Orphanhood Prevention Programme, Safety Zones, Urban Environment and others • Raised RUB 12.856 mln for charitable purposes under Pyaterochka’s social partnership programme

Stakeholder group	Why we interact	How we interact	2022 performance highlights
 Regulators and government officials	• To engage in regular dialogue with local authorities • To ensure that we are informed about local policies or regulatory changes that could impact our business • To engage in dialogue and provide constructive input regarding regulations and legislation that may impact our business • To ensure that regulators understand the priorities of X5 and our industry • To inform government officials about X5’s contribution to Russia’s social and economic development, and how we create value for stakeholders in the country • To ensure that management is informed about current and planned regulatory or legislative initiatives that may impact our business	• We support and play an active role in industry associations that represent the interests of retailers with regard to regulation and legislation • We engage with relevant government officials at key events, such as the opening of distribution centres, in order to show how X5 is creating jobs and supporting local producers • We participate in working groups on federal and regional levels • We test new technologies such as labelling of various goods, electronic document exchange, and electronic signatures • We maintain an open dialogue with the Association of Retail Companies (AKORT) and provide X5’s position on matters that are important for retailers, such as environmental legislation, health regulations, charity, etc.	• Successfully cooperated with various government bodies to ensure the smooth operations of food retail and avoid potential disruptions in the supply chain and other operations • Maintained all necessary permits and licences for X5 operations across our entire value chain • Aligned remote work governance with the need for greater flexibility for office employees to work from home • Facilitated various initiatives to ensure efficiency and continuity in import operations from various geographies • Adapted schemes for importing goods in line with new legislative restrictions in the Russian Federation
 Russian banks	• To clarify banks’ requirements for green factoring: a company must have a certain ESG rating to receive a discounted rate of financing • To follow the Central Bank of Russia’s recommendation that public companies disclose supply chain information, including for the purpose of ESG risk assessment	• We interact with partners and suppliers through a Green Factoring programme	• In partnership with Sber Factoring we developed a Green Factoring programme¹ for suppliers. Small and medium-sized businesses are eligible to participate in the programme. Suppliers undergo an ESG assessment, and if their score is sufficient they receive a certificate enabling them to receive a discount on their current rate of financing

1 The Green Factoring programme was launched in 2023.



04



Responsible Business Conduct

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Current challenges

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Risk management system

X5’s risk management system is designed to identify and appropriately address any risks that could have a material impact on the achievement of the Company’s business objectives and implementation of its strategy, or on its reputation and continuity of operations. The system covers all X5 Group businesses and corporate divisions, enabling management to identify, assess, prioritise and manage risks on an annual basis. Management Board, with the support of the Executive Board and the Risk Management Group, is responsible for the development, integration and operation of the risk management system within the Company.

To remediate possible negative impacts, the Risk Management team regularly monitors, identifies and assesses risks as well as the performance of risk mitigation measures. The existing early-warning system, based on key risk indicators, also helps identify new risks. The results of risk assessments are reported to managers at various levels up to the Supervisory Board.

To ensure that its risk management and internal control system is both effective and comprehensive, the Company employs a “three lines of defence” model.

First line	Second line	Third line
Business unit / risk owners	Risk Management, Internal Control and Compliance	Internal Audit
Manages risks on a daily basis and provides assurance regarding the performance of monitoring mechanisms	Oversees the activities of line management in (1) managing risks and (2) developing and maintaining an effective internal control system and ensuring regulatory compliance	Reviews and tests internal control systems and ensures regulatory compliance to provide additional confirmation of the performance of monitoring mechanisms

The Internal Audit Department is authorised to assess key processes, projects and systems at all levels across the Group in light of X5’s strategic priorities and most significant risk areas. Monitoring makes it possible not only to address risk exposure but also to avoid it.

Non-financial risks

A complete list of risks identified by X5 Group is presented in the [2022 Annual Report](#), where readers can also learn about the actions the Company is taking to reduce risk and changes in risk significance that took place in 2022.

For more about climate risks, see the section “[TCFD disclosure](#)”.

The risk factors that have a direct impact on the sustainability of the Company’s operations are listed below.

Risk factor	Risk description	How we manage the risk
Market and macroeconomic environment	Significant changes in the macroeconomic environment, such as rising inflation, slowing economic growth, currency devaluation and rising unemployment, can jeopardise the current business strategy or affect financial performance, as well as affect the Company’s ESG activities and the achievement of its goals	- Developing and incorporating innovations in the Company’s activities that enable X5 to curb expenditures and reduce prime cost, thereby keeping price increases in check - Expanding the Chizhik hard discounter format - Making products more affordable through promotions and other actions, such as providing discounts to retirees or creating and operating loyalty programmes - Taking social assistance measures More information about these measures can be found in the chapter “Care for the community”.
Supply chain	Risk of limited oversight of suppliers’ environmental impact and human rights compliance throughout the supply chain	- Preventing the sale of GMO products at Chizhik stores (conducting inspections and audits) - Conducting regular supplier quality and safety audits within the Company’s business units - Developing and publishing recommendations on sustainable packaging for suppliers and organising training for suppliers on sustainable supply chains and environmental responsibility - Developing a supplier portal, which also contains educational resources; information on product quality and packaging may be provided - Offering a Green Factoring Programme wherein suppliers can receive certification that will enable them to get a discount on their current financing rate - The Company has a Declaration on Human Rights Protection in place that applies to the Company’s employees and to all of X5’s contractors and business partners¹

1 In 2022, X5 Group developed a Human Rights Policy to replace the Declaration. The Policy is expected to be adopted in 2023.



Non-financial risks

Risk factor	Risk description	How we manage the risk
Human resources	Risk of staff shortages, high staff turnover, insufficient staff training and general lack of incentives	- Increasing incentives: the Company launched the Store Director - Partner programme, whereby the role of store director has been reimagined as a partner who is given broader authority and more freedom to make in-store decisions, from personnel issues to managing the store's budget - In 2022, X5 held its corporate innovation programme, X5 Idea Challenge, for the third time; the programme gives employees an opportunity to turn their ideas into working projects - The Company launched a new project called Process Workshop that gathers initiatives to change processes in a way that will help make working at X5 easier and more comfortable - The Company launched a project called Chizhik STARS: Retail, a recognition programme for store employees. The format's top stores and best employees receive awards based on their quarterly results - The Company provides private health insurance for certain categories of employees and offers preferential terms on insurance for their family members - X5 continues to improve the working environment as well as opportunities for employment in its business units, offering various types of employment for different categories of personnel - The Company is committed to always treating its employees equally and to offering fair remuneration for their work in accordance with their qualifications and skills, time and effort invested, the complexity of their duties, and based as well on the amount and quality of their work For more information on risk management measures, see the chapter “Employees”.

Risk factor	Risk description	How we manage the risk
Legislation and litigation	Amendments to the laws of the Russian Federation on environmental protection as well as on product quality and safety	- The Company has several committees in place, including the Audit and Risk Committee, which is responsible for ensuring the accuracy of X5's financial statements, the operation of the Company's internal control and risk management systems, and many other issues - The Company's private labels are regularly inspected for compliance with quality and safety standards, and they also use recyclable packaging - X5, together with ESG Alliance, provides expertise for the development of ESG infrastructure More information about participation in the development of legislation can be found in the chapter “Sustainable development and the Company's business”.
Data privacy and security	Leaks of users' and partners' confidential data, which could entail legal, financial and reputational losses for the Company	- The Company has developed and approved privacy policies. The Company's customers familiarise themselves with the policies and give their consent to the processing of their personal data. Data subjects may submit requests relating to data privacy through the feedback form on the Company's website - When signing contracts with suppliers and partners, counterparties sign a mandatory NDA and an information security agreement outlining their requirements in the area of information security - The Company has a specialised unit that responds to information security incidents 24/7, as well as a unit that is responsible for the functioning of the risk management process

Non-financial risks

In addition to the general risks above, we have also highlighted the following social and environmental risks

Risk factor	Risk description	Our risk management measures
Social	Risk of a possible decrease in household incomes and in the overall quality of life in the regions where X5 operates, which would affect purchasing power and the general condition of society	- X5 implements a number of charitable programmes aimed at ensuring the health and well-being of local communities. For example, the Company provides food aid through its Basket of Kindness project - In 2022, the Company and its partners launched a pilot food-sharing project, whereby products with an expiring shelf life that are still fit for consumption are donated to people in need - X5 is making the products in its retail formats more affordable through promotions and other actions (for example, expanding the Chizhik hard discounter format, providing discounts for retirees and operating loyalty programmes) - X5 continued working on its initiative to develop charity cards with accrued points that single mothers, large families and families in difficult financial situations can use to buy products in 14 categories - Some X5 units have their own initiatives in place to deliver food aid to doctors, low-income individuals and other vulnerable groups - As part of its operations, X5 creates jobs in the regions where it operates, develops programmes to make the Company more appealing to young people and collaborates with universities in its regions of operations - X5 supports employees from units that have been closed. Around half of such employees continue working in other Company divisions or received support from X5 in finding further employment For more about risk management measures, see the “Employees” and “Care for the community” chapters.

Risk factor	Risk description	How we manage the risk
Environmental	The risk that the Company will have an adverse impact on the environment as a result of greenhouse gas emissions, waste, discharges, energy consumption, etc.	- X5 integrates innovative ways to optimise resource consumption into its operations – in 2022, for example, a project was piloted to incorporate environmentally friendly cooling technology at its Pyaterochka stores - Pyaterochka continued introducing renewable energy sources (RES) at more of its stores. In 2022, 13 more properties were added to the corresponding agreement - X5 Group is encouraging a reduction in the use of single-use plastic packaging. In 2022, the Company’s business units sold 3.7 million cloth bags as well as about 267 thousand reusable bags for fruits and vegetables - X5 provides recommendations to suppliers on sustainable packaging that list the preferred raw materials for packaging, and conducts webinars and trainings for suppliers on sustainable development - X5 sends all of its stores’ food waste and items that are no longer in saleable condition to partner companies and farms for recycling and disposal For more information on risk management measures, see the chapter “The planet”.

Based on feedback from stakeholders received through a variety of channels, the Company analyses the impact and relevance of its projects, initiatives and activities.

Detailed information on X5 Group’s risk management is provided in the 2022 Annual Report.

Compliance and business ethics

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The Company is committed to fostering a corporate culture based on shared values, ethical standards, mutual respect and compliance with applicable laws and regulations in all its activities. The Company complies with all laws of the Russian Federation and with the requirements of the Dutch Corporate Governance Code.

Responsible business practices

The Company is committed to meeting high standards of compliance with sustainability principles in its operations. When developing and implementing policies and other Group documents, the following must be taken into account:

- The assignment of duties to the responsible individuals is indicated in the document itself as well as in the organisational and administrative documentation in which it is approved.
- The basic principles of the Code of Business Conduct and Ethics, the Human Rights Policy and the Policy on Countering Misconduct Including Fraud and Corruption are reflected in the Company’s strategy and values.
- Model contracts include an anti-corruption clause and an anti-bribery clause, and supply contracts also include terms for the use of the Code of Good Practices.
- Conducting training for employees on the principal documents.

X5 continues to automate its compliance processes and procedures. In 2022, the following IT projects were completed:

- automation of the procedure for maintaining the list of insiders and for signing notifications concerning the addition or removal of individuals
- development of a feedback form on the website for complaints to X5 Group’s Conciliation Commission

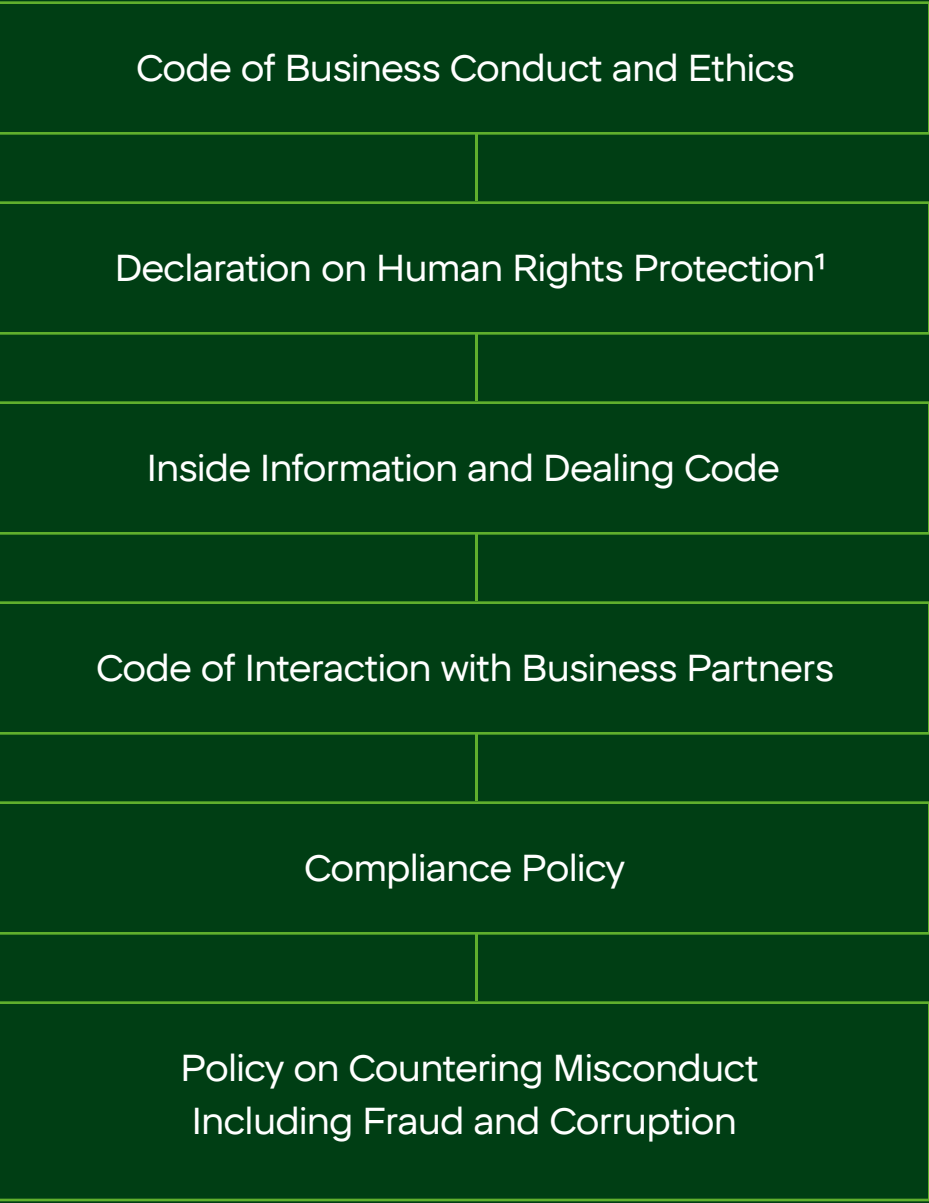
When developing policies and other regulatory documents, the Company aims to take into account not only the laws of the Russian Federation but also the best international and Russian practices. The Company’s regulatory documents cover all major stakeholder groups.

There is a mechanism in place that employees can use to seek advice on the implementation of the Company’s responsible business policies and practices and/or to express concerns about the Company’s business conduct. The mechanism is described in clause 1.4 of the Code of Business Conduct and Ethics. For partners, it is described in Section IV of the Code of Interaction with Business Partners and in the “Good practices” section of [X5’s website](#).

One of the key principles of the Code of Business Conduct and Ethics is “When in doubt, ask”. If an employee has a question about the Code or any ethical issue that arises in their work at X5 Group, they must contact their immediate supervisor or upper/regional management, report to the Compliance Officer or contact the X5 hotline.

A special email address is available for reporting to the Compliance Office: compliance@x5.ru. Anyone writing to this address will receive advice on any issue relating to the application of the Code of Business Conduct and Ethics.

Principal regulatory documents



All Company employees are required to review and comply with the obligations stipulated by these regulatory documents.

A more detailed description of the main provisions is available in various sections of this report and in the “Sustainable development” section of the [2022 Annual Report](#). A description of the committees and the management structure can be found in the section “Sustainable development governance model” and in the “Corporate governance” section of the [2022 Annual Report](#).

The following tools are used to assess the performance of the compliance system:

- Reporting twice a year to the Supervisory Board’s Audit Committee
- Regular assessments of compliance risks and monitoring of corrective actions
- Internal audits

1 In 2022, X5 Group developed a Human Rights Policy, which is going to be an updated version of the Declaration on Human Rights Protection. The Policy is expected to be adopted in 2023.

Code of Business Conduct and Ethics

The values and standards of conduct common to all X5 business divisions are reflected in the Code of Business Conduct and Ethics and in its underlying policies. These documents serve to help employees act in accordance with the law and to follow ethical principles in the performance of their work duties.

The Code and its underlying policies are reviewed and updated regularly in response to changes in legislation or Company processes. Upon being hired, new employees are required to familiarise themselves with the Code and to undergo mandatory training.

The Company expects its partners to comply with the Code of Interaction with Business Partners.

The above-mentioned X5 documents are published on the Company’s website and/or intranet and are accessible to all employees and partners for review.

Conflicts of interest

2-15

X5 has procedures in place concerning the declaration, monitoring and resolution of conflicts of interest that enable managers and staff to disclose situations where the personal interests of an employee at any level affect or could affect the Company’s rights and interests and that establish a set of rules for resolving such situations.

The Compliance Department is responsible for ensuring that the process of declaring and resolving conflicts of interest functions properly.

X5 takes measures to resolve conflicts of interest involving members of the Executive Board and the Supervisory Board. The Company has adopted a Policy on Related-Party Transactions, and the process of negotiating contracts includes verification of counterparties for related interests. A service for checking counterparties to determine whether or not they are related parties has been developed and is available on the corporate intranet.

Further information on corporate governance systems and mechanisms for resolving conflicts of interest is available in the “Corporate governance” section, on pages 109–147 of the [2022 Annual Report](#).

Feedback and consultation arrangements

2-16 2-25

The Company has three communication channels for receiving complaints from employees and partners:

- an ethics telephone hotline (voicemail with a series of questions to help the caller provide the information necessary for verifying their report)
- a dedicated email address for reporting violations to the Compliance Office
- a feedback form on the Company’s website and corporate intranet, which can also be accessed via special banners in employees' personal accounts and Company-operated mobile apps

Reports concerning the ethics hotline that are submitted to CEO/CEO-1 addresses (or their assistants’ addresses) are forwarded to the ethics hotline e-mail account for further processing in accordance with the established procedure. All messages are stored and processed using a specially designed information system for these purposes that makes it possible to ensure the confidentiality of the report and anonymity of sender, to monitor compliance with the service level agreement (SLA), and to verify the thoroughness and objectivity of the investigation.

Actions to improve efficiency

In 2022, the Company carried out a project to restructure its interactive voice response (IVR) system.

A mechanism for speech recognition and the integration of information systems was also incorporated in order to automatically transmit and categorise complaints received through the ethics hotline by telephone or through the feedback form. This project made it possible to shorten the SLA for the initial processing of complaints, as well as to determine the seriousness of each complaint immediately after its receipt by the complaint handling system.



Ethics Committee

The Ethics Committee is responsible for the following:

- objective consideration of disputes related to alleged violations of the Code of Business Conduct and Ethics and the Policy on Countering Misconduct Including Fraud and Corruption
- resolving conflicts of interest
- taking measures to combat corruption and fraud

The Ethics Committee includes the Chief Executive Officer (Chair), the Business Support Director (Deputy Chair), the President of X5, the Security Director and the Director for Transformation and Human Resources. The Committee’s decisions are binding on all Company employees.

Reporting violations and whistle-blowing

Employees are encouraged to report any actual or suspected violations of the Code of Business Conduct and Ethics or labour laws. An ethics hotline is in place for this purpose. Various channels are available to employees and other whistle-blowers to report violations: reports can be made by telephone or e-mail as well as through the Company’s website and intranet portals.

Reports submitted through 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 an investigation does not confirm that a violation took place. The Company guarantees the confidentiality of all reports received; it also guarantees that all reports will be reviewed and that measures will be taken to remediate any negative impact.

In 2022, the Company did not receive any substantiated reports of significant violations relating to financial reporting, ethical standards or fraud.

In addition to the whistle-blowing channels for employees, the Company operates a reporting channel for business partners and other third parties. Reports of violations may be submitted through the Company’s website. X5’s Conciliation Commission, which serves as a corporate arbitrator in disputes with business partners, is responsible for handling violations of the Code of Interaction with Business Partners. In 2022, 68 complaints were filed, 15 of which were confirmed as violations; steps were taken to remediate the negative impact in respect of all confirmed violations.

Grievance mechanisms

	2020	2021	2022
Total number of complaints received through the hotline, by category	8,069	9,135	6,414
Complaints related to HR issues, including	6,094	7,457	4,810
confirmed and resolved complaints related to HR issues	1,329	2,557	976
Complaints concerning the Code of Business Conduct and Ethics, including	1,975	1,678	1,604
confirmed and resolved complaints related to issues concerning the Code of Business Conduct and Ethics	491	463	474

Ethics and compliance training

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In addition to requiring all employees to familiarise themselves with the Code of Business Conduct and Ethics, the Company conducts regular training on the Code and related policies that covers case studies on the practical application of these regulations. The Compliance Department is responsible for developing training programmes on compliance and ethics.

The training programme “X5 Ethical Principles: Corruption-Free Business” underwent a thorough update in 2022, and it now includes the following three modules:

- Module 1: X5 corporate culture, Code of Business Conduct and Ethics and other X5 documents concerning business ethics; the ethics hotline
- Module 2: Conflicts of interest, gifts and hospitality
- Module 3: Combating corruption and bribery

In addition, all Company employees and members of its governing bodies as well as 2,777 business partners were informed about X5’s policies and methods for fighting corruption.

60%
of the Company’s new employees
took part in the updated training
in 2022
+8 p.p. y-o-y

Privacy and data protection

3-3

418-1

Management system

The Company developed and has begun operating a centralised process for providing access to information. All new projects are subject to a mandatory assessment and approval for the use of user data.

The Company’s Internal Audit Department regularly conducts information security audits. The audit results are submitted to the Company’s management.

The Information Security Department carries out regular inspections (scheduled and unscheduled) to ensure compliance with information security controls and to verify the performance of information security processes.

Independent external technical audits relating to information security are conducted within the Company on a regular basis. In addition, the Company’s external information systems are continuously scanned for vulnerabilities.

When signing contracts with counterparties, an NDA and an information security agreement that outlines the requirements for counterparties relating to information security must be signed. In addition, counterparties are connected to the Company’s information systems in a standardised way.

Any personal data subject may request that the Company delete their personal data from its information systems. Upon receipt of such a request, the data is deleted from the Company’s information systems.

Risk control and assessment

The Company has a specialised unit that responds 24/7 to information security incidents (Security Operations Centre, SOC). SOC staff work according to response scenarios developed in advance (playbooks). For the purposes of automation, SOC staff also use SOAR (security orchestration, automation and response) tools.

While developing or altering the Company’s information systems, all systems are assessed from the point of view of information security for possible vulnerabilities and for compliance with information security requirements. Appropriate controls for protecting data and information systems are proposed for implementation, and residual risks are assessed; if necessary, residual risk is taken by the business owner.

The Information Security Department has a dedicated unit that is responsible for the functioning of the information security risk management process. A procedure for managing information security risks was also developed in 2022.

The Company’s principal retail formats and business units carry out a risk and control self-assessment (RCSA), on the basis of which an Action Plan is developed.

Role of Company management in information security issues

Information security issues are regularly brought to the attention of the Company’s management:

- Quarterly meetings of the Information Security Committee
- The Supervisory Board’s annual review of the status of information security
- Status of the information security risk level for the purpose of informing the Company’s Executive Board

The Company’s management and business units are included in the main projects aimed at keeping the personal data of the Company’s customers secure.

Information security training

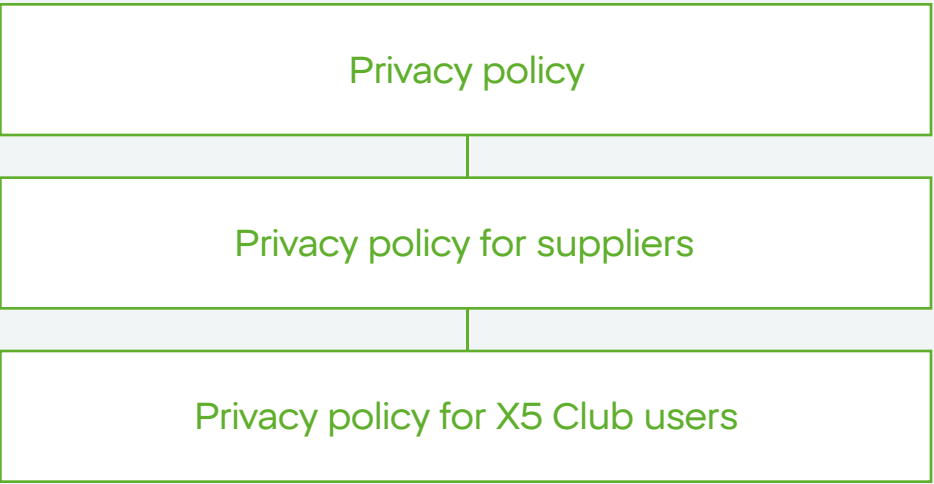
The Company has developed and conducts courses on information security:

- Basic course on information security
- Information security course for information system administrators
- Information security course for developers
- Commercial secrets course
- Personal data course (in development)

The information security course is mandatory for all new employees. Test phishing messages are sent on a regular basis in order to teach staff how to respond to such messages from users.

Company by-laws on customer privacy and information security issues

In protecting customers’ personal data, the Company is guided by the laws of the Russian Federation, in particular Federal Law No. FZ-152 on Personal Data. All draft laws relating to personal data are also monitored for further preparation.



The Code of Business Conduct and Ethics also addresses privacy and data security issues.

Personal data policies have been developed, approved and published on the Company’s website. The Company’s customers are required to familiarise themselves with the policies and give their consent to the processing of their personal data.

Complaints and violations

Information security is one of the categories on the feedback form available on the Company’s website (reports under this category are submitted to the Security Director). All submissions are reviewed in accordance with the Company’s internal procedures. No complaints concerning customer privacy violations were received in 2022. For the year, no such complaints were received from regulatory authorities or from stakeholders.

Responsible supply chain

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In order to achieve the goals outlined in our sustainable development strategy, we work with partners in various areas to accomplish goals related to the sustainability of the supply chain. Since adopting our strategy in December 2019, we have taken the first steps towards creating a responsible supply chain and increasing the percentage of goods on our shelves that are produced and packaged in line with sustainability recommendations.

X5 is a major retail company that works with suppliers throughout the country as well as with international partners. Conscious of its responsibility to its partners and consumers, X5 Group welcomes suppliers that comply with quality, workplace safety, environmental and human rights standards. We are committed to meeting the needs of all stakeholders throughout the value chain. In order to prevent and minimise the possible negative impact of the Company’s operations, we carry out a number of initiatives and activities, analyse feedback and implement a variety of projects.

Management system

X5 Group’s supply chain management system is decentralised, and every business unit manages processes independently, relying on internal regulatory documents as well as the Company’s sustainable development strategy. Department heads are eligible for long- and short-term bonuses for achieving the goals outlined in the strategy.

The key areas in the supply chain are product quality and safety, environmental aspects of operations and a social component whereby the Company takes into account feedback from both customers and partners.

The regulatory framework for a sustainable supply chain and responsible procurement of agricultural products includes the following:

- Policy on Working with Suppliers of Goods Intended for Sale at X5 Group’s Retail Stores
 - Policy on Relations with Suppliers for Non-commercial Procurement
 - Recommendations and explanations on the application of the Customs Union’s technical regulations
- Sustainability recommendations
 - Code of Business Conduct and Ethics
 - Declaration on Human Rights Protection²
 - Policy on Countering Misconduct Including Fraud and Corruption

Suppliers are selected based on the following principles:

01

Common standards

02

Transparency and openness

03

Confidentiality

04

Efficiency

05

Reasonable precaution

06

Mutual efforts in the interests of sustainable development

X5 Group’s suppliers operate mainly in the following sectors:

+

Resale of food products and household goods

+

Logistics

+

Private labels

+

Production of ready-to-eat food

+

Direct imports

+

Deliveries to remote regions

+

Development of sustainable packaging

Strategic goals to 2023

- Develop a responsible supply chain¹
- Increase the share of private label products that use sustainable packaging to up to 50%
- Develop partnership programmes with small and medium-sized businesses, farmers and local producers

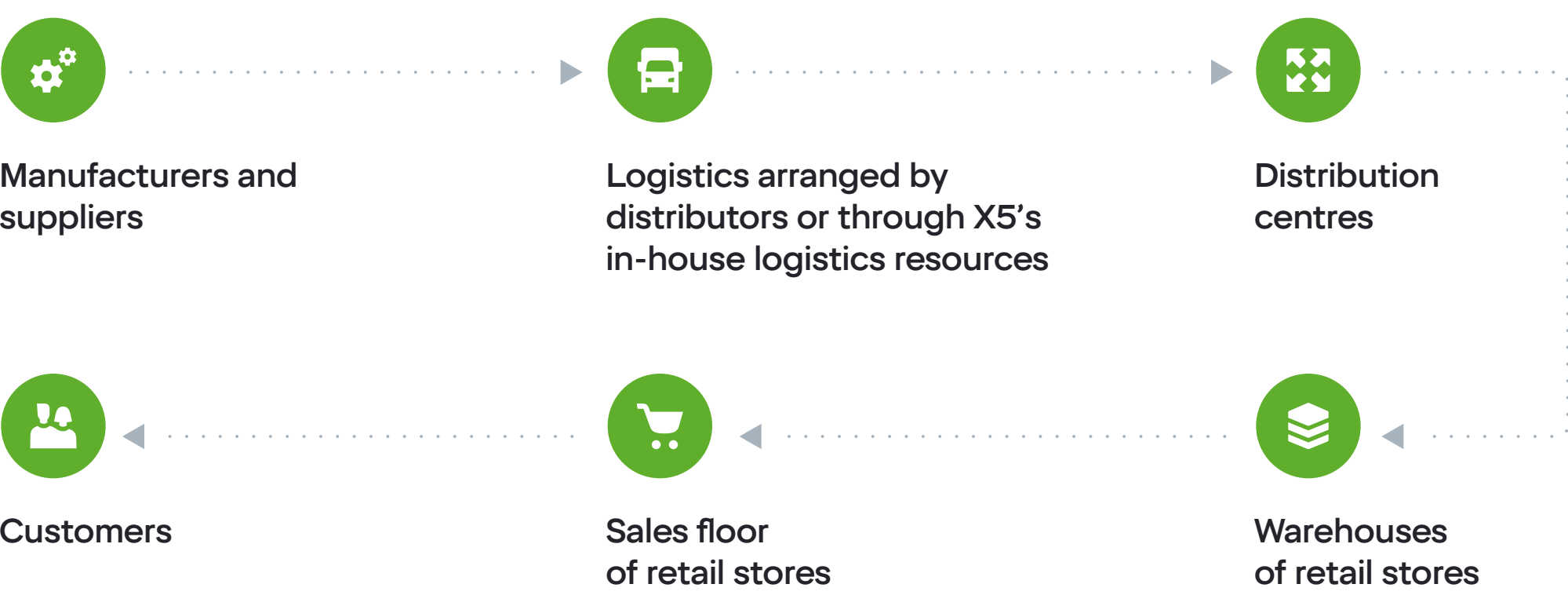
X5’s long-term goals to 2030

Develop principles and practices for monitoring suppliers’ responsible sourcing of goods

1 In 2022, this target was changed from a quantitative one to a qualitative one because a number of international certification authorities suspended their operations in Russia and national initiatives were established to replace them.

2 X5 Group’s Human Rights Policy, which is a revised version of the Declaration, was developed in 2022. The Policy is scheduled to be approved in 2023.

Logistics supply chain



Logistics solutions

To improve the quality and efficiency of the supply chain from the manufacturer to store shelves, and to make the products at stores more affordable, X5 uses the following logistical solutions for suppliers:

- Various route-to-market (RTM) delivery models
- Modelling E2E supply targets with suppliers
- Full truckload (FTL) and less than truckload (LTL) deliveries
- Remote quality acceptance
- Efficient use of pallets through size optimisation
- Electronic document workflow
- Return commercial trips
- Consignment storage
- Efficient use of pallets through mix-PBL (performance-based logistics)
- Binning
- Pickup services
- Trust-based acceptance

Our own logistics network ensures the efficient, high-quality delivery of goods from manufacturers to customers. X5 Transport's fleet consists of 4,386 trucks, which completed about 80% of all Company deliveries during the year.

To maintain a high level of service and to ensure stable deliveries, the Company revised its strategy of using its own as well as hired transport vehicles. As part of the expansion and upgrading of the existing fleet, 500 new trucks were purchased. The rules for working with contracted carriers were revised to ensure stable deliveries and guaranteed transport.

More information about X5 Group's business model and the Company's activities is available in the ["Company profile and business model"](#) section of this report; more information about supply chain infrastructure is available in the ["Business model"](#) section of the [2022 Annual Report](#).

Development of responsible sourcing

We have continued to communicate with suppliers about certification and packaging issues as well as sustainability programmes.

Recommendations for suppliers that were published previously are still in effect and are recommended for all of the Company's partners. At the heart of these recommendations is the concept of responsible consumption and production – one of the four UN SDGs that X5 has identified as its main guidelines in the area of sustainable development. The recommendations were developed with the support of consulting firms and a number of other stakeholders, factoring in the results of a survey of X5's 30 largest suppliers, and they reflect X5's vision when it comes to sustainable and responsible production and packaging.

As part of this approach, we plan to develop guidelines and rules by 2023 that will enable us to track how responsibly suppliers approach the issue of the origin of goods, as well as to develop materials that could help suppliers better manage the risk of human rights violations.

Our expectation is that products supplied to X5 Group will be certified for compliance with environmental and social standards. We do not regulate the required certification and we leave it to suppliers to choose any applicable standards, including from a list of recommended standards. X5 conducts an audit of all potential suppliers before concluding a contract, as well as periodic audits of some existing partners.

Based on information collected throughout 2022 on the certification of suppliers' operations and products, suppliers will be grouped depending on the number of certificates they have. Information was also collected on suppliers' intention to undergo certification and when they were expected to do so. Based on the information received, recommendations may be formulated on certification requirements for future collaboration with X5.

For more information on the supplier audit process, please see the ["Product quality and safety assurance"](#) section.

X5 sometimes engages external contractors to work at our facilities, and we always strive to ensure that they are familiar with our occupational health and safety (OHS) regulations. The main goals of OHS management in relations with external contractors are to provide instructions, coordinate actions and achieve excellent results on the basis of trust, while also systematically monitoring compliance with OHS requirements on the part of contractors' personnel. All employees of contractors working at X5 facilities must take part in a mandatory briefing on occupational health and safety for third-party companies.

The rules and policies for relations with suppliers are described in the section ["Compliance and business ethics"](#); information on compliance with OHS rules can be found in the chapter ["Employees"](#).

Recommendations on sustainable packaging

In 2021, we introduced detailed recommendations on sustainable packaging for 13 different product categories. The recommendations were finalised after discussions with suppliers of products from all 13 categories and with input from the expert community, including industry non-profits, packaging manufacturers and waste management companies. Altogether, we received feedback from 23 suppliers and 16 experts. We also held a public discussion that was attended by more than 100 stakeholder representatives.

Our recommendations on sustainable packaging are divided into three parts, covering design, materials and information (including labelling and educating customers and employees). They take into account the applicable laws as well as the technology and infrastructure available in Russia.

We made the document publicly available on our website and informed our partners and suppliers; in addition, we updated our training course for suppliers and employees of our procurement departments. The recommendations are not mandatory, but we will support and promote the technology and products of those vendors that choose to follow them.

Supplier portal and education

We continue to develop and improve our previously launched supplier portal, Dialogue X5, which is accessible through [our website](#). The portal contains our current policies as well as educational resources for our suppliers. In turn, suppliers may add information (including about product packaging) regarding products that are sold at X5's retail stores.

In 2022, we worked hard to make the interface faster and to expand the portal's functionality. In addition, suppliers can sign up for our training webinars through the portal. In 2022, for example, we continued training suppliers on sustainable packaging. The ready availability of relevant information will make the process of tracking our sustainability goals easier and more efficient.

The development of the Dialogue X5 portal was an important achievement that enabled us to improve communication with our suppliers. Divided into two sections – one for suppliers, the other for employees – the portal is an integrated platform for X5 services.

It uses authentication and authorisation technologies to enable access to information on the Company's target groups and logistics as well as analytical data, among other things. The portal also uses a unified and intuitive navigation system that enables users to move seamlessly from one product to another.

In 2022, we made the tender process and suppliers' flypages more transparent. Thanks to the road maps we created, it is easier for our suppliers to track their bids in the tender process as well as their products. We took steps to ensure that suppliers receive information – notifications and important updates – in a timely manner. The Help section for users was updated, and branch management was launched.

Now our website enables suppliers to access reports with ratings and reviews for Perekrestok and reviews for Pyaterochka, as well as to add new brands and sub-brands to the portal. We also relaunched our pallet return portal to support our sustainability policy.

Direct Import unit

The Direct Import unit oversees X5's direct import hubs, which are an integral part of X5's supply chain. The unit conducts monitoring and oversight of the Company's import operations, enabling greater control over the selection of responsible suppliers, improved quality control throughout the supply chain and faster responsiveness to customer needs, with corresponding adjustments made to our assortment and CVP.

We continued to standardise import procedures in 2022, including through aligning them with international practices. In doing so, the Direct Import unit relied on best practices and the experience of key retail suppliers.

At the same time, the supply chain underwent a number of changes in 2022 due to geopolitical tensions: some maritime and international shipping routes became inaccessible to Russian companies. This could not but impact processes and interactions with counterparties for the purposes of quality control, logistics arrangements and the acceptance of deliveries. Moreover, some countries stopped exporting their products to Russia.

However, the Direct Import unit was able to build alternative supply chains by expanding its partnership base. Systematic efforts also continued to optimise the cost of existing logistics routes; work was carried out to build strategic relations with freight carriers and suppliers that offer logistical connections between Russia and countries that continue to work with Russian companies. These measures made it possible to deal with the negative impact of sanctions and geopolitical restrictions, as well as to establish uninterrupted supplies of goods that Russians are familiar with as well as alternatives.

The requirements for product quality and standardisation of quality control in countries where shipping originates were constantly improved, and systematic efforts were undertaken to develop oversight procedures to be carried out at shipping facilities and at suppliers' warehouses. Audits of marine surveyors and quality control personnel in other countries also continued. Based on the results of the audits, corrective measures were developed, and the quality control system as well as its processes were improved. The implementation of all the measures outlined enabled the Company to reduce the percentage of product losses, to decrease the waste produced by the unit, and to cut the cost of oversight procedures.

The Direct Import unit also continued to improve supply chain processes. The following results were achieved in 2022:

- As part of cross-functional interaction within the Direct Import unit, as well as interaction with X5 and suppliers, an efficient process was developed for prompt decision-making concerning the acceptance of fruits and vegetables at hubs, and a standard for this process was developed and described.
- As a tool for planning deliveries and making decisions on goods in the Russian Federation, mechanisms were developed for managing items' residual shelf life.
- The quality of operations planning was improved through a sales and operations planning (S&OP) tool:¹
 - The accuracy of the forecasts made by X5's retail formats improved, and the percentage of deliveries made in line with these forecasts also improved.
 - Forecasts for orders from retail formats, deliveries and the timing of shipments from the Direct Import unit's warehouses are being synchronised.
- A pilot process was launched concerning S&OP planning for the supply of fruits and vegetables to Pyaterochka and Perekrestok.
- The percentage of on-time deliveries increased thanks to the optimisation of existing routes and the addition of new providers of logistics services.
- The Company developed and described plans to install ethylene absorbers in vehicles operating medium- and long-haul transport legs between X5 facilities to eliminate the effects of ethylene and product spoilage in transit. To implement these plans, a contract was concluded with a service provider.
- The Company set an aim to ensure the end-to-end traceability of import deliveries from the packaging station to retail outlets.
- Warehouse processes were optimised, thus speeding up the turnaround of goods at hubs.

¹ A tool for processing and modelling the demand generated by each retail format to inform the Direct Import unit's bidding process.



Support for small and medium-sized businesses

Areas where support for small and medium-sized businesses is to be developed

X5 is focusing on developing the following areas in its work with SMEs:

Property-related partnerships: leasing and franchising on preferential terms

Tenant partners received benefits from X5 in the form of rent cancellations/reductions or rent payment holidays. There is also a simplified document management procedure in place as well as a Pyaterochka franchising option for small businesses.

Farmers’ Markets: dedicated areas for products from farmers at stores

In 2022, X5 launched a pilot project called Farmers’ Markets in partnership with the Federal Corporation for the Development of Small and Medium-Sized Enterprises (SME Corporation).

X5 Group approves the assortment and locations for rent at Pyaterochka stores, coordinates guidebooks and supports the project at all stages. The SME Corporation engages agricultural producers, looks for operators for farmers’ markets, provides the operators with preferential financing and develops guidebooks.

As a result of the pilot, 29 farmers’ markets were opened at X5 stores in 20 regions where the Company operates; more than 300 farmers supplied their products to be sold at these locations. In 2023, the Company plans to open more than 20 markets and to review the results of the project. If it is considered successful, the Company is set to develop the project further and to continue partnering with local suppliers.

Agricultural contracts for agricultural producers

A pilot agro-contract project was launched in Siberia. The pilot project has the following goals:

- Achieve self-sufficiency in root crops thanks to Siberian suppliers and stable sales channels for agricultural producers from the Siberian Federal District
- Reduce production prime cost
- Ensure stable quality and affordability of vegetables thanks to shorter transport distances
- Satisfy demand in the 2022–2023 season for potatoes, carrots, cabbage and beets by local suppliers (the goal has been achieved at the time of this report)
- Confirm orders with a 100% guarantee of samples during the period when root crops are placed into vegetable storehouses. At present, 24 suppliers are already working under such agro-contracts

Farmers’ academy

Access to the Dialogue X5 service, which will enable farmers to explore their business niche and analyse market needs

Other forms of partnership between X5 and small businesses:

- +

Partnerships through social programmes at community centres

+

X5 financial services for partners

+

Use of X5’s storage facilities

+

Logistics and transport services

+

Opportunities to promote products in stores and to offer tastings for customers
- +

A simplified procedure for conducting transactions for small businesses that do not use electronic documents

+

Collaboration with farmers to use food that is no longer in saleable condition for feed purposes

+

Support for joint environmental projects

+

Access to big data from the Insights Dialogue X5 analytics portal

+

In partnership with Sber Factoring, a Green Factoring programme for suppliers was developed in 2022 and launched in 2023

Financial, logistical and marketing support

Partnership in social programmes for local communities

Working with farmers through aggregators in cities with a population of at least 1 million (Perekrestok)

Agro-logistics operators for small producers (piloting new sales channels for small suppliers)

Care for our customers

2-25

2-29

The Company prioritises customer needs and relies on feedback to ensure that it takes their needs into account to the greatest extent possible. Customer feedback is a strategically important factor in our success.

To improve our service:



We continue to develop express delivery services, which are now available at 4,480 stores as well as from 44 dark stores in 64 regions across Russia.



We launched an updated loyalty programme called X5 Club, which had about 70 million active users at the end of the year.



We continue to integrate tools for big data analytics in order to automate assortment management and pricing, which enables us to respond more accurately and efficiently to customer requests by making them attractive offers.



We are developing joint pilot programmes in all our formats in order to incorporate sustainability principles, including a food-sharing project in several regions.



We are using automated tools based on big data to improve our stores' value propositions.

Methodology for assessing customer satisfaction and assessment results

In addition to analysing purchases to gain a better understanding of demand trends, we encourage customers to rate products that they have purchased via our retail formats' websites and mobile apps.

We also analyse Net Promoter Score (NPS) data from external sources in order to understand the degree of customer satisfaction at our retail stores. NPS is a key measure of customer satisfaction that is used across the retail industry, and NPS performance is included in management KPIs.

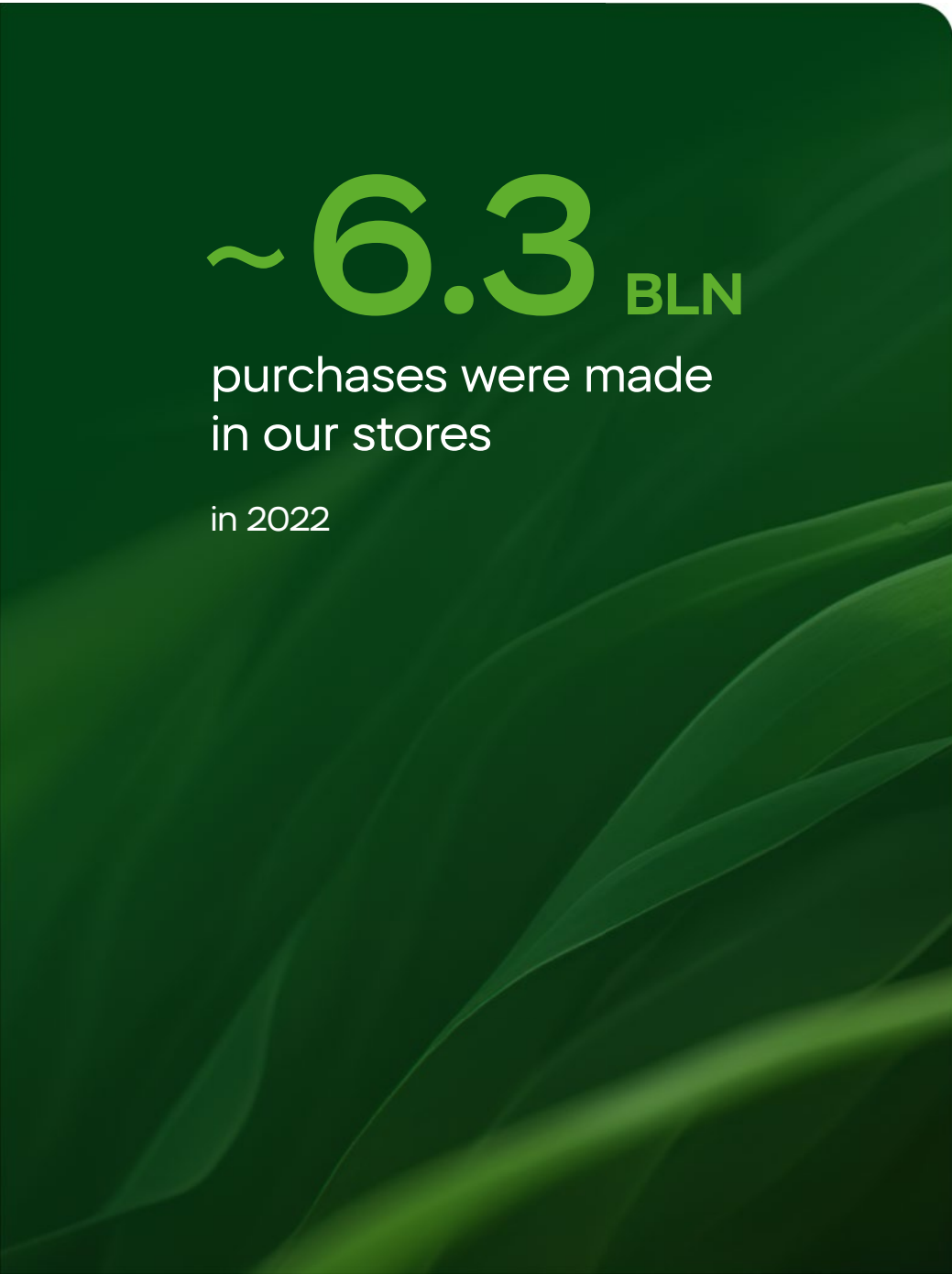
Customer feedback mechanisms

Pyaterochka and Perekrestok continued to operate a total of more than 20 different feedback channels. These include a call centre, chatbots and a mobile app that customers can use to leave feedback, complaints, ratings and suggestions. At Pyaterochka and Perekrestok retail stores, new posters were displayed with information about the Company's ethics hotline, and a banner for the hotline was added to the Company's intranet portal.

Several retail formats have introduced their own initiatives to receive feedback. For example, Perekrestok operates the Client's Voice programme, which enables the Company to receive feedback from customers and improve the quality of its service and assortment. Product ratings are assigned based on the scores customers leave through the Perekrestok mobile app, which the Company and its partners use to decide on product promotions or expanding the offer of a certain product, as well as to remove specific products from the assortment.

X5 informs customers about available feedback channels, analyses responses and takes them into account when making decisions about its activities. In this way, the Company is able to introduce innovations, improve its activities, eliminate negative aspects and bolster positive features highlighted by customers, thereby fulfilling its obligations to customers in response to feedback.

More information about X5's approach to stakeholder engagement is available in the "Stakeholder engagement", "Determination of material topics" and "About the Company" sections.



Our plans

Among our plans for the development of sustainable business management, we are considering the following:





Transport

The Transport Division also plans to continue its efforts to make its operations more sustainable. X5 Transport’s environment-related plans include the following:

- Piloting electric trucks
- Increasing the recycling of trucks and centralised disposal and further processing of end-of-life telematics equipment
- Developing projects to automate some of the division’s processes, which will reduce labour costs and resource consumption while also improving working conditions
- Monitoring real-time data on resource consumption (water, energy, heat)
- Developing and launching a training course on transport and the environment. The course will be mandatory for both current and new employees
- Continuing to implement the Green Transport project, ensuring that even more waste is sent for processing. In addition, the Transport Division plans to sell used overalls for reuse by recycling them to make other products
- Introducing new tools to monitor excess mileage, as well as virtual fuel cards. The latter will save time spent issuing cards when changing counterparties and reduce the amount of non-recyclable plastic consumed

In addition, X5 Transport plans to carry out a number of initiatives aimed at caring for employees and communities. These include the following:

- Outfitting all purchased vehicles with the anti-sleep system
- Equipping Transport Division facilities with sports facilities and opening new break rooms for drivers and other division employees
- Providing drivers with electric carts to make it easier for them to unload heavy pallets
- Continuing to hire female drivers



Direct Import unit

- Introducing automated quality control programmes throughout the entire supply chain and centralising decision-making concerning deliveries, as well as developing a tool for monitoring the movement of goods and generating tracking reports throughout the supply chain
- Developing a prioritisation tool for deliveries of goods with a limited residual shelf life
- Optimising several of the unit’s operational processes:
 - processes related to the acceptance, storage and processing of products
 - loss management processes
 - processes for collecting and digitising analytics and generating reports
- Optimising logistics routes and building effective working relations with carriers both within the country and abroad
- Standardising product acceptance processes, increasing the percentage of stocks that is inspected, reducing the number of acceptance errors and improving the performance of shipment oversight measures
- Continuing to develop strategic partnerships with existing carriers and logistics channels, as well as continuing to build a system and processes for work through proxy suppliers
- Searching for alternative goods and supply chains to replace companies that have left the market, and their goods, from countries that have stopped working with Russian companies. Activities in this area will improve the service level for deliveries and provide the Company’s retail formats and their customers with quality products at the best prices
- Using a S&OP tool to improve end-to-end planning through Pyaterochka’s integrated business planning (IBP)¹; the IBP project includes the automation of forecasting, planning and fulfilment of the needs of X5’s retail formats
- Implementing a project for the use of ethylene absorbers in vehicles operating medium- and long-haul transport legs between X5 facilities to eliminate the effects of ethylene and product spoilage in transit



Supplier portal

In 2023, we plan to develop suppliers’ personal accounts in three ways:

- Making processes more transparent for users
- Automating interactions with suppliers
- Centralising all essential functions in a single space within the portal



Support for small and medium-sized businesses

Plans are in place for the development of a pilot agro-contract project for 2023–2024, which includes:

- Using RusAgroMarket’s vegetable storehouses (Novosibirsk region and Krasnoyarsk Krai)
- Creating a cooperative of small and medium-sized agricultural producers for storing vegetables in vegetable storehouses
- Earmarking preferential state subsidies for the construction and modernisation of agricultural producers’ vegetable storehouses
- Carrying out intensive network development and increasing demand for vegetables

¹ A system for optimising and automating the forecasting process for each retail format’s needs and sharing the forecast with the implementing party.

05



Healthy lifestyles

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Promoting healthy lifestyles	72

Our approach and 2022 highlights

3-3

By offering high-quality and safe products for all, X5 supports our customers in their pursuit of a healthy lifestyle.

We recognise our impact on consumers' diets and eating habits, and we strive to ensure that food is not only safe but healthy, expanding the range of items that contribute to a healthy lifestyle – particularly our range of fresh, organic and farm products. We also run programmes to promote healthy living and work to ensure that consumers have full information about the health benefits of the foods in their shopping basket.

Product quality assurance

Work on product quality means strict compliance with relevant legislation, along with full control of the value chain leading to the end product for the consumer. X5 Group's efforts in the area of product quality and safety are governed by our [Policy on Promoting Healthy Living and a Healthy Diet](#), available on the Company's website in Russian and English. The policy reflects our product safety and quality priorities, helps us monitor the use of whole and healthy ingredients, emphasises the importance of physical and mental well-being, and encourages suppliers to certify products and collaborate with the Company to promote healthy lifestyles.

Our aim is to have the ability to monitor quality and safety at all stages of value creation with respect to a given product that consumers ultimately buy in our stores. By doing so, we can also assess the social and environmental impact of production and guarantee a reliable supply chain.

The Company has a multi-format operations model, under which each retail chain has its own Quality Department. The aim of these departments is to oversee all stages of the product life cycle, together with the Commercial Department and Category Management Department.

We also continue to develop on preparing quality specifications for food products, our private label brands, and also packaging materials.

Promoting healthy living

One of X5's strategic goals is to promote healthy living. Wherever possible, we expand the assortment of healthy products, clearly mark their location in stores, and monitor product labelling. The expansion of our healthy lifestyle assortment is in line with UN SDG 3 (Good Health and Well-being) and is a response to growing demand from Russian consumers.

Each chain implements healthy lifestyle programmes tailored to that chain's business model.



2022 highlights

The Company has continued working on product quality and safety by conducting supplier audits, updating supplier requirements and guidelines, automating control processes, and much more. X5 Group also promotes healthy living through various stakeholder engagement channels and customer initiatives. For example, our chains are expanding their healthy lifestyle assortments, while our Food.ru online media platform provides useful information on healthy living. The Company’s efforts have been recognised with awards in various categories, as described further in this section.

In 2022, 27% of shoppers at X5 retail chains were familiar with the Company’s healthy lifestyle initiatives, according to surveys.



Food.ru

In 2022, the Food.ru platform devoted a great deal of attention to outreach work, including some 64 articles and publications:

- 39 recipes from Pyaterochka
- 5 educational articles from Perekrestok
- 7 news pieces summarising the results of large-scale promotions run by Pyaterochka and Perekrestok
- 5 publications about gluten from the Group’s partner FOODCODE
- 8 popular science articles from a Perekrestok nutritionist

The media platform’s main purpose is to provide a useful and convenient resource about food in all its forms, as well as functionality that allows users to search for recipes, learn how to eat healthily, find the latest and best offers from X5 in one place, and create communities based on shared culinary interests.

The platform plans to continue engaging experts to write articles on child nutrition and to publish more materials about responsible consumption and healthy eating.



Perekrestok

- Winner at Healthy Eating 2022, the sixth annual iteration of the awards, in the category Promotion of Healthy Eating in Retail. Perekrestok also won an Eco Best award in the category Project of the Year and received five awards at the international Private Label Awards.
- Expanded the assortment of its Green Line healthy lifestyle private label by 148 items, more than 10 of which are organic and have certificates of quality.
- Launched the Farm pilot project, under which 8 Perekrestok supermarkets now have a corner featuring farm products.
- Organised the federal sports festival Race of Champions together with Bite and Epica. Perekrestok won the National Corporate Sports Award for Best PR Campaign in Corporate Sports and Healthy Living for this project.
- Held Healthy Lifestyle Lectures with 15 speakers, covering topics such as good habits for conscious consumption and eco-friendly and healthy lifestyles.
- Implemented programmes promoting healthy lifestyles, including a Healthy Lifestyle Festival and events to raise customer awareness of the healthy lifestyle assortment.



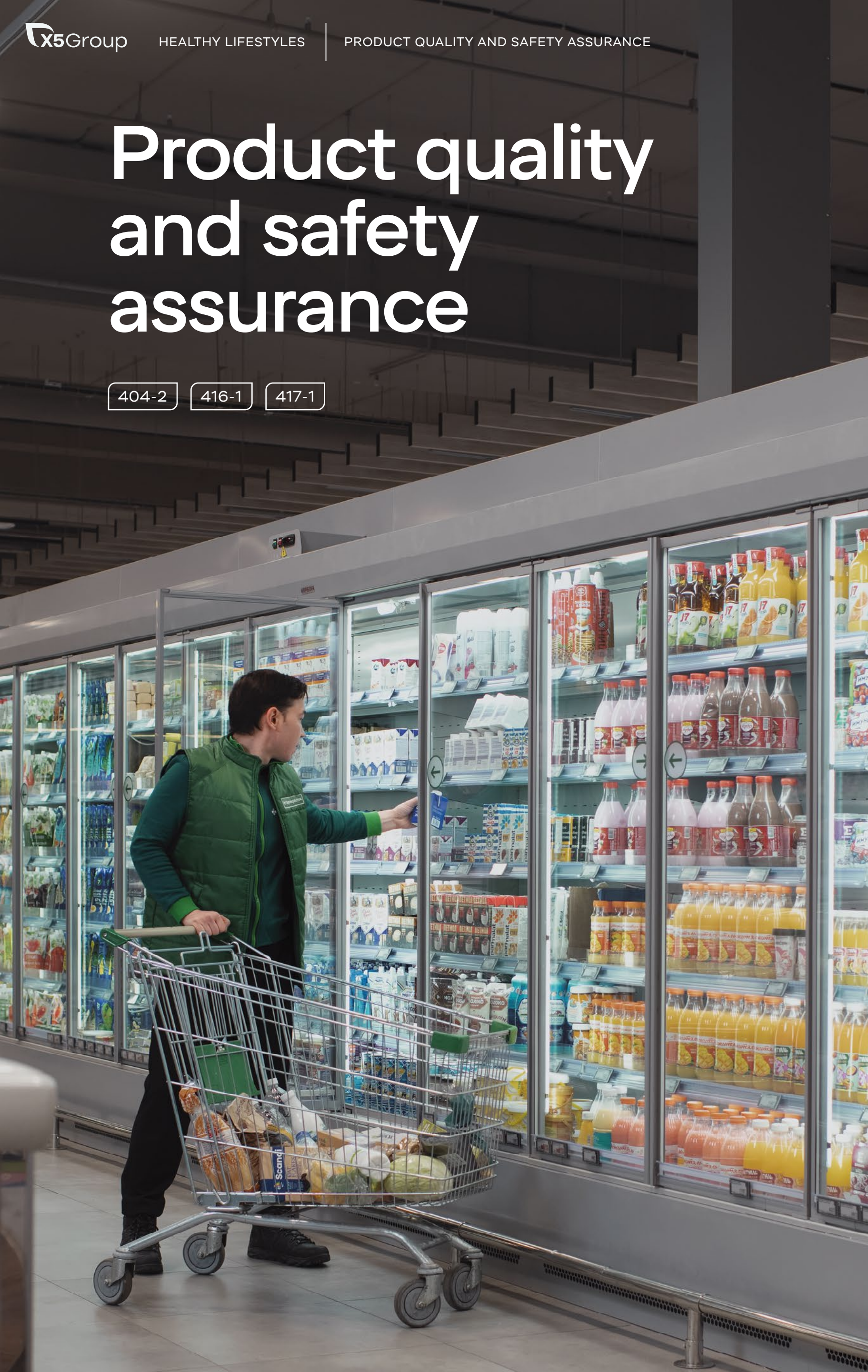
Pyaterochka

- Won more than 100 awards at the international food quality competition Quality Guarantee 2022.
- Worked extensively to automate the supplier selection process and digitise quality control processes.
- Launched a social impact project to prevent obesity in children aged 6 to 9 in the Sverdlovsk region with the support of the regional government and the state development corporation VEB RF. The aim of the project is to identify overweight children early on at the kindergarten and primary school level, create an effective model for obesity prevention, and promote good eating habits. As part of the project, a team of specialists (paediatrician, nutritionist, clinical psychologist, physical activity specialist) are working at the Family Medicine Centre clinic. Their aim is to change the lifestyle of not only the child but the child’s entire family, and to harmonise the child-parent relationship.



Chizhik

- Introduced requirements for suppliers with respect to the production of private label goods.
- Developed and launched a product quality strategy to avoid degradation of ingredients and substitution of ingredients with those of inferior quality, and move towards “clean labels” and “simple ingredients”, i.e., products that use only ingredients that are necessary and nutritious, without GMOs.



Product quality and safety assurance

404-2

416-1

417-1

Pyaterochka

The Quality Department at Pyaterochka’s head office works to ensure that the chain’s internal regulations are compliant with legislative requirements relating to product quality, among other activities.

We 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 Russia), the Public Chamber, the National Dairy Producers’ Union, the RusBrand Association of Branded Goods Manufacturers, and the Seafood Processors Union.

Quality control system

X5 uses a clear set of product quality and safety rules and guidelines at all Pyaterochka stores. Quality control systems include both supplier audits and monitoring and checking products on store shelves. Independent, regular supplier audits and repeat laboratory tests are carried out even after a product is regularly stocked on the chain’s shelves, and feedback from shoppers is also assessed.

Pyaterochka has adopted a Hazard Analysis and Critical Control Point (HACCP) approach to ensure that the products it sells are safe for consumption and for the environment, and meet retail standards and customer requirements.

All categories of food products at Pyaterochka stores are subject to mandatory quality checks on a regular basis.



In 2022, Pyaterochka won more than 100 awards at the Quality Guarantee 2022 international food quality competition, which has been held by Russia’s leading federal scientific centre for the food industry since 2014. Out of all the retailers in the running,

Pyaterochka’s private label products won a record number of awards, including in the Online Groceries category:

66 gold medals	30 silver medals
5 “Meat Oscar” awards	12 certificates of excellence

Compared to 2021, Pyaterochka received 1.3 times as many gold medals and twice as many silver medals.

The awards are a reflection of the chain’s extensive quality assurance work. The quality analysis involved taking over 3,000 samples in more than 20 product categories. More than 500 participants from 85 regions have taken part in the Quality Guarantee competition over the past three years.

Product quality and safety assurance: key highlights



X5 continued its work as part of the “In-house Quality Employees at Direct Import Hubs” programme, which spans various regions of the country and will be expanded on a yearly basis to encompass all Company-operated hubs.

Working at the hubs involves a full range of quality control functions. A hub is the initial point of entry for imported produce (fruit, vegetables), where we:

- carry out joint quality acceptance with Direct Import business unit
- monitor stock and shipments
- monitor and assess quality-related risks associated with selection
- conduct sampling to check products for long-term storage
- participate in investigating complaints, together with the DC
- issue/modify quality certificates

Our main task is to ensure only quality products are shipped and prevent shipment of goods of substandard quality.

The digitalisation of quality control processes continues as part of the Freshness project:

- developed quality monitoring panels for products received at DCs
- launched an audit portal for suppliers, which enables automatic management of audits and other functions

Pyaterochka increasingly carries out product tastings as part of its quality assurance process.

713 tastings of private label products were held in 2022

Updated the checklist for audits of food companies and DCs:

- updated the checklists for food companies in the fruit and vegetables category and DCs
- developed a banana gassing station audit checklist

- Developed a checklist for companies that supply private label (goods imports)
- Set up a single automated system to centralise microclimate monitoring across all DCs
- Implemented a system to submit business ideas through the Championship of Ideas competition

640

samples of private label goods successfully passed quality control

916

product benchmarks were agreed

A supplier audit functionality has been developed and successfully implemented. The Company will not allow food or non-food items to be purchased from a supplier if an audit indicates that the products fall short of quality standards

IN 2022

931

audits were carried out

439

audits of producers of private label goods

81

were suppliers of private label fruits and vegetables

Quality control throughout the entire product life cycle

Pyaterochka continues to adhere to HACCP standard-based quality control principles throughout the product life cycle, and works to further enhance our approach in this area.

The chain continues to implement a system for submitting acts of disagreement on quality through GK Software, which was launched in 2021. The system enables automatic retrieval of information on the delivery of flagged items, which are then removed from stock without affecting repeat orders. Complaints are reviewed by the SAP ERP complaints group.

In 2022, 23,168 complaints were submitted, of which 7,955 with a total value of more than RUB 8.8 million were confirmed. 1,457 complaints resulted in the items being returned to the supplier, the total value of which exceeded RUB 4.1 million. In 2023, we plan to update the system for submitting complaints to stores, to make it easier for customers to use this form of feedback.

Also in 2022, a Customer Feedback Team was created to address feedback from customers regarding food quality, and a new functionality was launched to handle feedback on product quality not only for our private label brands but also for the core branded items.

In 2022, 4,710 reports concerning product quality were processed, of which:

- 2,479 related to core branded items
- 2,231 related to private label goods

The average processing time for reports was 2 to 3 days. On the basis of complaints, we carry out audits or laboratory tests, which have resulted in 2 suppliers of private label goods being blocked due to regular customer complaints of inferior product quality.

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

In 2022, stores were licensed

8,507

to prepare baked goods

321

to prepare grilled chicken

1,982

to prepare coffee-based drinks

392

to prepare orange juice

In 2022, we conducted

34 AUDITS

of producers of semi-finished in-house products, which enabled us to monitor their quality and safety.

Plans for 2023



- Develop a new functionality within the Customer Feedback Team with respect to core branded items.
- Interact with the TTS (trouble ticket solution) team to refine and develop this system as part of our plan to introduce reporting based on data from TTS. This functionality will enable us to collect and enrich statistical data on complaints from customers, analyse problem areas and, on the basis of the data, develop solutions to improve the Company’s processes, product quality and the reliability of our partners, as well as respond quickly to criticism from customers about core branded items and private label goods.
- Launch a project on monitoring shelf life aimed at writing off fewer products and minimising penalties by implementing control processes; automating the transfer of data on expiry dates between internal systems; and blocking the sale of products at the checkout counter when their expiry date has passed.
- Establish Pyaterochka quality laboratories to automate the laboratory testing process, minimise costs associated with having third-party companies conduct tests, and allow more types of tests to be conducted in order to meet the growing needs of the chain.
- Implement a new functionality for suppliers to facilitate compliance with legal requirements to provide information about reports of quality issues and submit accompanying photographic evidence. The tool will be implemented as a clear and simple interface through which suppliers will be able to view information about any instances that arise during the goods acceptance process.
- Make the quality control document available on mobile devices: we plan to speed up the acceptance process by reducing the amount of time spent making and processing photographs before uploading them to the accounting system from 30 minutes to 5 minutes.

Perekrestok



Automation of the quality control system

In 2022, Perekrestok partially automated the process for filling out quality checklists by employees. Work is underway to transition from manual record-keeping to electronic document flow.

The Company is also implementing an interface for monitoring and controlling the completion of tasks. The mobile workstation under development features a functionality that will enable store managers to address questions about quality and product safety issues to specific stores and employees and give feedback on the results through a single window.

Quality control system

The Perekrestok Quality Department checks that stores comply with the public health requirements applicable to the storage, production and sale of products.

The Quality Department has a procedure in place to audit the Company’s retail facilities and conduct a follow-up assessment of their condition.

The Quality Department continuously updates its working and methodological instructions for the production and sale of products. Staff and store managers receive training on public health requirements as part of the Mercury product verification system’s programme for preparation for regulatory inspections.

Product quality and safety assurance: key highlights

The number of suppliers admitted as trusted suppliers at distribution centres increased. **Trusted suppliers are evaluated based on vetting criteria. Suppliers who meet all criteria or with minimal, immaterial errors are categorised as trusted suppliers. The vetting criteria used are as follows:**

- Number of products returned from DCs
- Number of critical product discrepancies in the supply process
- Number of complaints from stores and DCs
- Number of complaints from customers

14,821

New private label goods were added to the assortment following quality inspections

166

Quality and safety inspections of suppliers of private label goods were conducted

1,745

Samples of private label goods underwent laboratory testing as part of quality control, safety assurance and risk reduction measures

~500

Tastings of private label goods were carried out

All new products are checked for quality and safety, and **additional inspections are carried out when complaints are received.**

In terms of food stock control, Perekrestok has implemented 2 types of audit checklists over the past year: the first as part of measures to prevent the spread of COVID-19, and the second as part of controls over the handling and use of cleaning agents, including record-keeping, control and correct use by staff. In addition to the basic store assessment system, specialised systems have also been introduced based on the objectives set by the Company’s management.

Introduced an automated system of allocating tasks to DC staff, as well as a checklist-based safety assessment system for DCs.

Among other quality control measures at Perekrestok, a project was implemented whereby memos can be set out via the director’s Mobile workstation, enabling low-quality products to be removed from store shelves more quickly.

Vprok.ru online hypermarket

Upon acceptance, goods are checked to ensure that the product packaging has complete and reliable information in Russian about the product itself and its preparation. Products are checked through the federal state system to make sure they are genuine. This is done to ensure that the customer has access to the necessary product information in order to make an informed decision. Verification of the supplier’s documentation authorising the production and/or sale and distribution of the product is mandatory.

Quality inspections are also regularly conducted on goods at dark stores upon their acceptance and when they are in storage (for expiry date, appearance and conditions of storage). If the quality manager discovers an infringement, the item is removed from sale and returned to the supplier or disposed of. A quality assessment is carried out for 100% of incoming fruit and vegetables, and 100% of fresh products are subject to organoleptic inspection.

The online hypermarket also checks that products meet labelling requirements: inspections are carried out at the stage of agreeing the receipt of products, before they arrive. Labelling is checked by analysing information from regulatory authorities, checking information on the Vprok.ru website, and processing customer feedback. Product packaging and labelling are analysed to ensure that the product’s ingredients, any “organic” markings, and other features are indicated correctly. If irregularities are found, there is a set of response measures in place, including working with the supplier to correct the labelling, correcting the relevant information on the Vprok.ru website, and informing the Commercial Director of the issue.

Special attention is paid to in-house production. Foods produced in-house are regularly inspected and undergo daily audits for compliance with strict sanitary requirements. Incoming and pre-shipment organoleptic inspections are carried out for 100% of our in-house products, with 25% of them subjected to regular laboratory tests.

Vprok.ru has developed and uses a system of quality management control and conducts studies to evaluate quality of service and customer satisfaction with our assortment and pricing. Customer feedback about quality issues is collected by the contact centre (CC) and promptly passed on to the relevant departments for action. The Company also monitors the effectiveness of the quality management system by analysing the number of complaints to Vprok.ru from the regulatory authorities.

Internal documents governing compliance with product quality and safety requirements, including instructions, regulations and standards, are also in place. If non-compliance is detected, the product is removed from sale, the incident is discussed with the supplier, and appropriate measures are taken, including work to improve incoming product quality control.

In 2022, we introduced the “Honest Mark” mandatory digital labelling system, which enables products to be traced and gives customers the confidence that products meet quality standards. The labelling requirements were implemented for dairy products and packaged water, which accounted for 5.7% and 0.3% of the total product volume, respectively.



Plans for 2023



- Next year, the online hypermarket plans to implement a streamlined product acceptance procedure for trusted suppliers who are deemed to have a low risk of supplying substandard products. There are currently 670 such suppliers, and we plan to increase their number in 2023.
- Vprok.ru is also continuously working to improve its quality control and quality management system. To this end, we plan to continue efforts to further regulate product quality control processes by developing and improving internal instructions, quality standards and other documentation.

Chizhik

With a business model firmly focused on its own brands, Chizhik aims to increase the share of private label goods in its assortment to 70% to allow for price and quality management.

A high share of private label goods enables Chizhik to achieve operational efficiencies:

- low assortment rotation
- few revaluations
- no promotions
- and, as a result, minimal supply chain costs (from warehouse to shelf) and low retail prices.

Quality control system

To be included in Chizhik’s assortment, products must be of suitable quality. All of the chain’s products undergo quality control by an independent agency. In 2022, over 200 product tests were carried out. Compliance with national standards, quality products at affordable prices, and products without GMOs remain the main priority. The chain closely monitors these parameters when accepting deliveries of products from suppliers. All of Chizhik’s suppliers adhere to HACCP food safety principles, as confirmed by X5 Group audit reports.

The chain’s Quality Department monitors stores’ compliance with health and safety requirements on storage and production conditions.

For quality control purposes, regional managers conduct weekly inspections and assessments of retail facilities. Teams from the stores also check compliance with quality and safety standards on a daily basis.

In 2022, 195 laboratory tests were conducted for quality control and safety assurance purposes.

Plans for 2023



- Continue to improve the quality control system, particularly where there is a high risk of expired or adulterated products being supplied, and maintain blacklists of unreliable suppliers.
- Continue its work on obtaining assurances from suppliers that Chizhik private label goods are GMO-free.
- Launch a process for signing agreements with regional universities and research institutes to conduct laboratory tests of product quality in Nizhny Novgorod, Voronezh, Ufa and Yekaterinburg. This will enable products from regional suppliers of private label goods to be checked more quickly, providing an additional measure of quality control at the local level.
- Strengthen cooperation with suppliers by introducing a Corrective Action Plan that will be based on an audit of production conditions against an X5 checklist of requirements, and by verifying the effectiveness of measures that are taken. Working visits will be made to high-risk suppliers’ production facilities to ensure that instances of non-compliance identified on the basis of X5’s checklist are remedied.



Mnogo Lososya



Suppliers and product labelling

All food products must be supplied at the appropriate storage temperature for the product in question. When shipments come in, we measure the temperature inside the vehicle and if it is not within the proper range, all of the products are returned. As part of the production control programme, we also carry out laboratory tests on incoming raw ingredients to ensure they meet food safety standards.

Initial screening is done according to basic criteria: visual inspection of the products, checking the accompanying documents, and checking the labels. If irregularities are found, the products are returned to the supplier. In any situations where there is some doubt, the products are not accepted.

All products come with initial labelling from the supplier. Over-labelling happens occasionally, but it amounts to 3% of the total number of audits, and each instance is reviewed separately and closely monitored by the regional managers.

We take a stringent approach to food safety when it comes to labelling: both semi-finished and finished products are labelled in accordance with the requirements of Customs Union Technical Regulations 022/2011.

Sushi points

In 2022, the number of sushi points tripled and amounted to 235 by year end.

Every sushi point is audited at least twice a month, in accordance with our internal regulations. If a sushi point does not reach the pass mark and issues are discovered, the auditor makes a follow-up visit. After each audit that falls short of the pass mark, the chefs submit a corrective action plan and a report on the actions that have been taken, together with photographs. The minimum score to pass the audit is 85%.

Training is provided for chefs twice a week, every week.



Quality control system

The quality and safety of our products is paramount, and any product supplied to Mnogo Lososya must be accompanied by full documentation verifying its quality and safety. Mnogo Lososya has a production control programme, based on the HACCP principles, which includes stringent requirements for incoming inspection of raw ingredients. In the event of rejection on any basis, we return the raw ingredients and submit a complaint to the counterparty.

All raw ingredients we receive are inspected on arrival to check for conformity with the approved specifications, and all products at sushi points are subjected to a thorough quality assessment.

Our sushi rolls have a shelf life of 24 hours, and each morning products are disposed of. In the morning, the previous day’s products are written off, even if their shelf life is not 24 hours.

The work of chefs at sushi points is monitored by online video. If an infringement is detected, such as re-labelling, the video monitoring employee immediately notifies the sushi point’s management, the products are written off, and new products are put out. Auditors work in conjunction with the video monitoring personnel to get to the bottom of the most complex situations and conduct a thorough investigation.

Video monitoring

7

days a week

>300

cameras per sushi point

Product quality and safety assurance: key highlights

A new system has been developed for cleaning cutting equipment.

Equipment has been developed specially for us which significantly improves cleansing and disinfection, reducing health risks and improving the quality and safety of our products.

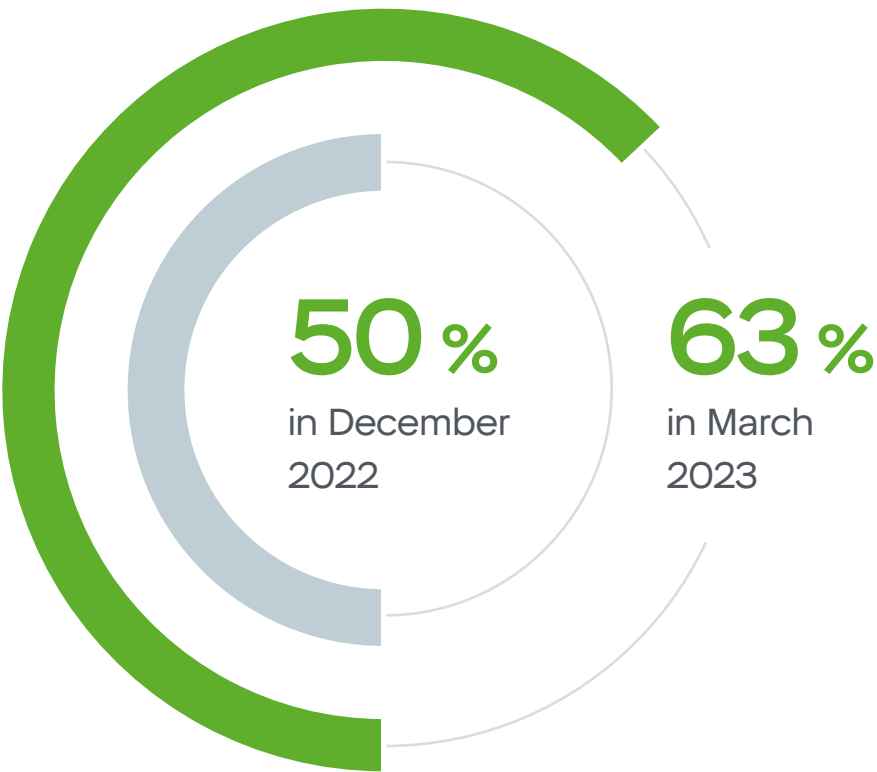
In 2022, we implemented stronger health and sanitary measures, more than doubled the number of auditors, and expanded the geographical scope of our inspections to all cities in which we have a presence.

The number of inspections has increased to



In 2022, our sushi points introduced a colour coding system for cutting boards which must be followed during use. When a new concept emerges, new rules are developed.

We took 2 Net Promoter Score (NPS) measurements.



The benchmark NPS for Mnogo Lososya's food delivery service was set at 35%, based on a survey conducted through questionnaires sent out by email.

We prepared a manual for our sushi points identifying 50 areas of focus for audits, such as product rotation, re-labelling of products, adherence to requirements on product separation, compliance with standards applicable to semi-finished products, technical condition, cleanliness and good working order of refrigeration equipment, and many others.

The target metric we are tracking is CSR (Customer Satisfaction Rate). It is calculated as the share of negative feedback from all orders.

We are improving this metric on a yearly basis.



We implemented a system of external audits of our suppliers. Once per quarter, we visit our counterparties' production sites and check for compliance with health and epidemiological standards.

Plans for 2023



- Carry out an anticipated increase in the number of auditors and video monitoring personnel. We plan to have full-time auditors in every city that has a sushi point.
- Evaluate the effectiveness of a new systematic approach to calculating the audit score for sushi points to determine whether the pass mark has been reached: whereas previously the average score was taken into account, the new system will take into account the number of audits passed out of the number of audits not passed.
- Improve our Customer Satisfaction Rate (CSR, the share of negative feedback from all orders) to not exceed 1%.

Direct Import business unit

Quality control system

The focus of the Direct Import unit is to present the Company as a solid partner for international suppliers and to raise the Company’s local product quality and safety regulatory documentation to international standards.

Despite the many difficulties of 2022, we continued to work on standardising import procedures to bring them in line with international practices. To this end, we drew on key suppliers’ best practices and experience in retail operations. Development of the quality control function along with the standardisation and tightening of requirements on imported products have had a positive impact on the quality of deliveries while reducing amount of sorting through and losses.

Geopolitical tensions have led to changes in supply chains, curtailing supply volumes and driving up costs. This has inevitably affected processes and interactions with counterparties in terms of quality assurance, logistics and acceptance of deliveries. Requirements on product quality and the standardisation of quality inspections in the shipping countries have been constantly improved, and systematic work has been done on testing procedures at shipping locations and directly with suppliers, as well as audits of survey companies and quality control staff in other countries.

Product quality and safety assurance: key highlights

Local product quality and safety regulatory documentation has been improved and standardised. It is consistent with global standards.

Following an audit, corrective measures and system and process improvements were developed, enabling us to reduce costs, losses and waste.

In 2022, work continued on standardising import procedures to bring them in line with international practices. The implementation of a single standard for reporting the results of product inspections, along with preparations for the digitalisation of inspection processes through automated software solutions, will bring product quality control to a new level and make working mechanisms not only automated and digital but also transparent to all.

Plans for 2023

- Introduce automated quality control programmes along the entire product chain and centralise decision-making on supplies, which will enable automation and digitalisation of the process and provide even greater transparency.
- Increase the amount of stock inspected, reduce errors upon acceptance, boost the number of in-house quality control staff and reduce the number of blocked deliveries in partnership with suppliers, as well as develop a prioritisation tool for deliveries based on shelf life.

X5 Ready Food

Quality control system

X5 Ready Food monitors product quality at all stages of the production process. All products are certified compliant with the FSSC 22000 food quality management system (version 5.1). Our ready food unit is also on the register of suppliers that meet international standards. Monitoring is conducted by experts in raw ingredients and quality managers, who inspect laboratories as required and conduct tastings of the chain’s products every Thursday. We also adhere to FIFO and FEFO processing principles, which means that goods that are received first are also processed first.

In 2022, X5 Ready Food was re-audited for compliance with FSSC 22000. This confirms yet again that X5 Ready Food products meet all international food safety requirements.

Quality control at X5 Ready Food is carried out by the HACCP team, which includes all managers in its various areas: operations, warehouse, logistics, production, quality, laboratory, procurements and technology specialists.

Regular quality and safety checks are carried out on 67% of the products.

X5 Ready Food conducts monthly analyses of the quality of raw ingredients to ensure food safety. The HACCP committee treats the number of complaints and grievances from consumers as a KPI. Our 2022 target was to receive fewer than 17.8 product quality and safety complaints per kilotonne of products made; in 2022, X5 Ready Food received 10.9 complaints per kilotonne.

Promoting healthy lifestyles

3-3 416-1 417-1

Orienting customers towards a healthy lifestyle is a clear trend in recent times. Russian consumers are increasingly interested in personalised nutrition, natural high-quality products with comprehensible ingredients and origin, and gluten-free and sugar-free organic food.

X5 aims to expand its assortment of fresh, organic and farm products, as well as our assortment for people with unique dietary restrictions. In particular, X5 is developing its Green Line private label, “Healthy Living” corners in Perekrestok supermarkets, and dedicated shelves with a range of healthy food options at all Pyaterochka stores, featuring products that are good for one’s health and make up part of a balanced diet.

The Company has adopted a [Policy on Promoting Healthy Living and a Healthy Diet](#), which sets out principles for promoting healthy habits.

Our [Responsible Marketing Policy](#) regulates our approach to labelling, including to ensure product safety and provide information on ingredients and the environmental impact of products.

For example, this policy includes the Justifiability Principle, according to which the Company encourages and works to ensure that assertions about the characteristics and properties of products be justified and backed up with appropriate proof (such as documents confirming mandatory or voluntary certification). In accordance with the Trustworthiness Principle, the Company expects its suppliers to be truthful and accurate in their marketing communications, specifically in terms of product information, and not to mislead customers about the characteristics of products, including the following:

- their origin, ingredients, method and date of manufacture, and method of consumption or use
- price
- consistency of the product with the images used in marketing communications
- conformity of the product with declared standards and certifications
- benefits of the product as part of a healthy and balanced diet and in terms of consumer health
- impact of the product on the environment

Product labelling is important, and the Company strives to ensure that customers can get reliable information about the balance of nutrients in a product and the content of saturated fats, trans fats, free sugars, salt/sodium, allergens, GMOs and other substances that may affect human health (such as lactose, gluten, soy, etc.).

The Company welcomes nutrient content being displayed on product packaging not only per unit of weight but also in terms of a standard serving.

The Company has also developed [Recommendations on Sustainable Packaging for X5 Group Suppliers](#) for 13 key categories of products. The recommendations take into account the specifics of recycling certain types of packaging and requirements for barrier properties of materials to ensure that packaging is not only safe but recyclable, thus reducing the impact on the environment.



Pyaterochka



In 2022, Pyaterochka helped customers lead a healthier lifestyle by continuing to carry out its healthy lifestyle awareness campaign, which includes promoting healthy eating habits through our social media channels in partnership with Rospotrebnadzor and the Federal Research Institute for Nutrition.

The retail chain offers a range of products for a healthy lifestyle, including gluten-free, sugar-free, organic, farm products, natural products, high-protein, low-calorie and vegan products.

Plans for 2023

- Develop and launch a comprehensive healthy lifestyle programme throughout the chain, based on an expanded range of healthy products, convenient shelf placement, and meaningful information about healthy living on price tags and packaging. X5 will continue to develop channels for posting information about healthy food on its supplier portal.
- Promote healthy eating habits among children by conducting two pilot projects at schools on cooking healthy food, which will be scaled up depending on the results of the pilot.

Perekrestok



Expansion of the healthy living product range

In 2022, Perekrestok expanded its Green Line assortment of healthy private label products by 148 items. More than 10 Green Line products are organic and have certificates of quality.

In January 2022, Perekrestok launched sales of Welldone alternative, plant-based meat at 70 of the chain’s stores in Moscow and the Moscow region. The product selection includes Bratwurst vegetable cutlets and sausages with edible brown, red and green seaweed casings.

Perekrestok continued to scale up its joint project with FOODCODE to offer gluten-free foods. By the end of 2022, special racks with gluten-free bread had been installed at 252 of the chain’s stores, while separate racks with various gluten-free products had been installed at almost 700 Perekrestok stores.

Following a customer preference survey (more than 600 people, 68% women and 32% men), Perekrestok improved its displays of healthy products and expanded the range of healthy snacks in 470 supermarkets.

In late 2022, Perekrestok launched the Farm pilot project, with farmers’ products (including cottage cheese, dairy products and meats) featured in special corners at 8 Perekrestok supermarkets in Moscow. The project is planned to be scaled up in 2023.



RECOGNITION OF ACHIEVEMENTS

In 2022, Perekrestok was declared the winner at the 6th annual Healthy Eating 2022 awards in the Promotion of Healthy Eating in Retail category for its project called Route to Healthy Habits – a specially marked route through Perekrestok stores that makes it easier for shoppers to collect a basket of healthy products, as well as environmentally friendly products for the home. As part of the project, “Healthy Living” corners featuring healthy foods have now been introduced at 700 Perekrestok stores.

Perekrestok

Education about healthy living

In 2022, Perekrestok conducted research into what dairy products will be in demand in the future and how the growing trend towards healthy lifestyles is affecting the dairy industry. Perekrestok’s goal was to make milk an even more popular product through educational programmes and tours. Perekrestok took part in the Russian Milk agro-industrial forum, the AGROS 2022 EXPO conference, the 20th International Exhibition of Equipment for Milk and Dairy Products, and the Dairy Club: Efficient Dairy Business forum organised by Innovative Dairy Solutions and the Best Practices bureau.

Perekrestok also launched a podcast called “Eco-Logical”, dedicated to healthy living, conscious consumption and healthy habits.

A pilot project has been launched in Moscow and St Petersburg offering free consultations with a nutritionist for the entire family. This educational initiative is also available to residents of the Moscow region, Kazan, Nizhny Novgorod and Krasnodar.

Healthy Lifestyle Festivals

From July to August, Perekrestok partnered with Bite, Epica and Ehrmann High Protein to organize a nationwide sports festival called Run of Champions. During this period, everyone across the country had the opportunity to start running and training under special sports programmes developed by professional trainers. The event culminated in a race with 500 participants that was held in Moscow on August 28. The project was recognised by the Corporate Sports Association, and Perekrestok received an award for Best Corporate Sports and Healthy Lifestyle PR Campaign.

In 2022, Perekrestok held 3 Healthy Lifestyle Festivals in partnership with suppliers of healthy products. Visitors to our supermarkets could buy healthy products across various categories and enter a raffle for prizes. Over 100,000 people took part in the festivals, which reached more than 20 million people.

Perekrestok was the general retail partner of the Healthy Lifestyle Lectures at the 8th International Yoga Festival in Russia. The event, which welcomes around 70,000 people each year, featured speakers from the food industry, nutrition specialists and retail experts who spoke about conscious consumption, the role of the retail chain in shaping healthy shopping habits, and plant-based alternatives to familiar foods at the supermarket.

Automatic labelling of healthy living products

Perekrestok is supporting a project under which suppliers will automatically upload characteristics of healthy living products (such as gluten-free, sugar-free or vegan) to the company’s system. This automatic package labelling system has made it much easier to find healthy products in our stores. If secondary verification is required, the product is additionally certified by the Quality Department to obtain the appropriate documentation. In 2022, the Company updated and checked the correctness of its healthy lifestyle characteristics as well as their applicability to the respective products.

Plans for 2023

- Achieve second place in the market in terms of the consumer loyalty index for healthy living products.
- Increase the number of healthy living products, first and foremost in private label goods, but also from suppliers.
- Organise two Healthy Lifestyle Festivals per year to promote healthy living in the market and across the country, to get the public interested in healthy lifestyles, and to raise customer awareness of environmentally friendly habits.
- Scale up the Farm project and make farmers’ products available across Perekrestok’s extensive network.



X5 Ready Food

The X5 Ready Food brand features a range of healthy living salad offerings that are produced by the Company’s partner Agrokhodol.

Chizhik

The chain promotes healthy lifestyles by informing customers about the health benefits of basic food products. The label on each private label product highlights its healthy ingredients and provides a list of vitamins contained in the product.



Vprok.ru

The online hypermarket helps promote healthy lifestyles through the sustainable packaging guidelines it applies to X5’s suppliers, as well as by offering customers a convenient navigation system with the option to filter for healthy living products on the Vprok.ru website.





06



The planet

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Our stores, warehouses, offices and fleet have a variety of environmental and climate impacts, from the generation of solid waste (including goods that are no longer in saleable condition) to direct and indirect greenhouse gas emissions. To manage and minimise our impact on the environment and the climate, and in line with the UN Sustainable Development Goal (SDG) on responsible consumption and production, the Supervisory Board has adopted medium- and long-term strategic objectives as part of our sustainable development strategy.

We continue to operate in line with our [Sustainable Development Policy](#), encouraging our suppliers to adhere to the principles of responsible consumption.

In 2022, we abandoned manual data collection in an effort to optimise the collection of data on resource consumption.

Environmental management system

The Company’s environmental management process (dealing with water consumption, energy efficiency, waste management, etc.) is based on a clear distribution of responsibilities between designated individuals and departments whose duties include developing and implementing environmental protection programmes in accordance with established procedures.

To monitor compliance with environmental laws and other standards, regular audits and performance evaluations are carried out, as is third-party training for employees in order to ensure the best-possible performance. Oversight measures include providing resources to stay up to date on the latest amendments in environmental laws and taking steps to avoid fines from regulatory authorities.

Every business unit and retail format manages environmental protection processes independently, basing its actions on the Company’s by-laws and best environmental practices. Teams from business units take measures and implement projects independently for the purposes of sustainability governance.

The Company’s governing bodies also review practices on a regular basis during meetings with individual business units. In addition, the Corporate Centre is working with the Executive Board to review the wider implementation of the Group’s strategy.

For more about the Company’s approach to sustainability governance, see the section [“Sustainable development governance model”](#).



Strategic goals to 2023:

- Reduce GHG emissions (Scope 1 + Scope 2) intensity per sqm of selling space by 10% compared with 2019
- Increase the proportion of our retail chains’ solid waste that is sent for recycling to 95%
- Reduce the ratio of waste generated to retail sales by up to 10% compared with 2019
- Increase the proportion of food products that can be reprocessed when no longer in saleable condition prior to their expiry date to 20%¹
- Develop a responsible supply chain²
- Increase the share of fresh products, fruits and vegetables in the assortment to up to 50%
- Increase the share of renewable energy used by in-house operations

Our 30x30 goals:

- Reduce GHG emissions (Scope 1 and Scope 2) intensity per sqm of selling space by 30% compared with 2019
- Increase the share of renewable energy used in our operations to 30%
- Reduce the ratio of waste generated to retail sales by 30% compared with 2019

At the same time, we also continue to incorporate principles and approaches into our operations that are playing a role in the achievement of UN SDG 12 (Responsible Consumption and Production), which is a priority for us. In order to improve performance in this area, we are developing and integrating new, innovative ways to optimise in-house resource consumption and to promote sustainable consumption and reuse among customers.

For more information about the Company’s strategy, goals and key results in achieving these goals, see the [“Sustainable development strategy”](#) section.

1 In 2022, the target was reduced from 40% to 20% due to a decrease in the number counterparties involved in transferring goods that are not in saleable condition to farms, stricter laws on processing food waste (Law No. FZ-29 on the Quality and Safety of Food Products) and limited access to processing technologies.

2 In 2022, this target was changed from a quantitative one to a qualitative one because a number of international certification authorities suspended their operations in Russia and national initiatives were established to replace them.



Regulatory documents concerning environmental protection

In matters of environmental protection and responsible consumption, X5 Group is guided by both its sustainable development strategy and its Sustainable Development Policy.

The Company has also adopted the following internal regulatory documents regarding environmental protection:

X5 Group Waste Minimisation Policy¹

Policy on Energy Efficiency and Combating Climate Change

The Company requires that all employees familiarise themselves with the above-mentioned policies and complete sustainability training that covers the main provisions of the sustainable development strategy.

To manage and prevent possible environmental impacts, the Company is undertaking a number of initiatives in this area; it also monitors the impact of these initiatives as well as their contribution to the achievement of the Company’s sustainable development goals, while also taking into account feedback from stakeholders.

More information about the Company’s principal initiatives can be found throughout this chapter as well as on the [Company’s website](#), where all X5 Group sustainability programmes can be sorted by topic, including those focused on the planet.

The Sustainable Development Policy establishes a “principle of environmental responsibility”.
The Company is aware of the scale of its impact on the environment and is committed to reducing its adverse impact by augmenting its positive impact:

- In its efforts to protect the environment, the Company is committed to full compliance with Russian laws and international standards on the environment.
 - The Company aims to ensure that as much material as possible is recycled, and its processes are being adjusted to reduce the amount of waste, including food waste, sent to landfills, in line with its Waste Minimisation Policy.
 - The Company is committed to providing products in sustainable packaging and is guided by the principle of sustainability in producing in-house products, in overseeing the production of private label goods and in building relationships with suppliers.
- The Company strives to make its use of electricity, heat and fuel more efficient, thus reducing its climate impact, as set out in its Policy on Energy Efficiency and Combating Climate Change.
 - The Company supports suppliers that purchase raw materials from responsible sources and that are guided by the principles of the humane treatment of animals in their operations.
 - The Company welcomes suppliers’ use of voluntary environmental certifications.
- The Company is committed to reducing its impact on forest resources and welcomes the use of paper and cardboard packaging materials produced from responsible and certified sources.
 - The Company is striving to optimise the use of water resources in all its processes.
 - The Company is fostering a culture of informed consumption among its customers by ensuring that its marketing communications are in line with its Responsible Marketing Policy.

The Company has also developed and adopted recommendations for X5 suppliers and employees that include information on commercial purchases of the Company’s main assortment as well as non-commercial purchases and the production of private label goods. X5 Group’s Sustainable Development Policy sets out the principles and rules for responsible business practices to ensure a positive impact on the environment and society:

X5 Group is committed to recycling as much as possible, as well as the responsible use of resources and sustainable packaging. The Company gives preference to suppliers whose environmental policies are in line with its own principles.

X5 Group encourages its suppliers to undergo voluntary environmental certification and assists them in developing business processes that can respond to the challenges of sustainable development.

X5 Group is committed to fostering a culture of responsible consumption among its customers.

2022 highlights

Food sharing and the sale of products that are no longer in saleable condition

In 2022, X5, in partnership with Foodbank Rus, launched a pilot food-sharing project whereby products with an expiring shelf life but that were still fit for consumption were donated to people in need. Four Perekrestok stores in Moscow, St Petersburg and Yekaterinburg in addition to 23 Pyaterochka stores took part in the project.

X5 also continued to develop projects whereby products that are no longer in saleable condition are given to farmers for further use. For example, Perekrestok is developing a project to sell goods that are no longer in saleable condition to farmers; more than 90% of the format’s stores across the country took part in this initiative in 2022.

Projects for transitioning to renewable energy

13

More Pyaterochka stores in the Republic of Karelia were added to an agreement to transition to the use of hydropower in 2022

10

Pyaterochka distribution centres continue to use green energy for their operations

>20 %

Reduction in energy consumption by Pyaterochka stores that switched to using solar energy





Waste management and sustainable packaging

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The Company’s system for managing waste and sustainable packaging is based on the distribution of responsibilities between designated individuals and departments responsible for developing and carrying out projects, activities and initiatives aimed at achieving strategic goals in this area. Every business unit and retail format is responsible for its own processes for sustainable packaging and waste management.

X5 assesses environmental risks and takes measures to avoid them as well as to mitigate potential negative impacts.

Quantitative data on the types of waste and methods of their disposal are indicated in the appendix on [pages 144–145](#).

The Company sends its waste to specialised waste management services for further processing, recycling, decontamination and disposal in landfills. X5 Group only works with companies that operate in accordance with Russian environmental laws.

The Company produces an insignificant amount of waste from its operations; its adverse impact on the environment is minimal.

In line with our sustainable development strategy, we have committed to achieving the following goals:



Strategic goals to 2023:

- Increase the proportion of our retail chains’ solid waste that is sent for recycling to 95%
- Reduce the ratio of waste generated to retail sales by up to 10% compared with 2019
- Increase the proportion of food products that can be reprocessed when no longer in saleable condition prior to their expiry date to 20%²

Our 30x30 goals:

- Reduce the ratio of waste generated to retail sales by 30% compared with 2019

In line with X5 Group’s [Waste Minimisation Policy](#)¹, the Company aims to minimise waste generation in all of its activities, including when using fuel and various materials in its logistics operations, by doing the following:

- reducing resource consumption
- preventing the generation of waste and lowering its hazard class
- reusing resources (e.g. using recyclable packaging)
- processing secondary raw materials and reusing food waste by giving it away or selling it for further use
- restoring equipment and material resources

The Waste Minimisation Policy also outlines the following objectives:

- improving the Company’s business reputation as well as mitigating reputational and environmental risks by showing due regard for ecological aspects of environmental protection
- developing transport infrastructure that encourages and supports the reduction of waste that could potentially be generated during the transportation of products and waste (for example, the efficient use of parking spaces, some of which could be allocated for the creation of green space)
- managing the procurement of products, materials and energy responsibly, which implies taking responsibility for the management of any waste generated after the use of these resources and following the end of their service life
- raising awareness in the area of waste management, including among suppliers and buyers, as well as ensuring the full participation of X5 Group employees and counterparties in the process of waste management and waste minimisation

One of the principles outlined in this Policy is environmental risk assessment, which consists of identifying the risks of waste generation from the Company’s activities; determining the hazard class of the generated waste; analysing data; and determining, planning and performing actions, both qualitative and quantitative, in relation to the identified risks. Risks also undergo regular comparative assessments and are ranked according to their environmental, social and economic importance.

All Company employees undergo training where they learn about waste management as well as the basic guidelines for waste minimisation that X5 follows. The training is conducted in the manner established for each of the Company’s retail formats and business units.

1 A new version of the Policy, which was updated in 2022, will be published on the Company’s website in 2023.

2 In 2022 the target was reduced from 40% to farms, stricter laws on processing food waste (Law No. FZ-29 on the Quality and Safety of Food Products) and limited access to processing technologies.



Recommendations for suppliers

In 2020, the Company developed and published sustainability recommendations for X5 Group suppliers, and updated its internal procurement regulations in line with those recommendations.

In 2021, X5 Group published detailed recommendations on sustainable packaging covering 13 product categories. The corresponding document contains detailed recommendations on three aspects of packaging: the design, materials used and communication (such as product labelling and educating customers and employees); in developing these recommendations, the Company took into account applicable laws as well as the technologies and infrastructure available in Russia.

The recommendations take into account the sustainability-related specifics of how various types of packaging are used, as well as the barrier properties of the materials for each product category. Our recommendations were supported by the Ministry of Natural Resources and the Environment of the Russian Federation. We continue to refine the recommendations and remain open to dialogue with partners and the market on this topic.

We have begun to keep track of suppliers that comply with our sustainability recommendations. Records are kept in order to keep suppliers informed and to improve feedback on this topic. In the future, we plan to conduct random ESG-related audits of suppliers. In addition, our sustainability recommendations are being incorporated into joint marketing programmes with suppliers.

For more on recommendations for suppliers as well as on relations with suppliers, see the [“Responsible supply chain”](#) section.



Sustainable packaging initiatives

It is important for us that suppliers adhere to the principles of responsible consumption and work with X5 to achieve the shared goal of reducing waste.

As a result, we began conducting systematic monitoring of responsible suppliers and analysing our partners’ transition to more environmentally friendly packaging.

In August 2022, a special training course on sustainability for X5 Group suppliers was developed and made publicly accessible on our website.

In 2022, we held a webinar that provided an overview of packaging-related problems as well as existing solutions. The event was attended by more than 150 representatives of our largest suppliers as well as packaging manufacturers. The purpose of the event was to gather the expertise of our partners in one place, to assess current problems in terms of packaging materials, to find solutions applicable to the Russian market, and to exchange experiences and successes. Following the meeting, an overview of current problems and possible solutions was compiled in the form of a road map that reflects actions broken down by stakeholders, types of packaging and product categories.

For more information on our work with suppliers, see the [“Responsible supply chain”](#) section, and information about our initiatives can be found in the [“Promoting responsible consumption”](#) section.

¹ Efficient Consumer Response is a platform that enables manufacturers and retailers to collaborate and exchange experiences.



Reducing the use of disposable plastic packaging

- Pyaterochka’s new-concept stores and Perekrestok supermarkets have been using shopping baskets made of recycled plastic for several years.
- Perekrestok and Pyaterochka both require that suppliers of shopping bags use a percentage of recycled plastic in their bags. All X5 retail formats have this requirement in place for manufacturers of shopping baskets.
- In 2022, raincoats, bucket hats and bags were made from bags collected at Perekrestok supermarkets to be awarded to customers through prize draws.
- X5 Group encourages customers to purchase reusable shopping bags. In 2022, the Company’s retail formats sold 3.7 million cloth bags as well as approximately 267 thousand reusable bags for fruits and vegetables.
- In 2022, Mnogo Lososya continued its initiative to move away from the use of polystyrene packaging. As part of this initiative, the unit reviewed all of its disposable packaging from the point of view of sustainability. By the end of 2022, Mnogo Lososya had switched 40% of its packaging to recyclable plastic – polypropylene (PP) and polyethylene terephthalate (PET) – and no longer uses the plastic packaging in which suppliers’ products are supplied. In 2023, the unit plans to consider the possibility of launching partnership programmes on the topic of sustainable packaging.

Recycling waste from operations



Pyaterochka

Following Pyaterochka’s review of its recyclables management in 2021, its DCs were equipped with additional tools for monitoring recyclables arriving from stores, thus enabling DCs to monitor deviations from benchmarks in light of an individual store’s retail turnover. These changes enable DCs to monitor returned recyclables and to take prompt measures to address the causes of the deviations.

All recyclables from Pyaterochka stores are first sent to DCs and then to counterparties for processing. In 2022, the transition to direct consumers of recyclables (factories) got under way; this initiative is taking place across the Central, Southern and North-Western Federal Districts.

Pyaterochka continued the pallet recycling programme at its DCs as part of its effort to ensure wider use of recyclable materials in its logistics operations. Some 61% of the pallets that are used to deliver products to Pyaterochka are returned to suppliers. The remaining 39% are not discarded but sold to counterparties that restore them and put them back into circulation. In certain cases – when it is economically feasible to do so – DCs repair pallets themselves before putting them back into circulation. Work is also under way to optimise transport loading by returning empty pallets with the same delivery vehicle. This makes it possible to reduce the number of trips and lower transport-related CO₂ emissions.



Perekrestok

Perekrestok established standards for the generation of recyclables per store depending on the store’s retail turnover and improved the system for monitoring the volume of recyclables transferred from stores to DCs. To monitor compliance with the standards by using real-time measurements, DCs were equipped with scales, and measures are taken to check the quality and quantity of incoming recyclables. Stores send pallets, plastic boxes and many other types of containers to DCs for reuse.

In 2022, a project was launched to centralise the transport of recyclables from stores to DCs; two DCs are already fully set up for participation in the project, and two others are partially set up.



Vprok.ru

Vprok.ru carries out separate waste collection and sends used cardboard to a partner for processing. At the same time, the list of materials to be recycled was expanded to include pallets, scrap metal from green boxes as well as other types of scrap metal. As a result, the amount of waste sent to landfills decreased. In 2022, the amount of materials sent for recycling increased by more than 40% year-on-year.



Direct Import unit

The Direct Import unit continued processing non-food waste. In 2021, the unit began sending all types of recyclables for reuse; in 2022, the offices and warehouses at all direct import hubs began separating waste.

Also in 2022, the unit concluded a number of agreements to send recyclables in low demand as well as materials that are difficult to recycle for further processing. In 2022, more than 80% of recyclables were sold. In addition, as part of its ecosystem stewardship activities, the Direct Import unit repairs and restores pallets at its hubs. During the year, some 22.8 thousand pallets were restored. The Direct Import unit also completed its transition to an electronic document management system and reduced its paper usage by 92 thousand sheets, which is the equivalent of saving 11 trees.



X5 Transport

In 2022, X5 Transport made significant progress in its efforts to monitor and determine how much waste is being produced and consumed.

In 2022, eight transport companies introduced eco-friendly initiatives as part of the Green Transport project, including the following:

- Contracts were concluded for the disposal of hazardous waste generated from vehicle repairs. Containers were installed for separating waste; the containers are used to collect oily waste, which enables it to be recycled.
- Some 710 tonnes of tyres, oils, scrap metal and batteries were turned over for recycling.
- Some existing facilities concluded direct contracts with the regional operator for the management of municipal solid waste (MSW). The approach to the collection of quantitative information on MSW turned over for recycling was revised to make the corresponding reporting more transparent.
- In 2022, 100 tonnes of hazardous waste (rags, oily filters, batteries, waste oils, etc.) was transferred for disposal. The unit has been improving its system for hazardous waste management and the handover of said waste for disposal every year.
- The navigation devices used in the Company’s vehicles were upgraded. Outdated equipment was replaced by more advanced equipment, in terms of both the stability of operation and the availability of essential new functions, such as the ability to transfer sensor readings wirelessly to the driver’s mobile app in order to further assess the driver’s driving habits.
- A new type of temperature gauge was installed in new vehicles, which combines a navigation device, a temperature gauge and wireless temperature sensors. In addition to increasing the system’s fault tolerance and reducing the number of cables used, the installation of the new gauges cuts down on the purchase of separate GPS trackers.
- The Transport Division began collecting real-time data on resource consumption, thus making the monitoring of resource consumption more accurate.

Food waste management

As a food retailer, we are committed to minimising the amount of waste we generate as well as the impact of its processing.

All our stores’ food waste and items that are no longer in saleable condition are given to partner companies for processing and disposal. We continuously look for new ways to responsibly manage food waste and products that are no longer in saleable condition, and we are exploring existing technologies for recycling such waste. In late 2022, we began working on an innovative recycling pathway; in this context, we are seeking new solutions and developing a map of recycling solutions in the regions where we operate. We plan to publish the map on our website, and the points on the map will show where planned regional infrastructure will be located that will be able to process items that are no longer in saleable condition.

At present, various options are being introduced for processing food waste, including through composting, using it to produce bioorganic fertilisers and processing it into natural gas. The search for new possibilities is part of an effort to identify new waste management processes that are beneficial for the Company beyond simply disposing of waste in landfills.



Giving products to farmers and using them for composting

Perekrestok together with Pyaterochka and Vprok.ru continued a project to give unsold food products and unexpired items that are no longer in saleable condition to farmers for further processing. Since the launch of the project in 2020, the volume of products turned over for these purposes has increased severalfold.

Owing to its concept and the optimisation of in-house processes, Chizhik produces practically no food waste. At the same time, Chizhik operates a similar programme whereby a partner regularly collects products that are fit for consumption but are not in saleable condition.

The Company’s direct import hub in Bogorodsk began using vermicomposting as an environmentally friendly way to dispose of fruit and vegetable waste. This type of composting uses worms that process all the organic matter into fertiliser, thus enabling the Company to support soil fertility. The fertiliser is produced at facilities operated by a partner that specialises in the cultivation of fruit and vegetable products. They fertilise the soil and get higher yields.

In addition, a contract was concluded in early 2022 to transport items that are no longer in saleable condition from all direct import hubs for processing into animal feed. In 2022, 1.3 tonnes of food waste and products that were no longer in saleable condition were turned over from hubs for composting and feed production.



Food-sharing

X5 is also developing mechanisms for donating items with an expiring shelf life to charity.

One such mechanism is a pilot food-sharing project, in partnership with Foodbank Rus, whereby products close to their expiration date but still suitable for consumption are donated to people in need. The project began in late July 2022 at several Pyaterochka stores in Moscow and Chelyabinsk, with Perekrestok stores joining the project in the autumn. During the first phase of the pilot, baked goods were donated for food-sharing purposes. By the end of 2022, more than 5,800 people had received assistance; the project is operating in Moscow, St Petersburg, Chelyabinsk, Yekaterinburg and other cities.



Other initiatives to reduce food waste

- Pyaterochka is piloting a project for composting food waste at its DC in Bogorodsk. The technology being used speeds up the composting process by controlling the development of anaerobic bacteria to process food waste in special converters produced by Reddonatura.
- In February 2022, Mnogo Lososya launched a project whereby it stopped cutting off the curved ends of sushi rolls, thereby reducing food waste in 2022 by 34 tonnes.
- At X5 Ready Food, most of the raw food materials left over are sent for reuse or disposal. In addition, items that are used in the preparation of dishes are recycled or reused. The raw material arrives in a cardboard package that is later collected and sold to partners, and bags are sent for recycling. Products that are suitable for consumption but cannot be sold – for example, if the labelling is incorrect – are sent to the canteen for employees.



Optimising the loss handling process in the Direct Import unit

- In 2022, the Direct Import unit continued working on its quality control of incoming deliveries as well as loss prevention. As a result, the unit significantly reduced the amount of food waste sent to landfills. Other factors that led to this result were the timely sorting of products, returns to suppliers and wholesale sales on behalf of suppliers.
- Other factors that helped reduce waste were stock inspection procedures and prioritising items with the shortest residual shelf life when preparing outgoing shipments at hubs.
- By shifting the focus from loss compensation to loss prevention, the Company is better able to prioritise and address the causes of the problem rather than its effects. As a result, the amount of waste generated in 2022 decreased by almost 30% compared with 2021.

Our plans



Food waste

- In 2023, the Company plans to scale up its food-sharing project at both Perekrestok and Pyaterochka, to include dark stores in the project and to expand the range of products to be shared.
- Pyaterochka and Perekrestok will continue to improve and expand the project for sending items that are no longer in saleable condition to farms.
- The Company is considering Perekrestok’s possible participation in state programmes for waste recycling, as well as in trading on a virtual exchange with eco-industrial parks throughout the country.
- By the end of H1 2023, Pyaterochka plans to expand the geography of its direct work with consumers of recyclables to cover the entire country.
- A map for food waste processing solutions is being developed and will be made publicly accessible online in order to enable automatic updates in response to submissions from users and addition of new solutions to the map.



Direct Import unit

- The unit plans to increase the proportion of food and non-food waste turned over for recycling, as well as to search for alternative service providers and introduce innovations into the process. The unit has the following plans in place for 2023:
- to continue the practice of separate waste collection at hubs, as well as to increase the number of pallets that can be restored for use
 - to stop purchasing food for employees in plastic boxes, providing meals in canteens instead; this initiative will reduce waste from the unit’s operations
 - to switch to using recycled materials for packaging and handling deliveries at hubs
 - to optimise operational processes involved in managing losses by reducing the amount of waste and the cost of handling it; the operational processes involved in collecting data and digitising analytics and reporting will be automated, which will enable the unit to obtain better data and work proactively to prevent the root causes of losses



X5 Transport

- Plans are in place to recycle used overalls by using them to make other products, such as rags or regenerated fibres.
- The division plans to introduce centralised disposal and further processing of end-of-life telematics equipment by specialised companies.
- The division plans to continue its Green Transport project, which will make it possible to send even more waste for recycling and disposal.

Reduced climate impact and energy efficiency

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X5 Group recognises the significance of climate change and its impact on the economy and understands that combating climate change is one of the most important challenges facing humanity. Reducing the human impact on the environment is a matter of urgency. As one of the largest retailers in Russia, X5 Group strives to accurately assess its environmental impact and reduce greenhouse gas emissions from its operations.

Since 2019, the Company has been calculating and monitoring its Scope 1 and Scope 2 greenhouse gas emissions, and the calculation of Scope 3 emissions was added in 2020. X5 calculates emissions produced by all of its main divisions – Pyaterochka and Perekrestok stores as well as Chizhik hard discounters – in line with the Greenhouse Gas Protocol (GHG Protocol). In addition, emissions from distribution centres, logistics facilities, dark kitchens, transport vehicles and the Corporate Centre are also taken into account. An operational control approach was used to determine the organisational boundaries and specific indicators to be used in emissions calculations.

In 2019, X5 introduced a company-wide GHG emissions calculation programme in accordance with the Corporate Greenhouse Gas Emissions Protocol Accounting and Reporting Standard, adopting 2019 as the base year.

Since the introduction of its [Policy on Energy Efficiency and Combating Climate Change](#), the Company has taken a number of measures to reduce its greenhouse gas emissions and improve energy efficiency. As part of this work, the Company has taken steps to reduce greenhouse gas emissions and optimise energy use, both by reducing consumption and by switching to renewable energy sources.

The fundamental principles and rules outlined in the Policy on Energy Efficiency and Combating Climate Change are as follows:

- Recognition of the significance of climate change and of the Company’s impact in this area. X5 is committed to minimising its impact by reducing consumption, introducing new technologies, optimising processes related to power consumption and engaging with other players involved in creating value, while also exceeding regulatory requirements.
- A commitment to introducing innovative solutions to reduce electricity and heat consumption in order to lower specific energy consumption, as well as to remove obsolete and inefficient equipment and old vehicles from service in a timely manner. The optimisation of operational processes and the use of alternatives enable the Company to reduce its carbon footprint.
- The development and integration of a system for monitoring indicators that affect the Company’s impact on climate change with due regard for the risks and opportunities arising from climate change, including physical risks and risks associated with the transition period.
- Promoting responsible consumption among employees, suppliers and partners; ensuring compliance with environmental laws; and incorporating environmentally friendly technologies.

The Company ensures that all its employees are familiar with this Policy and provides mandatory sustainability training that covers the main provisions outlined in its sustainable development strategy. The Company’s environmental impact is also monitored. The Company sets quantitative targets for climate change mitigation and is developing initiatives to achieve these targets. All feedback received from stakeholders is analysed and taken into account in the development and implementation of follow-up initiatives and internal regulatory documents.

The principal initiatives are outlined in this section. For more information on managing climate risks and opportunities, see the section [“TCFD disclosure”](#).



Strategic goals to 2023: Our 30x30 goals:

- Reduce GHG emissions (Scope 1 + Scope 2) intensity per sqm of selling space by 10% compared with 2019
- Increase the share of renewable energy used by in-house operations
- Reduce GHG emissions (Scope 1 and Scope 2) intensity per sqm of selling space by 30% compared with 2019
- Increase the share of renewable energy used in our operations to 30%



Every year, X5 Group strives to improve its methods for calculating greenhouse gas emissions in order to increase the accuracy of its baselines for comparison in future periods. In the last reporting period, Scope 1 and Scope 2 emissions for 2019–2020 were updated, as was the total amount of greenhouse gas emissions. The changes were due primarily to the addition of information on emissions from refrigerants. In this reporting period, the Company continued to improve its approach to data collection by developing technology to automate the calculation of emissions; as a result, the data on greenhouse gas emissions for 2021 was updated.

The Company monitors trends in the volume of greenhouse gas emissions compared with the baseline level of 2019. In 2022, the total volume of Scope 1 and Scope 2 emissions was 3,528,670 tonnes of CO₂e. The Company’s gross emissions increased primarily due to business development: a 25% increase in the Group’s average retail space compared with 2019 and the development of new business units.

Compared with 2019, Scope 1 and Scope 2 emissions rose by 8.0%, while emissions intensity per sqm of retail space decreased by 13.7%, meaning that the Company was able to achieve its emission reduction targets to 2023.

Power consumption and heating at X5’s stores and distribution centres (mainly from the grid), in addition to the use of refrigerants, account for most of the Company’s Scope 1 and Scope 2 emissions. X5 Group is introducing automated electricity meters to reduce energy consumption. Every year, the Group carries out projects to introduce energy-saving solutions in order to optimise power consumption and develop the use of renewable sources of energy.

The 5.6% year-on-year increase in Scope 1 emissions in 2022 was due to the Group’s expanding operations and an increase in gasoline consumption by the Transport division.

In 2022, X5 Group obtained international renewable energy certificates (I-RECs) for a portion of the electricity (34,947 MWh, equivalent to 12,445 tonnes of CO₂) that it consumed, resulting in a 0.83% decrease in greenhouse gas emissions from electricity consumption. Over time, the Company also plans to switch to using natural refrigerants.

In addition, X5 Group continued to purchase electricity in 2022 under free bilateral agreements (FBAs) for the purchase and sale of electricity. During the reporting period, 60,509 MWh (equivalent to 21,547 tonnes of CO₂) was purchased through FBAs. By using these agreements, X5 Group was able to reduce its greenhouse gas emissions from electricity consumption by 1.44%.

In addition to I-RECs and FBAs, the Company began developing its own renewable energy production capacities, producing 139 MWh in 2022. X5 continues to carry out projects in this area and is committed to increasing its self-sufficiency in terms of energy production.

The Company uses 2020 as the base year for calculating Scope 3 emissions, given that it began calculating Scope 3 emissions a year later than Scope 1 and Scope 2 emissions. Gross Scope 3 emissions rose by 4.7% in 2022, proportional to the expansion of the Company’s total floor space.

Greenhouse gas emissions¹

	Unit	2019	2020	2021 ²	2022
Total GHG emissions (Scope 1 + Scope 2, market-based method)	t of CO ₂ e	3,265,995	3,151,046	3,444,302	3,528,670
Total GHG emissions (Scope 1 + Scope 2 + Scope 3, market-based method)	t of CO ₂ e	n/a	31,298,911	31,900,741	32,990,707
Direct GHG emissions (Scope 1)	t of CO ₂ e	1,280,659	1,239,770	1,393,170	1,471,703
GHG emissions from refrigerant leaks	t of CO ₂ e	893,364	828,116	981,039	1,026,039
Emissions from fuel consumption by transport vehicles	t of CO ₂ e	387,269	411,653	411,774	444,842
Emissions from fuel consumption for energy generation ³	t of CO ₂ e	26	1	358	823
Indirect GHG emissions associated with energy use (Scope 2)	t of CO ₂ e	1,985,336	1,911,276	2,051,132	2,056,967
Emissions from electricity consumption (market-based method)	t CO ₂ e / m ²	n/a	n/a	1,481,679	1,461,176
Emissions from electricity consumption (location-based method)	t of CO ₂ e	1,196,229	1,317,398	1,508,387	1,495,218
Emissions from heating	t of CO ₂ e	789,107	593,879	569,453	595,791
Other indirect greenhouse gas emissions (Scope 3)	t of CO ₂ e	n/a	28,147,865	28,456,439	29,462,037
Total GHG emissions intensity (Scope 1 + Scope 2) per sqm of retail space (average for the period)	t CO ₂ e / m ²	0.478	0.419	0.424	0.412

Scope 3 emissions from X5 Group’s operations were calculated for all material and other relevant categories. Detailed data for each category is presented in the table on page 86 .	at Chizhik, which has the lowest capital costs for store openings of all X5 Group retail formats.
X5 Group’s most significant Scope 3 emissions were in Category 1 (purchased goods and services), Category 12 (end-of-life treatment of sold products) and Category 3 (energy and fuel-related activities not included in Scope 1 or Scope 2).	GHG emissions in Category 7 (employee commuting) decreased by 33% as a result of the updated methodology and the use of more up-to-date figures for the distance from employees’ homes to their place of work, as well as the optimised distribution of employees’ time between remote and non-remote work (when applicable). There were no significant changes in GHG emissions in the remaining categories.
Among the Scope 3 categories, it is worth noting that GHG emissions rose by 7% in Category 1 (purchased goods and services), which was due to the increase in the Group’s retail space (by 8.3% in 2022). The significant decrease (38%) in GHG emissions in Capital goods Category was due to the fact that the fastest growth in terms of retail space was seen	X5 Group reviews the calculations of its GHG emissions every year and makes a considerable effort to improve the data collection process and calculation methodology.

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

2 Greenhouse gas emissions for 2021 were adjusted due to the refinement of the methodology for collecting and calculating the data.

3 The increase in this metric was due to an increase in the use of diesel generators due to emergency situations.

Scope 3 GHG emissions by category¹

Scope 3 emissions, ² t of CO ₂ e	2020	2021 ³	2022
Purchased goods and services	22,257,018	22,022,287	23,475,130
End-of-life treatment of sold products	4,109,039	4,445,998	4,361,478
Fuel- and energy-related activities (not included in Scope 1 or Scope 2)	150,969	622,508	618,822
Capital goods ⁴	728,314	699,364	430,540
Waste generated in operations	568,327	304,338	298,585
Employee commuting ⁵	281,016	280,409	186,801
Upstream transportation and distribution ⁶	45,618	59,861	79,071
Business travel	7,565	13,516	11,610
Downstream transportation and distribution	n/a	8,159	n/a
Total	28,147,865	28,456,439	29,462,037

The following types of gases were included in the calculation of GHG emissions: CO₂, CH₄, N₂O (Scope 1, Scope 2 and Scope 3) and HFCs (hydrofluorocarbons) for Scope 1. The calculation of biogenic CO₂ emissions is not relevant to X5 Group.

Scope 2 emissions were estimated using both the market-based method and the location-based method. Due to the limited availability of data for a market-based calculation, a location factor was used to calculate the residual mix.

The International Energy Agency (IEA) was the source of the values for indirect energy-related GHG emissions. In addition to calculating greenhouse gas emissions from operations, X5 recognises the importance of disclosing information concerning its climate strategy, its efforts to manage climate risks and its preparations for a large-scale transition to a low-carbon economy. In this regard, the Company continued its practice, begun in 2020, of disclosing information on managing climate risks and opportunities on the basis of TCFD recommendations. The full text of the disclosure is available in the section “[TCFD disclosure](#)”.

The key methodological documents used to calculate the Company’s Scope 1, 2 and 3 emissions were the following:

- the GHG Protocol Corporate Accounting and Reporting Standard
- the IPCC Guidelines for National Greenhouse Gas Inventories
- 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 principal sources of emissions factors used for the calculation of GHG emissions were the following:

- 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 2021 and 2022, UK Department for Business, Energy & Industrial Strategy

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

2 The Scope 3 emissions categories not included in the estimate of Scope 3 GHG emissions are not relevant, immaterial or are already included in the Scope 1 and Scope 2 emissions estimates.

3 Greenhouse gas emissions for 2021 were recalculated due to the refinement of the methodology for collecting and calculating the data.

4 The decrease in this metric was due to the decrease in capital expenditures in 2022.

5 The decrease in this metric was due to the refinement of the methodology for calculating the average distance from home to work place of employees in 2022.

6 The increase in the metric was due to the increase in the cost of transport and distribution services to X5 in 2022.

Energy efficiency



Smart stores

A Smart Store system is being integrated into all new and renovated stores. The system is helping to reduce energy consumption, automate the operation of equipment (refrigerators, refrigerated showcases, heating and air conditioning systems, lighting and heating of the sales area and back rooms) and minimise the risk of accidents thanks to special sensors, controls and software for integration into existing work processes.

Optimising the operation of refrigeration equipment, lighting, air conditioning and ventilation, air curtains and other equipment will reduce energy consumption. The Company has been keeping track of performance indicators since the system was put in place, and positive trends have been noted from year to year.

For example, Pyaterochka stores have installed more than 300,000 monitoring units and refrigeration control units made by various manufacturers. Monitoring the operation of such a large number of devices and the dozens of different operating parameters specific to each equipment model would be impossible without automating the processes involved in telematic data processing, detecting malfunctions and communicating with service companies.

We decided to use a refrigeration control system based on HeadPoint’s proprietary InOne IoT platform. The system automatically monitors equipment according to various criteria, ranging from making sure that the names of the control units are correct or obtaining data on individual parameters to carrying out complex checks, where the value of one parameter depends on the equipment’s specific operating mode or the current values of other parameters.



Pyaterochka

- The Company continued installing Smart Store systems at Pyaterochka stores, adding the system to 793 properties in 2022. As a result, electricity consumption decreased by 4.9%.
- The installation of solar panels at four stores resulted in an annual reduction in the consumption of electricity from the grid by 20% on average.
- Ten DCs continue to operate on green energy.
- In December 2021, an agreement was concluded to switch Pyaterochka stores in the Republic of Karelia to hydropower. The switch saved about RUB 1.9 million for the year thanks to lower markups from the guaranteeing supplier. In 2022, 13 more properties were added to the contract. At present, 39 of the 115 facilities in the Karelia Division, or about 34%, are powered by renewable energy.
- As a result of the transition to more environmentally friendly CO₂ refrigerants in Podolsk, no losses have been recorded as a result of temperature deviations in the 2.5 years that the DC has been in operation.

Reducing energy consumption at Pyaterochka

		2020	2021	2022
Energy savings from the use of Smart Store systems ¹	MWh	7,147	32,299	52,189
Energy savings from the use of remote monitoring systems for refrigeration equipment	MWh	11,847	14,478	19,343

¹ The pilot project was launched in 2019 as part of an energy efficiency programme aimed at achieving the Company’s strategic goals.



Perekrestok

- Some 468 stores are now using Smart Store systems, including 52 stores that were outfitted with the system in 2022, which reduced energy consumption at those properties by about 10%.
- In 2022, double-glazed refrigeration units were installed at 84 stores, reducing energy consumption by 11%.
- Since the format began purchasing wholesale electricity in 2022, five properties have been receiving energy from the wholesale market, thus lowering the cost of electricity by lowering markups.



Direct Import unit

The storage areas at all direct import hubs were equipped with humidity and temperature sensors in 2022. Metering is conducted in real time; in addition, it is possible to track data for any time period if necessary. Meter readings are typically sent by e-mail to the responsible individuals twice a day, and a notification is also sent by e-mail if a deviation from the normal temperature is detected.

Efforts are also ongoing at direct import hubs to reduce energy and water consumption.



Vprok.ru

To reduce energy consumption in the reporting period, excess lighting was eliminated and work was carried out on the systematic transition from fluorescent lighting to LED lighting; as a result, LED lamps are now used in 99% of indoor spaces. In auxiliary rooms and storage areas, human-presence sensors were installed, and repairs were carried out to insulate the external walls and replace windows and doors. In addition, it is now possible to adjust the heating and ventilation settings manually.

To reduce water consumption, the system is regularly monitored for hidden leaks, including daily inspections to look for any faulty plumbing fixtures.

Thanks to these initiatives, Vprok.ru was able to achieve its immediate targets in terms of water and energy efficiency.



Green office

X5 Group’s Moscow-based headquarters has Gold-level LEED environmental certification, which means that it 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 and motion sensors; in addition, waste paper, lids and batteries are collected.

The Company’s Kalitniki office uses zoned lighting systems, and recovery and dispatch systems are in place for ventilation units. Introduced in 2020–2021, these innovations reduce the amount of energy consumed for lighting and ventilation. The temperature of heating units can be set independently, and the temperature of secondary heating units is regulated based on the outdoor temperature. In addition, contact-free taps have been installed at the Kalitniki and Oasis offices.

Since 2021, the Company’s offices have been using certified paper for printing. X5 Group is a member of the Board of Trustees of the Forest Standard system and supports the development of responsible use of forest resources.

Kinnarps, one of the Company’s furniture suppliers, has been certified by the Better Effect Index as a sustainable manufacturer. The Better Effect Index is a comprehensive tool that covers compliance with requirements in terms of raw materials and resources, the climate, the environmental friendliness of materials, social responsibility, recycling and ergonomics.

As part of an existing project aimed at reusing paper, the Company increased the number of paper collection boxes, which are available in every section of the Kalitniki office and on every floor of the Oasis and Comcity offices.

The Company stopped purchasing disposable plastic cups in 2022. A number of X5 Group offices segregate waste, collecting used batteries, plastic lids, toothbrushes and household PE plastic.



X5 Transport

Since transport and logistics operations have a considerable impact on the environment, we use a variety of tools to minimise this impact, including investing in a state-of-the-art fleet of trucks and switching to more environmentally friendly fuel, optimising routes to reducing empty mileage, and recycling car tyres and cameras, batteries, ferrous and non-ferrous metals, automotive oils and other materials in accordance with Russian laws.

We have switched about 20% of our vehicles to diesel and replaced semi-trailers with lighter-body trucks in order to reduce emissions.

X5 Transport is carrying out a number of pilot projects to reduce its carbon footprint in line with SDG 12 (Responsible Consumption and Production) and SDG 15 (Life on Land).

- X5 Transport is constantly improving its processes in order to optimise fuel consumption:
 - Trucks with lighter bodies are being used, which reduces emissions.
 - About 20% of the fleet has switched to hybrid vehicles that run on petrol and diesel fuel.
 - Thanks to optimisation efforts, mileage per trip was reduced by 10.5%.
- As a result of a course on eco-driving, gas and other solutions, the Transport Division reduced specific greenhouse gas emissions per sqm of selling space by about 6% compared with 2021.
- The methodology for calculating the percentage of empty mileage was revised to begin accounting for recyclables, including recyclable containers. By the end of 2022, the percentage of empty mileage had decreased relative to Q1 2022 by more than 10%, and averaged 24.8% for the year.
- The development of a real-time monitoring system incorporated more than 50 upgrades and improvements that enable X5 Transport and other Company divisions to better ensure compliance with service metrics when delivering items to stores, and make it easier to obtain analytical data. This work will continue in 2023, when the Company plans to introduce new tools for monitoring excess mileage.
- The Company’s maintenance garages have become more efficient: in 2022, 73% of repairs were carried out in-house (vs 41% of repairs carried out in-house at the beginning of 2022). In 2022, seven new maintenance garages were opened. This increase has helped reduce mileage spent on trips to third-party service stations, while also bolstering oversight of production- and consumption-related waste.
- We began using real-time data instead of estimates to calculate the consumption of refrigerants. This enables us to see the actual consumption of refrigerants at X5 Transport.
- The metering of fuel consumption was improved, making it possible to obtain more accurate consumption data.

Our plans

The Company plans to continue its activities aimed at reducing its adverse impact on the climate and improving energy efficiency.

All new Pyaterochka stores and stores undergoing scheduled renovations will be equipped with a Smart Store system, which uses sensors, control systems and software for integration into existing work processes, which will help reduce energy consumption and automate equipment management.

The installation of double-glazed refrigeration units as well as the installation of Smart Store systems are now standard when opening and renovating all Perekrestok stores. All installations will be carried out on the basis of the development plan for 2023, which will see the opening of 32 Perekrestok stores and the renovation of 41 others. The installation of double-glazed refrigeration units at these Perekrestok stores in 2023 is expected to reduce the energy consumption at these facilities by 11%, and connecting them to the Smart Store system will reduce electricity consumption by an average of 10%.

Pyaterochka plans to expand its installation of solar generators while also launching a pilot project to install solar panels on windows. The panels will be mounted on the building’s glass façade to prevent the penetration of direct sunlight into the store, which will reduce the temperature inside by several degrees. At the same time, the solar panels will generate electricity that will be supplied to the store’s power grid.

The Company is also planning to conduct a pilot at one Perekrestok supermarket in 2023 to equip the supply ventilation system with air coolers that use ordinary water, rather than freon, as a cooling agent.

Vprok.ru plans to continue installing state-of-the-art HEPA filters in its general ventilation systems that remove 97% of airborne particles.



Offices

In 2023, all Company offices will support existing initiatives to promote sustainable development and reduce the Company’s adverse impact on the environment.

The Company plans to do the following at its offices:

- put up posters promoting energy conservation
- upgrade the automated control system for individual heating units at the Kalitniki office, which will reduce the consumption of thermal energy by 3%–5%
- arrange timely renovations and replace window frames
- apply spectral-selective coatings to windows and exterior glass walls; these coatings block 99% of ultraviolet and 60% of thermal radiation, which reduces the cost of air conditioning and ventilation and, accordingly, reduces energy consumption



Direct Import unit

The Direct Import will continue its work to reduce energy and water consumption at its hubs. In addition, the unit has the following plans in place to reduce its climate impact:

- switching from halogen lighting to LED lighting, which will save a considerable amount of energy and contribute to sustainable consumption
- using natural products when cleaning warehouses
- replacing maintenance-free acid batteries with lithium-ion ones, which will reduce the carbon footprint of the unit’s operating activities



X5 Transport

For 2023, the Transport Division is planning the following initiatives to reduce its carbon footprint and resource consumption:

- begin piloting electric trucks; the division is currently putting a network of charging stations in place in conjunction with the Company’s retail formats
- optimising the use of space within trucks’ cargo holds through a number of planned measures; for example, new vehicles purchased for Chizhik have 6.3% more pallet capacity, which will reduce the number of deliveries, thus lowering emissions per unit of cargo transported
- integrating new instruments for monitoring excess mileage
- updating the fuel consumption benchmark for drivers and installing meters to record gas-free mileage for vehicles with a gas cylinder
- monitoring real-time data on resource consumption (water, energy, heat), which will make it possible to identify potential solutions to reduce related costs
- integrating an automated accounting and planning system for vehicle repairs, which facilitates timely vehicle maintenance and extends the service life of components and assemblies considerably, thus reducing downtime and improving performance
- introducing virtual fuel cards, which will reduce the amount of time needed to issue cards when changing counterparties and reduce the amount of non-recyclable plastic used
- developing and launching a training course on an environmental approach to transport for the heads of trucking companies and chief mechanics in conjunction with the Department for Onboarding, Training and Development; the course will be mandatory for new hires
- continuing to develop a number of projects to automate various processes that will enable the division not only to reduce labour costs and resource consumption but also to improve the quality of working conditions

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TCFD disclosure

Throughout 2022, X5 Group maintained its focus on incorporating climate-related risks into its business operations as well as expanding the scope and improving the transparency of the Company’s climate reporting. The following TCFD disclosure is a thorough review of the Group’s performance amid the political, legal and economic environment of 2022. The information in this section is correct as at 31 December 2022, unless stated otherwise.

Governance

As the Company is committed to proactively managing its climate footprint and mitigating the risks associated with it, X5 has developed a decarbonisation strategy that emphasises conscious consumption of resources while building resilience to external challenges. Our corporate governance framework is set up to ensure that the highest levels of management reinforce our long-term strategy for addressing climate change. Supervisory Board members are in charge of developing and monitoring our sustainable development strategy, ensuring that executive management implements sustainability and climate-related measures quickly and efficiently. In 2022, we also introduced the position of X5 Group President to further strengthen our operational decision-making in line with the Group’s strategic priorities in a fast-changing external environment.

Corporate governance structure

Supervisory Board

The Company’s overall course of affairs, strategy and operational performance, including on climate action and climate risk response, are overseen by the Supervisory Board. The Board sits above the Executive Board – the Company’s senior management – and delegates essential responsibilities to standing committees in accordance with their areas of responsibility. See more on the Supervisory Board on pages 130–136 of our [2022 Annual Report](#).

Our sustainable development strategy was approved by the Supervisory Board and has become an integral part of our long-term business strategy. At least once per quarter, the Supervisory Board meets to review and approve the process for assessing corporate risks, including climate risk assessments. Regular detailed reports from the relevant committees allow the Board to monitor performance across all key projects and activities, including advances in climate risk mitigation measures, progress against the sustainable development strategy and the impact of environmental projects. Each year, the Board approves the budget for the Company and its projects in line with the Group’s strategic priorities, including ESG- and climate-related initiatives.

Executive Board

The Executive Board is in charge of handling day-to-day strategic and operational decisions that drive progress against the Company’s overall strategy as well as its sustainable development strategy. As part of its activities, the Board is involved in identifying and appropriately addressing risks that threaten the achievement of the Company’s business objectives and the continuity of its operations, which includes regularly monitoring climate-related risks and opportunities. The Executive Board holds monthly meetings and provides regular progress updates regarding ongoing projects and climate-related findings to the Supervisory Board. To keep close track of environmental performance and the risks and opportunities associated with climate change, the Board receives regular reports from representatives of the Company’s business units.

The Sustainable Development and Innovation Committee

On 16 March 2022, the authority and duties formerly held by the Sustainable Development and Innovation Committee were returned to the broader Supervisory Board amid recent events.



Strategy

Our sustainable development strategy is driven by cost-effective decarbonisation measures that are set to increase the long-term value of the Group. The strategy is directly updated with the results of our ever-evolving risk assessment processes and by measuring our climate impact against the Group’s targets. By analysing how climate risks affect us, we gain a more comprehensive understanding of how the Group’s strategy should be designed as well as of how we should mitigate the consequences of potential issues in the future. We continuously assess the possible financial implications of climate-related issues and changes in climate scenarios on our strategy to ensure we deliver on our sustainability goals and business objectives despite any external challenges.

The sustainable development strategy is integrated into the Group’s broader strategy and is aligned with Russia’s decarbonisation goals. As-part of this vision, X5 has introduced the 30x30 agenda, which aims to reach the following medium-term targets by 2030:

- Reduce GHG emissions (Scope 1 and Scope 2) intensity per sqm of selling space by 30% compared with 2019
- Increase the share of renewable energy used in our operations to 30%
- Reduce the ratio of waste generated to retail sales by 30% compared with 2019

ESG and climate considerations are not only an integral part of the Group’s long-term strategic vision; they are also being incorporated into its short-term corporate strategy until 2025, which is currently under development. The update will include a sustainable development section as one of the Company’s strategic priorities.

Climate-related issues are taken into account at various levels in the Group’s decision-making processes as X5 Group continues to expand its awareness of, and commitment to, environmental and climate responsibility in its strategy:



Investment decisions

When making decisions on investment initiatives, X5 considers the financial impact that transitional and physical risks may have as well as the potential impact on the Group’s GHG emissions. Furthermore, in 2022, some changes were made to the investment policy to integrate special conditions into ESG projects, including climate-related projects designed to soften the climate impact of the Company’s operations. According to the new investment policy, ESG- and climate-related projects have lower approval requirements than the regular standards set for the Group.



Operational planning

Decarbonisation and energy-efficiency opportunities have been incorporated into the decision-making process concerning the launch of new business units. From 2022 onwards, new Pyaterochka and Chizhik distribution centres have had a particular set of building requirements to ensure more climate-conscious operations, such as the installation of energy-saving equipment and making other efficiency gains, where possible.



Budget considerations

Climate risks are also taken into account when making budgeting decisions. The regularly updated climate risk register and an assessment of financial impact (e.g. an analysis of changes in refrigerant prices and the cost of replacing equipment) are incorporated into capital expenditure decision-making.

Climate-related risks

In order to efficiently identify and manage climate-related issues and develop effective decarbonisation measures, the Group analyses and monitors its climate risks. Our risk assessment process is informed by the following climate scenarios from the IPCC’s Sixth Assessment Report (AR6) and the IEA’s annual outlooks, including its most recent edition.

1.5°C scenario (Scenario SSP1-2.6)

This is the most challenging scenario, involving considerable adjustments to the Company’s activities, yet one that would help to greatly lessen the impact of physical climate risks for the Company and, on a larger scale, for society. This scenario ensures that the goals of the Paris Agreement are met. The world moves towards a low-carbon development path and a greener economic model, and away from its current resource- and energy-intensive practices. Both developed and developing countries strive to achieve net zero as soon as is practically possible and adopt relevant policies. On top of lowering GHG emissions in hard-to-abate sectors, carbon capture technologies are developed. The share of fossil fuels in the global energy mix declines in the mid-2020s and flattens out in the 2030s as a result of the worldwide contribution to a rapid reduction in the use of such energy sources.

2.0°C scenario (Scenario SSP2-4.5)

Though less drastic than the 1.5 °C scenario, this scenario would nonetheless require significant adjustments to the way the Company operates. The impact of physical climate risks on the Company and the global economy as a whole would be partially reduced. Compared to the 1.5 °C scenario, this path leads to worsening climate change and more dangerous consequences. However, it does see the world’s energy mix shift in favour of more sustainable sources. It also assumes that, despite the challenges posed by climate change and declining use of energy sources like oil and gas, economic growth will continue. Overall energy consumption is also reduced, although in a less efficient and environmentally friendly way than in the first scenario. The share of fossil fuels in the global energy mix declines around 2030 and flattens out around the 2040s, as both developed and developing economies strive for net zero. The decarbonisation initiatives undertaken by developed nations and subsequent similar actions introduced by emerging economies several decades later result in a reduction in the resource and energy intensity of the global economy.

4.0°C scenario (Scenario SSP5-8.5)

Under this scenario, the Company’s activities do not need to change significantly, and operations would proceed as usual. Physical climate risks would have a greater effect on the Company as well as on the world economy. Both developed and emerging nations experience fast economic growth. Oil and gas remain the key energy sources, and there is still a tremendous demand for natural resources and materials. While some economies seek to implement decarbonisation initiatives, these efforts are not enough to materially impact the global economy, development or energy intensity. As the share of fossil fuels in global energy consumption remains unchanged or potentially increases, GHG emissions continue to grow until the end of the century.

X5 Group considers the SSP2-4.5 scenario (the 2.0 C scenario) to be the primary one for our industry. Therefore, we pay particular attention to materiality scores within the SSP2-4.5 scenario (the 2.0°C Scenario), as we believe it to have a long-term effect on the Group’s strategic resilience and estimated financial impacts.

Physical and transition risks

The Company’s approach to climate risk assessment considers both physical and transition risks in line with global best practice. Physical climate-related risks are associated with the physical impacts of climate change, such as storms, droughts and forest fires. The Group identified extreme weather events and changes in precipitation amounts and patterns as the most significant risks in this category as they pose the biggest threat to the supply chain and, therefore, to X5’s retail activities. As per the [IPCC’s Sixth Assessment Report \(AR6\)](#), extreme weather events are expected to increase in frequency by 2050, which corresponds to the long-term horizon within the Company’s risk assessment framework and strategy. Therefore, the impact of physical risks will be more significant in the long term.

X5 Group is closely monitoring environmental changes that may affect the severity of risks associated with the transition to a low-carbon economy, also known as transition risks, as the Company’s financial performance is more likely to be significantly impacted by such risks due to an increase in expenditures arising from subsequent operational transformations. Hence, X5 pays special attention to this category of climate risks, as they are more volatile and present a more immediate threat to its operations.

2022

In 2022, the Company continued its efforts in operating an efficient and up-to-date risk identification and assessment system, while continuously enhancing it. As such, a thorough review and revaluation of the entire climate risk register was conducted to incorporate the most recent developments in both national and international regulations, stock exchange requirements, methodological frameworks as well as other relevant events. The key changes in risk scores and materiality compared to their 2021 values, as well as the reasons for the adjustments made, are summarised below. While the results of the qualitative analysis and expert assessment reflect the average materiality results for the Group in the reporting year, X5 analyses each business unit separately in order to have a comprehensive understanding of the risk exposure across business activities and geographies.

In 2021, X5 conducted a comprehensive quantitative assessment of climate-related risks and opportunities, the results of which were presented in the form of a detailed risk register, reflecting both physical and transitional risks. A full and complete disclosure of the risks analysed, their materiality estimates and potential consequences, as well as the corresponding mitigation activities, can be found on pages 68–72 of our [2021 Sustainability Report](#).

A comprehensive revaluation and recalculation was carried out in 2022, with the materiality scores of each risk within a specific climate scenario and time horizon colour-coded in the table below and arrows showing the direction of change for each score (compared to their values in 2021).

Risk	Risk component	Consequences	Scenario SSP1-2.6 (~1.5°C)	Scenario SSP2-4.5 (~2.0°C)	Scenario SSP5-8.5 (≥4.0°C)	Commentary	Risk management initiatives
Changes in investor behaviour Investors may have more exacting requirements regarding a the Company's climate strategy and actions, particularly in terms of the scope of climate disclosures. Since ESG scores may influence investors’ decision-making, a low ESG score alerts investors to increased climate risks and poor quality of management.	A potential loss of investor interest should insufficient public information be disclosed about: - the Company’s activities in response to climate change; - the impact of climate change on the Company’s financial performance; - GHG emissions, carbon intensity of production and other climate-related metrics and targets.	An increase in the cost of borrowing and required rate of return on equity as well as the implementation of strict financial and non-financial covenants.	2025  2030  2050 	2025  2030  2050 	2025  2030  2050 	In the mid-term, the risk score increases; as in the 1.5°C scenario, investors and financial regulators are expected to have the most stringent requirements, while exchanges actively impose tighter restrictions on climate disclosures. The short-term risk estimate under the 2.0°C scenario has been slightly lowered, since investor expectations towards climate-related disclosures are likely to be less exacting than in the 1.5°C scenario, although not as liberal as in the 4.0°C scenario. Finally, in the 4.0°C scenario, the short-term risk score is adjusted upwards because this scenario does not exclude a negative assessment by potential investors, especially considering that the time horizon has been revised to 2025.	- Monitoring developments in the reporting requirements of international stock exchanges and best practice for climate-related disclosures - Implementing best practices in responsible business and decarbonisation methods - Articulating the Company’s decarbonisation strategy and explaining what challenges the Company may face during the transition - Providing a third-party assurance of climate-related data - Improving climate-related disclosures for key ESG ratings

 Lowest impact

 Medium impact

 Highest impact

 Score increase

 Score decrease

 No score changes



2022

Risk	Risk component	Consequences	Scenario SSP1-2.6 (~1.5°C)	Scenario SSP2-4.5 (~2.0°C)	Scenario SSP5-8.5 (≥4.0°C)	Commentary	Risk management initiatives
Changes in regulation Regulatory risks arise from governmental requirements for compliance with national climate goals and international commitments to combatting climate change	Payments for GHG emissions	Payments for GHG emissions would increase logistics cost	2025  2030  2050 	2025  2030  2050 	2025  2030  2050 	A score increase in the short term across all three scenarios is due to the recent developments in national legislation. While there is currently no fee for GHG emissions in Russia, on 2 July 2021, Federal Law No. 296-FZ on Limiting Greenhouse Gas Emissions came into force, laying down the regulatory framework for mandatory carbon reporting. Although retail trade is not listed among the regulated industries, fuel combustion in Company transport falls under the new regulations. Further amendments and additions to the law are to be expected. As such, there is a planned introduction of administrative penalties for failure to submit mandatory carbon reporting. The respective bill has already been submitted to the State Duma. Furthermore, on 1 September 2022, a GHG quota trading system was piloted in the Sakhalin region. The experiment is likely to be expanded to other regions in the future and subsequently rolled out across the entire country.	- Monitoring the volume of emissions (Scope 1, Scope 2 and Scope 3) - Regular reporting on GHG emissions and other climate-related and ESG issues in compliance with the current national legislation and international standards - Continuously monitoring relevant regulatory and legislative developments and disclosure trends - Conducting a climate-related risk assessment in line with TCFD and other relevant frameworks - Reducing overall GHG emissions across the value chain - Completing a comprehensive cost analysis of the shift to low-carbon operations, including the shift to more environmentally friendly equipment - Developing GHG emission-reduction initiatives, including the transition to refrigerants with a lower GWP - Increasing the share of on-site renewable energy generation - Using an internal carbon price when discussing new projects
	Changes in stock exchanges' climate disclosure requirements for public companies	Stock exchanges may suspend the Group's listings for failure to disclose climate-related aspects of its operations	2025  2030  2050 	2025  2030  2050 	2025  2030  2050 	A downgrade in the short-term score across all three scenarios is driven by the suspension of Russian companies' (including X5's) listings by the London Stock Exchange in 2022. Medium- and long-term estimates remain unchanged, as trading activities are likely to resume in the future; therefore, the risk of non-compliance with the mandatory climate-related disclosure requirements in the medium and long term remains. Furthermore, on top of the UK, a number of other jurisdictions have either adopted or announced their intentions to introduce requirements or recommendations for the disclosure of climate-related information by 2025 at the latest.	

 Lowest impact

 Medium impact

 Highest impact

 Score increase

 Score decrease

 No score changes

Risk assessment

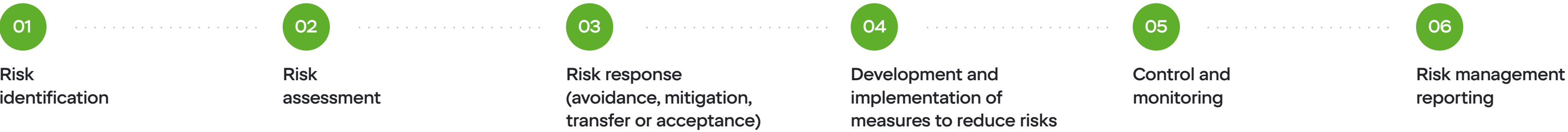
Our climate risk assessment process aligns with the Group’s general risk assessment and is closely reviewed on a regular basis during the Supervisory Board’s strategy sessions. Additional information on the Group’s risk management can be found on pages 119–126 of our [2022 Annual Report](#).

The results of climate risk and opportunity assessments help the Group develop a more comprehensive understanding of the changes necessary to transition to a low-carbon economy business model. Our decarbonisation initiatives closely align with the results of climate risk assessments, especially with the proposed measures to mitigate

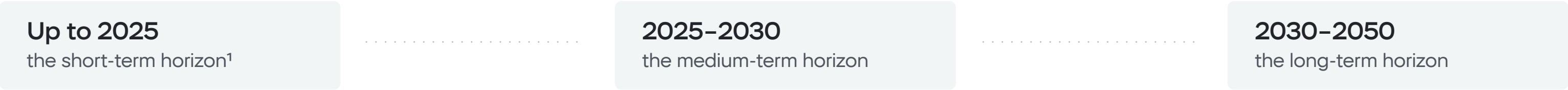
such risks, to ensure the effectiveness and resilience of the Group’s sustainability strategy.

Both physical and transition climate risks are incorporated into the general risk register and are subject to annual review.

The climate risk assessment complies with the Group’s risk assessment procedures and includes the following steps:



The Group’s strategy and climate risk assessment is structured across three time horizons:



The Group uses uniform approaches to assessing climate risks, utilising a scale to gauge risk impact, which classifies risks from the lowest to the highest possible impact to estimate the materiality of climate threats. Risks are identified and scored for each business unit separately. This assessment includes the impact of risks on market share, financial performance, investor relations, interactions with regulators, operational processes and employees. If a new risk becomes apparent and material at the level of a business unit, it will be escalated for further analysis as per the Group’s corporate risk assessment process.

The Group assesses the impacts of climate-related risks and opportunities on X5’s financial performance through 2030. The financial consequences of physical and transition risks have been assessed, taking into account the potential effects on the Group’s key financial performance indicators. Financial estimates are subject to periodic review and reassessment to ensure accurate and climate-informed decision-making. The results of the financial assessment conducted in 2020 were reviewed in 2022, and no changes identified were significant enough to require a full reassessment.

The process of evaluating climate risks evolves on a yearly basis: in 2022, X5 expanded its climate risk analysis by proceeding with a geographic mapping of climate risks in order to determine the degree of the Company’s exposure and vulnerability to climate change in its areas of presence.

Risk mapping tool

In 2022, X5 introduced a new climate risk analysis tool, which builds on the previous quantitative and qualitative climate risk assessments and augments them with a geographical dimension. The new climate risk mapping tool takes the form of a dashboard that visualises climate change data in combination with related socio-economic factors to help identify and analyse the Group’s climate-related risks and opportunities.

The tool includes the climate scenarios used in the previous quantitative and qualitative climate risk assessments (1.5°C, 2.0°C and 4.0°C) and their effects on the Company’s stores, distribution centres and transportation hubs as well as the pathways plotted for the 2022–2050 time horizon. The dashboard allows us to select a climate scenario for physical and transition risks and estimate its financial impact on specific assets within the selected timeframe, based on a range of physical, social and economic indicators (e.g. the cost of refrigerants, changes in diesel prices, changes in per capita disposable income and precipitation patterns, among other factors).

Thus, the previously completed quantitative assessment combined with a qualitative scenario analysis within the risk register and geographical considerations of the climate risk mapping tool constitute a comprehensive system designed for rapid and effective risk identification, assessment and mitigation, while also informing the Company’s budgeting and investment decisions as well as its strategic and operational planning.

1 Strategy 2025 is currently under development.

Metrics

The Group has been measuring GHG emissions in accordance with the Corporate Accounting and Reporting Standard of the GHG Protocol since 2019. In 2022, this assessment included GHG emission sources at key business units that make up at least 95% of all GHG emissions: namely, Pyaterochka, Chizhik and Perekrestok supermarkets; the Vprok.ru online delivery service; the Mnogo Lososya ready-to-eat digital service; as well as distribution centres, logistics hubs, vehicle fleets, the Corporate Centre and the Direct Import unit. The dissolution of the Karusel retail chain, coupled with the reduction in the number of the chain’s stores and in the share of retail space, as well as a decrease in resource and energy consumption, meant that this business unit was excluded from the calculation scope due to its immateriality.

When developing the decarbonisation pathway, X5 established a feasible internal carbon price to support its strategic decision-making. The internal methodology and quantitative estimates are still contingent on continuous regulatory changes; therefore, the instrument is still under review.

X5 Group has also established climate-related KPIs for management to motivate the implementation of the 30x30 agenda. KPIs include the LTI programme, which has a 10% decarbonisation target by 2023 vs a 2019 baseline. Other sustainability metrics rank among the KPIs, such as an increase in the share of recycled packaging and waste management initiatives that are crucial for decreasing Scope 3 emissions. Overall, climate-related KPIs hold a 5% weighting among management’s KPIs.

In December 2020, X5 Group announced its commitment to the Science Based Targets initiative (SBTi). While we have significantly advanced our understanding of the specific measures needed to reach the objectives set, the Group’s efforts in submitting its GHG emission reduction targets were limited due to unforeseen circumstances, with formal recognition by the SBTi coalition remaining as the last step. X5’s GHG reduction targets are based on the methodology and requirements of the initiative and include considerations of achieving net zero by 2050.

Despite the challenges of 2022, our efforts to follow the trajectory of our 30x30 agenda continued:

- In 2022, an innovative track was launched as a tool for discovering new cutting-edge projects, including those in alternative refrigerant solutions, amid better recognition of the importance of harnessing greener and climate-friendly refrigeration options. Hence, the Group started researching alternative non-ozone-depleting refrigerant solutions, which culminated in the piloting of air conditioners that use water as a cooling agent at a Pyaterochka distribution centre. Furthermore, building on the success of last year’s project to install a transcritical CO₂ refrigeration system at a Company distribution centre, X5 started exploring the potential and strategy for scaling up this technology in 2022. Most notably, X5 conducted a comprehensive financial assessment of the cost of transitioning to alternative refrigeration equipment, covering the majority of distribution centres, which aids in planning and budgeting.
- Decarbonisation and energy-efficiency considerations have been incorporated into the technical building requirements for new Chizhik distribution centres. From 2022 onwards, project plans will require consideration of a number of climate-related issues, including optimising the operation of energy-intensive equipment and exploring more environmentally friendly technologies (e.g. CO₂ refrigerants). Furthermore, X5 has developed a WRS accounting form for monthly monitoring of freon levels and plans to launch it in 2023. These ambitions translated into updates in standard agreements with contractors that service refrigeration equipment – under the new conditions, contractors must send us data on the amount of freon refilled each month. This initiative will allow us to track and manage the environmental impact of our business units and curb their future GHG emissions, where possible.

Additional information on X5’s other environmental initiatives are provided in various sections of the chapter “The planet”.





EU Taxonomy for sustainable activities

The European Commission has adopted a package of comprehensive measures designed to support investors’ preference for greener and more sustainable projects, as part of an agenda to achieve carbon neutrality by 2050.

In 2023, the **Corporate Sustainability Reporting Directive (CSRD)** entered into force. The Company will be required to disclose ESG information in line with the CSRD as of 2025.

In accordance with the Directive, X5 plans to disclose information for 2025, but the Company began to prepare for disclosures in line with the European Taxonomy (Regulation (EU) 2020/852 of 18 June 2020) in 2022. This Directive should ensure standardised and more detailed ESG disclosures, as well as the independent verification and audits thereof.

EU Taxonomy

The EU Taxonomy is a classification system for environmentally sustainable economic activities. An economic activity is considered eligible for the Taxonomy if it is included on the EU Taxonomy list and therefore could potentially contribute to the realisation of one or more of the Taxonomy’s six environmental objectives:

- Climate change mitigation
 - Climate change adaptation
 - Sustainable use and protection of water and marine resources
- Transition to a circular economy
 - Pollution prevention and control
 - Protection and restoration of biodiversity and ecosystems

Taxonomy-eligible activity

An activity may be considered Taxonomy-eligible if it is described as such in Regulation (EU) 2020/852, a delegated act supplementing the EU Taxonomy.

This is the Company’s second disclosure in accordance with the requirements of the EU Taxonomy. Similar to in 2021, this section provides information on the proportion of X5 Group’s total consolidated operating revenue, capital expenditures (capex) and operating expenses (opex) for the 2022 reporting year attributable to economic activities that satisfy the Taxonomy criteria for the first two environmental objectives (climate change mitigation and climate change adaptation).

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

To be classified as a sustainable economic activity according to the EU Taxonomy regulation, a company must evaluate activities within its business that



The regulator has stipulated two levels of disclosure:

Taxonomy-eligible activity: activities that meet one or more of the six objectives (item 1)

Taxonomy-aligned activity: activities that meet one or more of the six objectives and the criteria outlined in items 2–4

Company activities

The table below provides information on which activities conducted by X5 business units align with the economic activities described in the EU Taxonomy.

X5 Group activities	EU Taxonomy activities
X5 Transport enables X5 to provide a reliable supply of goods to its growing network of stores efficiently and dependably. The vast majority of the Group’s operations use trucks, but a small part of its operations, in remote small towns, use rail transport. The online hypermarket Vprok.ru operates a fleet of light-duty trucks to deliver items ordered online.	6.2 Freight rail transport 6.6 Freight transport services by road
X5 Real Estate manages real estate projects, including the construction and renovation of buildings as well as property acquisition and ownership. In 2022, X5’s only real estate projects involved renovations; the Company did not take part in any construction projects or acquire any properties.	7.2 Renovation of existing buildings 7.7 Acquisition and ownership of buildings

EU Taxonomy

Economic activities covered by the EU Taxonomy

X5 Group EU Taxonomy KPIs in RUB mln / percentage¹

Economic activities	Code	Absolute turnover	Proportion of turnover	Absolute capex	Proportion of capex	Absolute opex	Proportion of opex
Taxonomy-eligible activities	–	0	0%	37,195	45%	10,288	3%
Freight rail transport	6.2	0	0%	0	0%	128	0%
Freight transport services by road	6.6	0	0%	8,890	11%	10,160	3%
Renovation of existing buildings	7.2	0	0%	28,305	34%	0	0%
Activities that are not Taxonomy-eligible	–	2,605,231	100%	44,859	55%	322,055	97%
Total	–	2,605,231	100%	82,054	100%	332,342	100%

Overview of EU Taxonomy–eligible activities

The activities described in the table are not revenue-generating for the Company; therefore, the proportion of turnover that can be considered eligible is 0%.

The proportion of our capital expenditures attributed to these activities was calculated by assessing the economic activity that each asset category is related to: asset categories associated with Taxonomy-eligible activities were included in the calculation. For X5 Transport this included the acquisition of new trucks, and for real estate management it included all materials and the salaries of workers taking part in the renovation of existing buildings, since they are capitalised.

The proportion of our operating expenses was calculated by direct expenditures relating to the day-to-day servicing of assets eligible for the capex KPI. These were mainly expenses on fuel, lubricants and vehicle repair. No opex was associated with the renovation of buildings.

Future steps

X5 Group is committed to improving its contribution every year and will provide partial and full disclosure, where possible, by developing practices and initiatives to facilitate such disclosures. Although criteria have not yet been specified for all environmental targets, the Company has already begun putting a system in place to record the data necessary in line with disclosure criteria.

In the coming years, we will continue to report under the EU Taxonomy with regard to our Taxonomy-eligible economic activities and Taxonomy-aligned economic activities.

The wording and terminology used in the EU Taxonomy allow a degree of ambiguity, which could lead to changes in reporting following a final clarification by the EU. For this reason, there is a risk that key performance indicators considered consistent with the Taxonomy will need to be evaluated differently in the future.

Taxonomy-aligned activity

In order to assess whether a Company activity can also be considered Taxonomy-aligned, an additional assessment is required to determine whether the EU Taxonomy criteria have been met.

At the moment, the Company sees the potential of a possible positive impact (Taxonomy-aligned activity) in terms of climate change adaptation in respect to the acquisition and ownership of buildings and freight transport services by road. The Company may also be able to have an impact in terms of climate change mitigation. We will make an effort to ensure that these indicators are calculated accurately.

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



Responsible water consumption

- 303-1
- 303-2
- 303-3
- 303-4
- 303-5

The Company recognises the importance of water conservation and its responsibility to inform customers and suppliers about the principles of sustainability and responsible consumption.

The conservation of water resources is one of X5’s overall goals in terms of environmental responsibility. Our Sustainable Development Policy sets out our commitment to optimising water use in all our processes. Awareness-raising activities are carried out for consumers, and provisions on the sustainable use of water resources have been developed for suppliers and partners that are included among our sustainability recommendations.

The Company does not operate in regions with a water shortage and therefore does not withdraw, consume or dispose of waste water in such regions. Most of our facilities are connected to urban water supplies, which provide 98.5% of the water consumed in the course of operations. In terms of our value chain, fresh water is used primarily for the production of goods that we sell.

The Company uses estimated standard values to calculate its use of water resources, and water meters have been installed in select stores to check whether the standard values are correct.

At Company facilities, employees and contractors also use water to comply with health regulations and standards for handling products. Given that local government agencies exercise strict control over the quality of water from their municipal supplies, the Company does not need to carry out additional quality control at its facilities.

A number of X5 facilities have limited access to municipal water supplies, including warehouses for dark kitchens and some warehouse facilities for the online hypermarket Vprok.ru. Wells were drilled to create a groundwater abstraction system for these facilities.

Most waste water is directed to municipal sewers, where it is treated and discharged into groundwater. The Company does not reuse water, as it is not currently profitable to do so, owing to the small volumes of water withdrawn. Nonetheless, the Company is committed to reducing its impact on water abstraction and discharge where applicable. In order to reduce its impact on the environment, X5 takes measures to restrict water contamination, and water is discharged at a temperature that is as close as possible to the ambient temperature.

In addition, grease traps have been installed on the sinks at every Perekrestok store to prevent contaminated water from entering drains. The technical design specifications for every store include the installation of such a system.

X5 Ready Food – the only X5 business unit that uses water in its production processes, for washing produce and preparing food – uses its own water intake system and a range of filters. X5 Ready Food is considering the possibility of reusing water, but water consumption is projected to remain low in the medium term, as the Company is not planning to make any significant changes to its operations.

Metric ¹	Unit	2021 ²	2022 ³
Water withdrawal	ML	9,326	11,015
Withdrawal from groundwater	ML	232	159
Withdrawal from municipal supply	ML	9,094	10,856
Wastewater discharge	ML	9,298	11,012
Water consumption ⁴	ML	28	3

1 These metrics are not calculated for Mnogo Lososya due to a lack of records on quantitative indicators.

2 The value was adjusted due to data recalculation

3 The increase in consumption was due to the growth of X5 Group. The value of the metric "Wastewater discharge" increased because water withdrawal increased, while water consumption significantly decreased.

4 The reduction in water consumption in 2022 was due to process optimisation, as well as a reduction in the use and loss of water resources.

Promoting responsible consumption

Key projects aimed at the reduction and recycling of waste on the part of consumers

Giving up paper receipts

The Company carried out activities aimed at encouraging customers to forego the use of paper receipts at many of its retail formats. When shopping at Pyaterochka, Perekrestok and Vprok.ru, customers can now choose an electronic receipt, thereby reducing the amount of waste paper produced.

As part of a separate project, some 177 thousand Perekrestok customers refused paper receipts. Thanks to the growing number of people taking part in the project, some 4.4 million receipts were not printed during the year. In 2022, 10,864,485 electronic receipts were issued, thus saving approximately 1,742,547 metres of receipt paper.

The online hypermarket Vprok.ru also made a complete transition to electronic receipts by integrating a cloud-based checkout process.

Ecocentre

In 2022, Pyaterochka, together with the Sborka project, Eco Technologies and Procter & Gamble, opened a second Sborka ecocentre, in St Petersburg. The first one opened in Yekaterinburg in 2021. In addition to serving as a collection point for eco-friendly products, clothing and books, the ecocentres are also multifunctional spaces that offer the following:

- an intake zone for 40 types of recyclables: several types of plastic, waste paper, glass, metalware, as well as various composite materials – for example, multilayer packaging such as Tetra Paks, cartridges, blister packs and others
- lecture halls, where visitors can learn about collecting and processing recyclables as well as about the concept of a circular economy
- a recycling museum where visitors can gain insights into the recycling chain

Each ecocentre is expected to facilitate the collection and processing of at least 350 tonnes of recycled materials annually.

Other initiatives to promote responsible consumption

Stores also continued to collect recyclable items, such as batteries, toothbrushes, plastic lids, unneeded items, appliances no longer in working order, and more:

- In 2022, six more reverse vending machines were installed to collect PET bottles and aluminium cans as part of a project launched earlier in conjunction with Unilever and Henkel. The reverse vending machines are installed at X5 Group stores and accept used plastic and aluminium packaging for subsequent recycling.
- As part of a partnership project with Henkel, plastic lids collected at Perekrestok supermarkets in 2022 were recycled to make two special ramps that were installed at the entrance to Perekrestok supermarkets in Moscow.
- Containers for collecting clothing were installed at Perekrestok stores.
- A project for the collection of toothbrushes in partnership with Splat Global continued, with around 400 Perekrestok supermarkets participating in 2022.
- In 2022, Perekrestok customers brought in 4,964 kilograms of batteries for recycling, while Pyaterochka customers brought in 28,551 kilograms.
- Seven Pyaterochka stores in Moscow took part in a campaign that collected about 100 kilograms of appliances that were no longer in working order.
- A marketing campaign on conscious consumption was carried out at Pyaterochka. Customers were given the opportunity to exchange their loyalty programme bonus points for eco-accessories – backpacks, bags, lunch containers and water bottles – made from recycled materials. The campaign was covered on television and social media.

Shopping baskets made from recycled plastic are used at Pyaterochka’s new-concept stores as well as at Perekrestok stores.

In 2022, Pyaterochka carried out a project in conjunction with Magnit and Eldorado to encourage customers to use reusable bags. As part of the project, customers were able to purchase shopping bags at checkout counters as an alternative to plastic bags. Customers received points through the Pyaterochka, Magnit and Eldorado loyalty programmes for reusing these bags.

Pyaterochka joined the RE: BOOKS programme, which collects and distributes books. As part of the project, 22 containers were installed at stores in Moscow and St Petersburg, where Pyaterochka customers can donate books in any condition. In 2022, 14,400 books were collected. Approximately 4,000 kilograms of books were recycled, and the rest were given to libraries.

Also in 2022, Pyaterochka and Sibur carried out a project called RE-FORM, through which a city park in the Nizhny Novgorod region was rebuilt. In August and September 2022, a project was carried out at 22 Pyaterochka stores to collect polymer bags of all types for recycling. The plastic collected through this initiative was used for beautification purposes. A total of more than 40 items were manufactured and installed at the park, including an open-air stage, a platform beneath the stage, pedestrian paths, benches and trash bins.

In addition, Pyaterochka carried out a number of activities in partnership with suppliers whereby a portion of the revenue from the purchase of items from those suppliers was donated to various environmental initiatives. In 2022, such initiatives were conducted with Dr. Korner, Jacobs and Nesquik.



Our awards

Perekrestok received five awards at the international Private Label Awards competition:

- Its Green Line private label received first place in the categories “Breakthrough of the Year” and “Best Private Label Packaging Design”.
- Perekrestok’s Market Collection private label, an eco-brand launched in 2021, won first place in the categories “Best Private Label Food Products” and “Best Premium Segment Private Label”.
- The Market Perekrestok private label won second place in the category “Best Private Label in the Mid-Price Segment”.

Perekrestok won an ECO BEST award in the category “Project of the Year” for its environmental initiative to recycle toothbrushes in partnership with Splat Global. The project also took first place in the category “Best Healthy Lifestyle / Eco-Initiative” at the Live Organic Awards. Through this initiative, 2.5 tonnes of plastic toothbrushes were collected during the year, which were used to manufacture polymer-sand paving slabs for the beautification of a square in the city of Okulovka, in the Novgorod region.

Perekrestok was named “Brand of the Year” by the business newspaper Delovoi Peterburg for improving its customer service and strengthening its brand position in north-west Russia.

Our plans

Perekrestok, in conjunction with its partners, plans to expand the geography of its project to collect toothbrushes and batteries. Perekrestok’s battery collection project will be rolled out at another 492 supermarkets across the country, and its toothbrush collection project, at more than 700 supermarkets.

In 2023, plans are in place to continue the joint project with Unilever to collect and recycle aluminium aerosol cylinders outside Perekrestok supermarkets and to install eight bicycle parks made of recycled material.

In addition, Perekrestok plans to increase the number of reverse vending machines that can receive PET bottles and aluminium cans at its stores, as well as to install reverse vending machines that can receive glass bottles.





07



Employees

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Our approach and 2022 highlights

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X5’s comprehensive and multifaceted approach to team management, combined with our implementation of Russian and international best practices and attention to people and their needs, make us a trendsetter in HR and help us to become the best employer we can be. In shaping our HR processes, we focus on management of our employees’ expertise: by defining needs, evaluating feedback, conducting research and testing hypotheses, we achieve quality results through teamwork.

By helping the Company through changes, both internal and external, supporting the team, and introducing new management solutions to the organisation, our HR function has helped X5 to overcome challenges and remain sustainable while continuing to be a trusted partner for customers, suppliers and employees.

In the first half of the year, the Company concentrated on maintaining stable business operations, and in the second – strengthening its market position. Cost-effectiveness and productivity were priority areas of focus, along with closer cooperation between divisions. Work on transforming the management model for X5 Group as a whole and for Pyaterochka and Perekrestok in particular also continued.

We remain committed to strengthening our position as a stable, reliable employer in the Russian market, including through systematic efforts to improve working conditions, expand career opportunities, create new jobs, and understand people and their needs.



Goals to 2023

- Achieve an employee engagement rate of over 75%
- Become the #1 employer in the Russian food retailers rating

Goals to 2030

- Maintain our #1 position among food retailers in rankings of Russian employers
- Introduce an appropriate standard for a safe and healthy work environment for all employees

33.4%

Staff turnover
3 p.p. lower than in 2021

40.9%

Our employee net promoter score (eNPS)
up 11 p.p. from 2021



2022 highlights



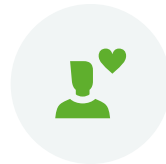
X5 continued the transformation of its management model, with a focus on the joint management system, the role of each business in the Group, and the development of centralised functions and services.



We are implementing the Partnership Principle in the management model in general and at each division of the Group. It is becoming a key aspect of interaction within X5.

For example:

- Pyaterochka has undergone an organisational transformation founded on a culture of partnership. At the centre of the system is the store, where everyone works together to achieve the best results.
- X5’s Store Director – Partner programme, launched in 2021 to promote and reward entrepreneurial leadership among directors of Pyaterochka and Perekrestok stores, has been scaled up. By the end of 2022, there were 1,133 store directors-partners (1,047 from Pyaterochka and 86 from Perekrestok).



X5 Group is one of the country’s top employers:

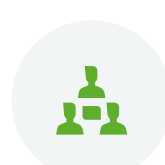
- “Platinum” status in the Forbes Best Employers Ranking
- X5 Technology has risen 27 places in the IT employer rankings, with a 10% increase in brand appeal, according to research by Habr and Ecopsy
- First place among food retailers in the HeadHunter survey of Russia’s best employers, and third place among food retailers in the overall ranking



X5 launched a corporate university, X5 Shelf. It combines educational activities that the Company had been running with external training, and is being developed as an educational marketplace.



In line with our Equal Opportunities Policy, X5 ensures that employees are treated equally regardless of gender. Women hold 44% of the management positions at X5 (including the X5 Group Executive Board, middle and senior management).



In 2022, X5 continued its efforts to expand inclusivity and provide an accessible environment for people with disabilities. Pyaterochka and Perekrestok signed the National Inclusive Agreement.



X5 and the Higher School of Business at the Higher School of Economics continued their collaborative efforts and launched a master’s programme in Retail Management.



The X5 Group project “Creation of a Shared HR Service Centre” won the ABPMP Russia Community Award in the BPM Project of the Year competition.



In 2022, the Company’s social mission and our staff’s involvement in charitable, environmental and volunteer initiatives took a more prominent role.

Store Director-Partner programme

Originally piloted at the end of 2021, the project was elevated to a strategic priority for the Company in 2022. It is being developed as part of X5’s overall management system, in keeping with the Company’s key principles of autonomy within set rules and transferring decision-making authority to the local level, and involves modernising the standard role of a store director: as partners, store directors receive greater authority and more freedom to make decisions at the store level, ranging from matters of staffing to management of the store budget.

If a store generates more profit than the target amount, the participants in the project receive part of the money in the form of bonuses.

The effectiveness of the Store Director-Partner (SDP) programme is measured by EBITDAR (earnings before interest, taxes, depreciation, amortisation, and restructuring or rent costs). The SDP is evaluated through a monitoring programme, as well as research and analytical modelling using HR analytics tools.



Implementation of the SDP programme at Pyaterochka

- Revised the training system for participating directors, who are given comprehensive training and tools to manage store performance.
- As of February 2023, 1,047 Pyaterochka stores are using an incentive model whereby the store director can share in the store’s success by receiving a portion of profits exceeding the EBITDAR target. By the end of 2023, around 15% of the chain’s stores will be participating in the programme.



Implementation of the SDP programme at Perekrestok:

- Piloted the programme at 86 supermarkets. From 1 March 2023, a new incentive system will be introduced at all of the chain’s stores: store directors will be responsible for LFL (RTO)¹, losses, EBITDAR and the Customer Happiness Index. The SDP programme will thus be oriented towards growth and performance management, as well as better in-store service.
- Updated the training programme to support the SDP programme, with a focus on loss management and store personnel management.

Number of new employees by gender, age and region²

	2020	2021	2022
Number of new employees ³	177,719	161,190	145,099
Men	58,037	52,780	43,682
Women	119,682	108,410	101,417
<30 years of age	83,679	75,400	68,314
30–50 years of age	82,553	73,876	64,725
>50 years of age	11,487	11,914	12,060
Central	–	–	56,262
Volga	–	–	29,332
North-Western	–	–	17,452
Ural	–	–	16,093
Southern	–	–	15,563
Siberian	–	–	7,702
North Caucasus	–	–	2,695

Staff turnover by gender, age and region²

	2020	2021	2022
Staff turnover ⁴	38%	36%	33%
Men	50%	48%	44%
Women	34%	32%	30%
<30 years of age	56%	55%	54%
30–50 years of age	32%	31%	27%
>50 years of age	25%	23%	22%
Central	–	–	33%
Volga	–	–	30%
North-Western	–	–	34%
Ural	–	–	38%
Southern	–	–	37%
Siberian	–	–	42%
North Caucasus	–	–	38%

In 2022, X5’s employee engagement and retention programmes enabled us to reduce employee turnover by 33.4%, compared to 36% in 2021.

1 LFL (like-for-like) is the ratio of retail store revenue for the current and previous reporting period; RTO is retail turnover.

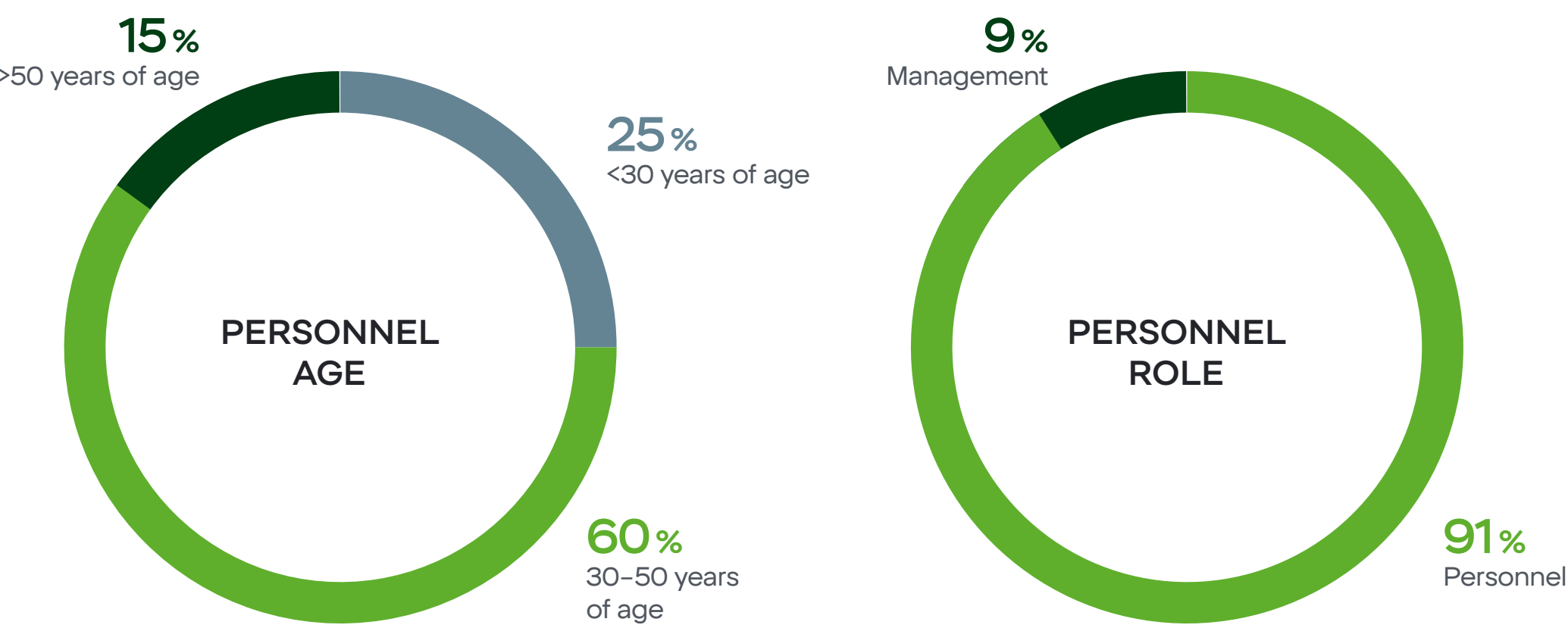
2 Number of new employees and staff turnover figures for 2020 and 2021 by region are not provided, as no such data was recorded.

3 The calculation is based on the average number of personnel.

4 The calculation of the staff turnover rate is based on the average headcount.

Personnel structure and new employees in the reporting year

Personnel structure in 2022, %

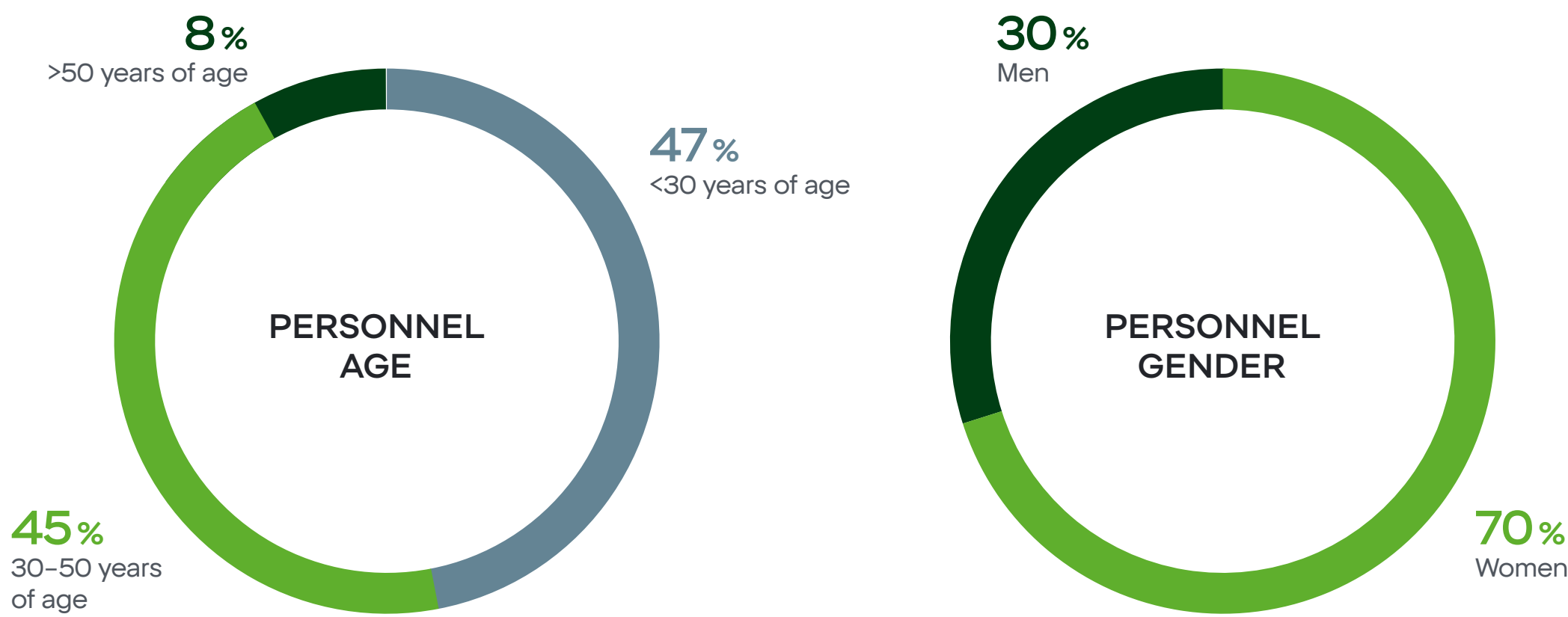


Percentage of women in management positions

	2020	2021	2022
Total management team, incl.	43%	43%	44%
Executive Board / CEO-1	43%	36%	31%
Senior management / CEO-2, 3	39%	38%	39%
Middle management / CEO-4	45%	47%	46%

Other quantitative data, such as number of staff by gender, age and type of employment, can be found in the annex on [page 142](#).

New hires in 2022, %



Management model

The management model for X5’s retail chains and business units aligns with the general approach to managing the organisation as a portfolio of independent businesses operating together in the interests of X5 Group. This enables the Company to take a tailored approach to working with each category of employees within its large team and create the conditions for them to successfully fulfil their roles and responsibilities.

In managing its staff, the Company relies on the [Code of Business Conduct and Ethics](#), the [Equal Opportunities Policy](#) and the [Declaration on Human Rights Protection](#)¹.

- Joint centres of expertise in key HR areas develop common approaches and cross-format programmes, methodologies and rules for implementation at the divisional level.
- Every retail chain and major business unit of X5 Group, including X5 Technology, X5 Digital, X5 Business Support and others, has its own HR function that oversees all areas of HR, from recruitment and onboarding to talent pool management and organisational design.
- Support for new or smaller business units is provided through the HR Business Partner model.
- Strategic human resources management and the shaping of each business unit’s HR agenda are handled by the head office of each of the Company’s retail chains.
- X5’s regional divisions are responsible for the entire range of HR processes necessary in their respective territory, and they operate within set rules and standards, taking into account local specifics.
- When establishing Chizhik, X5 optimised the structure of the HR function in the regions and implemented basic HR management systems, including a learning system, on-the-job training across the entire retail line, a system supporting the launch of new regions with simultaneous advancement of existing employees, and more.

Management effectiveness

X5 Business Support has three service functions: HR, Procurement, and the Finance and Service Development and Performance Centre as single points of responsibility for expertise. Changing the organisational structure will allow for more efficient management and cost optimisation of end-to-end support services, unification of the service development process, and higher satisfaction on the part of internal clients.

Each year, the Company assesses the effectiveness of its human resources management. The assessment is based on staff turnover, achievement of KPIs by the workforce, and employee engagement.

In 2022, there was no measurement of engagement, but in 2021 the figure was above the stated target of 82.5%. The Company plans to measure this metric again in 2023.

In 2022, the Company measured its eNPS (employee net promoter score) and the result was 40.9%, up 11 percentage points from the previous period, which shows a positive trend in employee satisfaction at the Company.

Each year, every X5 employee undergoes a comprehensive year-end performance evaluation, which looks at achievement of KPIs and compliance with corporate competencies and X5’s values, among other things. This results in a funnel of talent and high-potential employees, as well as plans for staff development. HR committees identify a pool of potential successors for key positions each year, along with areas in which incumbent managers can further develop. This unified approach ensures there is a talent pool at all levels of management, supporting the long-term sustainability of the Company.

- Incumbent employees made up 88% of all appointments to managerial positions.
- X5 completed a pilot mentoring programme: 28 pairs of mentors and mentees from among the Company’s senior executives took part. X5 plans to scale up the project, including by expanding the number of participants and cascading the methodology to the business unit and retail chain levels.
- As part of management of the succession pool and in preparation for the restructuring of production processes at X5 Ready Food, the company carried out a technical evaluation and an assessment of production (middle) management staff.
- At X5 Transport, 35 employees moved up from the succession pool: 18 have been promoted to new positions, and 17 have been recommended for further career development in 2023.
- 10% of the successors at Perekrestok from out of the number of office staff identified by the HR committee received new appointments in 2022. The concept for a Supply Chain Academy that will prepare successors for key managerial positions at the division has been agreed, and methodological preparations for the programme are currently underway. The programme is expected to launch in 2023.



1 X5 Group’s Human Rights Policy, a revised version of the Declaration, was prepared in 2022. The Policy is scheduled to be approved in 2023.

Employer brand, candidate recruitment and onboarding

One of the key tasks of X5’s HR function is to support the Company’s growth and development by quickly and effectively covering its needs for new personnel in all regions where we have a presence. To this end, all X5 businesses work systematically to improve their attractiveness as an employer. In 2022, the Company hired 145,099 new employees.

In 2022, X5 also revised and updated the Company’s advantages as an employer. Moving forward, each of the Company’s businesses can use these advantages to help them attract the right audience and candidates.

The Company’s advantages as an attractive employer

 STABILITY AND SCALE One of the largest non-state companies in Russia, with a team of more than 350,000 employees. Working here, you can influence the development of an entire industry and improve the lives of millions of people • We are a grocery retailer with stable operations, no matter what • We are there for millions of people across the country on a daily basis • We are a fair and conscientious employer that abides by all guarantees and obligations • We resiliently adapt to change and do not shy away from new challenges	 BUSINESS AND PERSONAL GROWTH We foster a business culture in which both the business and individuals can grow • We offer a healthy working environment that is conducive to success • We strive to develop our own talent. At X5, you can build a successful career path by working in a start-up or a mature business, trying your hand in different areas and roles • We see, appreciate and reward good effort • We work enterprisingly, quickly and with a view to results. What we do today is available to customers tomorrow	 TECHNOLOGY AND INNOVATION We are a high-tech company that is constantly becoming more efficient through digital solutions and innovation • Technology for technology’s sake is not what X5 is about. Everything we do is based on big data, benefitting our staff and our customers • We gather ideas and pilot promising ones • We have the right to make mistakes and experiment. We try many things and implement the best of them	 RESPONSIBILITY We are building a successful business over the long term, in full awareness of our responsibility to society and our customers, partners and employees • The most valuable thing a company has is its people. Everything we do, we do for them • We stand for quality, healthy products and a healthy lifestyle • We advocate responsible consumption and responsible use of resources • We support local communities through social, charitable and volunteer programmes
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Our awards and results

Forbes

X5 Group is ranked as a “Platinum” employer by Forbes

X5 ranked 2nd out of 180 in the Best Company Award ranking in terms of young professionals with high potential in the retail industry. The ranking was based on input from more than 7,000 students at 39 Russian universities.

- 28th place in HeadHunter’s overall ranking of best employers by size in the “Largest Companies” category. The ranking is based on eNPS scores, an HR questionnaire and a survey of jobseekers. A total of 1,082 employers were ranked.
- 17th out of 186 in the FutureToday ranking of the best employers according to students, making it into the “Best of the Best” category. The ranking is based on a survey of senior undergraduate students from 11 of Russia’s most renowned educational faculties.
- X5 Technology has risen 27 places in the IT employer ranking according to Habr and Ecopsy, with a 10% increase in brand appeal.
- Our corporate HR practices and projects are well regarded by the professional HR community and win prestigious awards. X5 Group has won 156 awards for its private label products, marketing campaigns and projects in HR management, internal communications and employer branding.

Key highlights at X5 Group divisions



X5 Transport launched the Skillaz digital recruitment platform, conducted a comparative market study, and identified its strengths and weaknesses as an employer, as well as developing an employer brand strategy. The division also identified new approaches to driver recruitment to ensure a sufficient flow of candidates, including training and retraining for the C/CE category, working with outstaffing companies, hiring foreign nationals, and increasing the proportion of female drivers.



X5 Import organised shift work at its hubs to improve staffing levels, expanded the geography of recruitment, hired individuals under employment contracts, and started working with young trainees.



X5 Business Support unit includes a system of cross-functional employee transfers to other business units for a set period of time.



X5 Business Support implemented an EVP (employee value proposition) segmentation project for transactional and expert process staff of the HR, Procurement and Finance functions. Based on the study and its results, a communications strategy with incumbent and potential employees was built.



X5 Technology implemented four partner integrations – with RUNIT, South Hub, Highload Armenia and SQA Day – to attract candidates, with more than 146 staff presentations, 5 meetups, and the launch of a special project about the teams.



Referral programmes are in place at a number of divisions, including X5 Business Support and X5 Technology; at X5 Ready Food, 30% of line/production staff vacancies are filled through the programme; at X5 Transport, 824 drivers have been hired thanks to the programme.



Corporate culture and values

2-23

X5 Group is a modern, multicultural company – a market leader that sets industry standards and shapes best practices in business operations, team collaboration and care for the community. The Company’s assets are united by a common strategy and purpose, mission, values, leadership and engagement practices. Partnership is becoming a guiding principle in all our activities. Together, we are building a successful business over the long term which readily adapts to change; a perpetual market leader that is open to partnership, in which every asset and employee understands their value and can show their best side in moving the Company forward.

The Company endeavours to create a corporate culture that is based on shared values, ethical standards, mutual respect and compliance with legal requirements. Our corporate values are Respect, Customer Focus, Honesty and Integrity, and Commitment to Excellence. These values and principles are reflected in the Code of Business Conduct and Ethics (the “Code”), our policies and procedures, and our training, assessment and professional development programmes.



HR Galaxy Awards 2022: X5 Group took 2nd place in the “Corporate Social Responsibility” category

The Company developed an environmentally focused game for children called “Can’t Get Past the Monster”, the aim of which is to defeat an evil garbage-shooting monster and save nature.

All X5 businesses share the same values. They guide our work and decision-making, and help us to understand each other better and communicate more effectively.

The four X5 values were defined in 2018 by a senior management team consisting of directors of the retail chains, the heads of key functions, and the CEO of X5. The values were then integrated into all processes, leadership practices and HR practices throughout the organisation: assessment of our workforce and prospective employees, training, work with managers, and performance management.

The values have been incorporated into the organisation’s founding documents, including the Code of Business Conduct and Ethics and the brand architecture of X5 Group, and the first Company-wide “Most Valuable Employee” award was created.

Plans for 2023 include conducting a study of how X5’s values are manifested in practice in support of the Company’s long-term development.

Respect for human rights is also important to X5; this approach to work yields better results and, ultimately, the achievement of our goals. X5 is committed to upholding human rights at all levels of its operations. More detailed information can be found in the section “[Respect for human rights](#)”.

2022 key highlights



The Company continues to offer its employees tools to identify new points of growth for the business and to change things that hold back its development: in 2022, we held our third X5 Idea Challenge, an internal innovation programme where employees can turn ideas into working projects. Some 300 proposals were submitted.



A new project called Process Workshop was launched to gather initiatives for change that can streamline and improve work processes at X5.



Pyaterochka held a Mistakes Awards contest to support a culture of tolerance for mistakes and the ability to learn from them. In total, there were over 340 submissions.



Over 9,200 participants took part in the tenth iteration of X5 Friday, a traditional X5 event where employees from offices across the country go out to help in stores during the high season.



Pyaterochka launched a project in Moscow and the Moscow region in conjunction with the All-Russian Society of the Deaf to employ people with hearing impairments as order pickers.



On Perekrestok’s birthday, over 1,500 employees visited the chain’s head office and took part in an interactive programme. More than 3,000 employees participated in the “Open Dialogue” series of events with senior management over the course of the year. The chain also organised the WISE Roadshow, a series of events devoted to safe production practices, with more than 500 attendees.



On Children’s Day, 12,000 people took part in a game in the Pyaterochka metaverse. On social media, 1,300 photos were submitted as competition entries; children posed 55 questions to the chain’s managing director, and 4,000 kids were taken on tours of the Company’s stores, distribution centres and offices.

Social initiatives

The role of the Company’s social mission and employee engagement in charitable, environmental and volunteering initiatives have become more prominent:

- On 18 May 2022, the Company celebrated its 16th year of operations, and all the celebrations in May were focused on volunteering and community support.
- X5 staff became volunteers for the Basket of Kindness, a joint project between X5 and Foodbank Rus to collect food aid, and donated more than RUB 1.2 mln at three charity fairs over the course of the year according to the data collected from funds.
- Staff of X5 Technology provide free lessons in programming basics to children with disabilities.
- Pyaterochka volunteers who were declared winners of the “Leaders of Care” grant competition implemented their projects over the year.
- Over 240 employees from all X5 divisions volunteered for the “Tree of Kindness” project, sending out New Year’s gifts to 300 children in need across the country. Perekrestok implemented a social project called Perek’s Travels: over a 10-week period, the chain’s mascot, Perek, visited 21 venues and carried out 21 good deeds, with over 2,000 employees taking part.

Promoting corporate sports programmes

The number of cross-format corporate sports programmes at X5 is increasing: in addition to the X5 football team, a tag rugby team has been created and corporate communities for volleyball, table tennis, running, and other activities have been launched.

Promoting professional skills

X5 is developing programmes recognising excellence and professional skills competitions:

- Pyaterochka has launched the Achievement awards, with winners to be selected across six thematic categories for nominees ranging from store teams, cluster teams and divisions to macro-regions and territories. The retail chain also held a competition in the format of a trade fair, called “Masters of Their Trade”, with employees from over 19,000 stores and 35 distribution centres taking part.
- 5Post held high-season competitions for “Best Pickup Point”, “Best Macro-region Service Centre”, “Best Logistics Specialist”, and “Best Macro-region Operations Manager”. X5 Ready Food held a “Best Pastry Chef” contest.
- The annual “Professional Skills League” competition was held at X5 Transport. In 2022, the “Autolady” award category was launched for the first time, with 7 female drivers taking part. X5 Transport also has a system for recognising excellence based on annual performance under the categories “Employee of the Year” and “Company Star”.
- Chizhik launched Chizhik STARS: Retail, a programme recognising the efforts of store staff. The chain’s best stores and employees receive performance-based awards each quarter.
- In 2022, Perekrestok held an operations competition called “Stars of Perekrestok”, as well as an order picking contest and a professional competition called “Victory at the Till”.

Code of Business Conduct and Ethics

The [Code of Business Conduct and Ethics](#) and associated policies are designed to help employees act in accordance with the law and ethical principles when carrying out their duties. All X5 policies are published on the Company’s website and/or intranet and are available to all employees and partners.

The Code and related policies are regularly reviewed and updated to reflect changes in the law and the Company’s internal procedures. The Code of Business Conduct and Ethics sets out standards of behaviour that employees must strictly adhere to in dealing with customers, suppliers and colleagues, as well as basic principles of how the Company operates.

The Code covers fair competition, anti-corruption and anti-bribery, environmental protection, protection of personal data and Company assets, avoidance of conflicts of interest, equal opportunities for employees and safe working conditions, and sets out principles governing interaction with customers, suppliers and competitors. It also provides mechanisms for reporting violations of the Code.

The Code applies to all employees irrespective of position and function, and interactive training sessions are held regularly to ensure staff are familiar with its provisions.

People of diverse ages, professions and nationalities come to X5 and successfully work together as a team. In line with the principle of equal opportunities, the Company strives to observe all requirements and regulations on providing workplaces for people with disabilities, is constantly developing, and encourages its staff to help create an environment in which everyone can thrive.

- Pyaterochka and Perekrestok signed the National Inclusive Agreement.
- Perekrestok launched the “Your Business” grant competition to help small businesses adapt their environment for customers with disabilities; over 1,000 employees have been trained in communicating with customers with disabilities.

For more information about our compliance with the Code of Business Conduct, see the section [“Compliance and business ethics”](#) of this Report.



Motivation and fair compensation

401-2

403-6

405-2

X5 Group has a remuneration and incentive system with common corporate rules tailored to each of our retail formats, digital businesses and developing assets.

As part of our equal opportunities policy, we strive to always treat our employees equally, offering fair remuneration for their work in line with their qualifications and skills, the time and effort involved, the complexity of the tasks performed, and the quantity and quality of their work. Pay grades are independent of age, gender, race, religious belief, sexual orientation and physical capabilities. Company-wide principles and approaches to staff remuneration are set out in the Policy on Remuneration.

All divisions of X5 continuously monitor market salaries of line personnel to ensure the Company remains competitive in the labour market.

+11 %

increase in average pay at the Company in 2022



The Company set the following semi-annual performance goals in 2022:

for the first half of the year, 2 corporate KPIs – business continuity planning and OpEx/CapEx optimisation – were set for all employees

for the second half of the year, 5 corporate KPIs with the same weighting of 20% each were set: X5 market share, LFL TS5 (gap to competitor), X5 EBITDA margin, X5 CapEx as a percentage of revenue, and X5 NPS

The amount of compensation that employees receive as bonuses depends on their teamwork. This incentive scheme enables the Company to more quickly and effectively achieve its overarching goals.

Incentives at divisions of X5 Group



Perekrestok

Perekrestok has focused on implementing its new customer value proposition (CVP), including in terms of motivation. For new positions (fruit and vegetable salesperson, wine specialist, barista, etc.), an incentive system has been developed with the aim of increasing RTO in the category. The incentive associated with the “Losses” indicator has been changed: instead of a negative incentive (loss trigger), a positive incentive for staying within the loss budget has been introduced, and a new express delivery system has been introduced at our stores.



Pyaterochka

Pyaterochka conducted a survey of its retail employees’ views on their working conditions and remuneration. Of the total retail workforce, 46% took part. In 2022, the store directors’ incentive system was assessed and changed depending on the brand of store and the outcome of the assessment. A remuneration system was introduced for store directors-partners and the staff of the stores they manage, linking the payments to meeting or exceeding EBITDAR targets.



5Post

5Post has switched to paying bonuses to its core staff based on individual performance.



X5 Transport

X5 Transport analysed drivers’ pay relative to the market and key competitors and indexed their salaries, which helped the Company remain highly attractive on the market and retain staff.

X5 Transport has indexed piece rate pay per trip to calculate the pay for urban delivery drivers and drivers working routes between 5Post affiliates.

Ratio of pay by gender and management position

	2020	2021	2022
Ratio of women’s base salary to that of men at the executive level (CEO, CEO-1) ¹	0.80	0.66	0.75
Ratio of women’s base salary to that of men at the management level (managerial positions below CEO-1)	0.95	0.96	0.95
Ratio of women’s remuneration (salary + other cash incentives) to that of men at the management level (managerial positions below CEO-1)	0.96	0.96	0.96
Ratio of women’s base salary to that of men at the non-management level	0.93	0.97	0.94

Ratio of women’s base salary to that of men at the non-management level, by significant regions of operation

	2021	2022
North Caucasus	1.03	1.00
Volga	0.98	0.98
Southern	1.00	0.99
North-Western	1.00	1.00
Ural	0.99	0.98
Siberian	1.00	0.99
Central	0.94	0.93

More information on executive remuneration can be found in the [2022 Annual Report](#).

1 The increase in the ratio of women’s base salary to that of men at the executive level (CEO, CEO-1) was due to changes in the composition of the Executive Board of X5 Corporate Centre LLC.

Employee work schedules

X5 continues to improve working conditions and opportunities for work at its divisions, offering various forms of employment to different categories of staff, such as shift work, flexible working hours, work on a rotational basis and more. X5 continues to offer its office staff various types of remote working arrangements (hybrid and permanent).

Additional support measures for staff

X5’s social support measures available to our employees include financial assistance, discounts at the Company’s stores and on partners’ products, New Year’s gifts for children, telemedicine, supplemental pay during sick leave, and meals for employees in remote locations. This set of benefits is equally available to full-time, part-time and temporary employees in all regions where X5 operates. For some categories of employees, we also provide coronavirus vaccinations and annual flu shots, reimburse children’s camp costs and offer life and health insurance. The basic principles and the key employee support measures are the same for all formats.

Individuals working under civil law contracts are not eligible to receive additional benefits from the Company, but they do receive all payments mandated under Russian law.

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Allocated for voluntary health insurance and social programmes

- X5 continues to offer the option of working remotely on a full-time basis to technical specialists, including the staff of X5 Technology. Prioritising remote work arrangements helped the business unit retain most of its critical staff in 2022.
- X5 is gradually adapting its office operations to a hybrid working format. By optimising its rented space, the Company improves the level of comfort and quality of its office services. A booking system for workplaces and meeting rooms is in place in the Company’s key offices, and break rooms equipped with coffee machines, stationery areas, etc. are available to employees.
- X5 is increasingly entering into arrangements with the self-employed. For example, the “Self-employed” project at Perekrestok has been met with a positive response from supermarket directors, and at Pyaterochka each store can already work with self-employed people. By the end of the year, the self-employed had worked a total of almost 3 million hours at the chain.
- Health Week, a series of events focusing on health, wellness and employee well-being, was held for employees in 22 locations, including offices, distribution centres, haulier companies and hubs.
- All divisions of X5 endeavour to improve working conditions for all categories of staff. For example, X5 Transport has opened its own well-appointed hostel, and a project to improve the rest and recovery rooms at X5’s haulier companies is ongoing. The staff break areas at Mnogo Lososya have been renovated, as have the staff areas at Pyaterochka and Perekrestok stores as part of the refurbishment of the retail chains. The staff break rooms at 4 distribution centres have been renovated, and the “Distribution Centre Store” pilot project was launched at two DCs.
- In 2022, the X5 Support programme was in place to support business continuity and stabilisation of the team at X5. It consists of a combination of communication tools, including seminars with psychologists, fielding questions from employees, regular communications from managers, and also support measures such as a psychologist hotline, additional insurance programmes for X5 staff in border regions and more.
- X5 Group won the Grand Prix for “Best Employee Support Programme During the Crisis” among organisations with more than 5,000 employees.
- X5 supports former employees of disbanded divisions in job search: around half such employees continue working at other divisions of X5 Group or receive Company support in finding subsequent employment.

Health insurance

The Company arranges voluntary health insurance for certain categories of employees and also offers insurance coverage on preferential terms to their family members.

The corporate voluntary health insurance scheme includes the following medical services:

- treatment for coronavirus infection
- regular telephone consultations with doctors
- rehabilitation following a severe coronavirus infection
- medical check-ups at the employee's request following a coronavirus infection
- telephone consultations for employees and their families under the Telemedicine programme
- a single email address for staff to send queries about any COVID-19-related issues

In 2022, the Telemedicine programme, offering online consultations with doctors, became available to retail and line personnel of X5 Group divisions as part of an additional benefits package. The programme includes psychological counselling and navigating compulsory health insurance and medication. Support from the Yasno psychological support service is also available to X5 employees.

In 2022, X5 continued work on preventing COVID-19 and supporting our employees who have fallen ill:

MEASURES TAKEN AT THE COMPANY

- On-site vaccination of employees in the workplace
- Vaccinations at clinics conveniently located for staff
- Posting information and awareness-raising materials on the risks of coronavirus infection at Company facilities (offices, warehouses, dark stores, haulier companies, distribution centres and stores)
- Regular emails and messages reminding people of the importance of vaccination
- Regular meetings with healthcare professionals
- Inclusion of vaccinations under the voluntary health insurance policy
- Inclusion of consultations on vaccination as part of the Telemedicine service
- Creation of a single email address for staff to submit any vaccination-related questions
- Employees provided with personal protective equipment

MEASURES TAKEN AT BUSINESS UNITS

- Vaccination points set up at offices
- Vaccinations at clinics conveniently located for staff
- Health professionals invited to the premises for consultations
- To support the vaccination campaign, unvaccinated employees had their access to voluntary health insurance and Telemedicine services suspended until they are vaccinated
- At Pyaterochka, the number of employee vaccination points was increased
- At Perekrestok, the Company arranged transportation for distribution centre employees to travel to clinics to be vaccinated during working hours

Steps taken to prevent the spread of swine flu:

- Vaccination points set up at offices: in early autumn, doctors' offices were stocked with Ultrix Quadri vaccines (effective against swine flu)
- Regular emails and messages reminding people of the importance of vaccination against the flu
- Regular meetings with healthcare professionals
- Inclusion of flu vaccination under the voluntary health insurance policy
- Creation of a single email address for staff to submit any questions related to influenza prevention, including vaccination against the flu
- Inclusion of consultations on influenza prevention, including vaccination against the flu, as part of the Telemedicine service

Training and development

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One of the great advantages of working for X5 Group is the ample opportunities for professional and career development.

Our employees have the opportunity to develop both within their division and at other assets of the Company. We welcome transitions between positions within the Company and strive to create an environment in which everyone can develop their skills and competencies and gain new knowledge and experience.

At X5, employees have access to a wide range of training programmes and tracks to aid their professional development in their current position and plan their future career path at X5. Our training system is constantly being improved and becoming more technologically advanced and better tailored to meet the needs of specific groups of staff. It also takes into account the speed of change within the Company and in employee demands. Each category of staff at X5 has access to training programmes, both mandatory and optional.

In 2022, X5 combined all existing training programmes into a corporate university and intranet portal called X5 Shelf. It is developing along the lines of an educational marketplace. The portal currently has over 900 pieces of content and over 30,000 registered users among employees, with more than 5,500 unique users per month. In 2023, the transfer of existing training and development processes to X5 Shelf will continue, including a full transition from the Data Souls online tutoring system and arranging access to the portal for retail staff. The following cross-format training programmes are planned: Management Culture at X5, Partnership Culture at X5, and Development of Leadership Potential.

- X5 Shelf has partnered with Alfa Bank’s Alfa Academy to create 3 joint programmes for managers from the two companies. The joint training will continue in 2023.
- X5’s Digital Academy has launched 17 new courses, including the X5 Tech Professional Writing School, advanced Scrum, IT infrastructure capacity management, configuration management databases (CMDB) and others.
- Pyaterochka has revised its training strategy and system, introduced tracks for retail professions, and updated its training courses. Training in change management, the Store Director-Partner programme, and NPS training for retail staff have all been developed, as well as 7 comprehensive training programmes that respond to 7 key issues faced by managers.
- Perekrestok has developed and launched a training programme for the position of Fruit and Vegetable Salesperson, and has launched standardised training programmes for distribution centre employees during the onboarding period, with all new hires receiving Welcome training and being assigned a mentor. Training for participants in the Store Director-Partner programme, modular training for managers, and training in negotiation skills and reasoning have been introduced, while the Company has also started running business games.
- X5 Transport has focused on training staff of repair areas to service and repair the Company’s vehicles. A WhatsApp “Diagnostics and Repair” professional chat group has been launched to share experience, publish repair documentation and more. The chat group works 24/7 and offers the opportunity to seek advice from specially invited technical experts, which helps to speed up the vehicle repair process. On-site training and work experience are available for new drivers, with 2,800 employees receiving training in 2022.
- X5 Import has trained hub managers in managerial skills, developed courses on inventory management at hubs, and created videos on occupational health and safety, citrus fruit picking and other topics.
- All retail staff at Chizhik receive online training on business processes, and on-the-job training programmes have been launched for various positions.
- Under the FTL (fast-track learning) programme, 28 events were held involving more than 5,000 participants.
- At X5 Technology, 8 Management School programmes were held, with 140 staff completing them. X5 Digital ran the Product Approach School, consisting of personalised employee training on GoPractice simulators.
- At Mnogo Lososya, training is delivered via the chain's proprietary mobile app, which includes instructions and technical diagrams.
- Perekrestok has launched the “Qualification Centres” project for distribution centre staff: it was piloted in 2022, and implementation is scheduled for 2023.



X5’s training programme won several awards in 2022:

HR Galaxy Awards:

1st place in the “DevRel of the Year” category for the project “The Nature of Code, or IT Camp for Developers”. 2nd place in the “Best Training Programme” category for the project “X5 Tech Team Lead School”.

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2nd place in the “Best B2B Training/Education Project” category for the project “Speak Up School X5”. 2nd place in the “Best Employer Brand Project” category for the project “The Nature of Code, or IT Camp for Developers”.

Silver Mercury

3rd place in the “Education” category for the “Speak Up School X5” project, which also won a special prize for “Most Unique Event to Promote and Develop the Employer’s Brand”.

Youth engagement programmes

The Company is developing programmes to become more attractive to young people, which will be a particular focus in 2023. Each division of the Company does its own work in this area, selecting training institutions according to the profile of its operations and business needs. A number of divisions have created traineeships and vacancies for young specialists, while university students are invited to work on business cases or offer X5 their ideas and projects in the retail sector.

- In 2022, cooperation continued between X5 and the Higher School of Economics. In September, the Higher School of Business at the Higher School of Economics launched a renewed master’s programme in Retail Management in partnership with X5 Group. The programme currently has 50 students, including several employees of the Company.
- X5’s retail chains work closely with universities and colleges in all regions where we operate. They hold lectures, arrange excursions and master classes for students, and participate in job fairs. In 2022, over 600 students joined Perekrestok to gain work experience.
- X5 Ready Food took part in an event for college students, the Career Day “Recipe for Success” in the food industry.
- X5 Transport attracts young candidates through cooperation with training centres. The division’s balanced requirements for young specialists and a willingness to teach the profession mean more young drivers can be hired.
- X5 Import signed a cooperation agreement with the Plekhanov Russian University of Economics, and reached a cooperation agreement with the K. A. Timiryazev Moscow Agricultural Academy.



X5 has various courses and programmes in place to help new hires quickly adapt to the workplace, including mentoring programmes. These measures help new employees get down to work and become part of the team within a short time frame. Some onboarding processes are automated, which improves their quality and reduces the time needed to complete them.

Employee training

	2020	2021	2022 ¹
Total number of hours of training for Company employees	2,638,338	4,031,369	1,866,342
Average number of hours of training and development per employee	8.0	8.7	6.5
Average number of hours of training and development per employee, women	8.2	8.9	6.6
Average number of hours of training and development per employee, men	7.6	7.5	6.3
Average number of hours of training and development per employee, management	9.8	17.3	30.1
Average number of hours of training and development per employee line staff	7.7	7.4	3.7
Percentage of employees who have completed online sustainable development training	51%	72%	40%

As part of the annual staff performance evaluation, in addition to providing feedback about training programmes, mentoring programmes and sessions with managers, employees can take part in discussions with managers on a topic of interest, through which they can learn about their colleagues’ experiences and interesting tools, and also share the knowledge they have gained through training.

¹ Due to the transformational processes in the Company and focus on internal training, there was an optimisation of quantitative and qualitative investments in employee training.

Engagement and feedback

Priority areas for improving the interaction between the Company and its staff are determined by employees themselves through a well-developed feedback system. X5 Group has a strong system for providing feedback, both from subordinate to manager and from employee to the Company, anonymously or not.

In 2022, X5 launched regular measurement of our employee net promoter score (eNPS) across the entire organisation. It will be measured every six months, including as part of the “Your Voice” engagement survey. Each division communicates the results of the survey for that division as a whole and for each function/area/department. Action plans are created for any areas that have fallen behind, with efforts made to improve the score. In 2022, our eNPS was 40.9%.

The Company has an ethics hotline that all employees can use and offers sessions with managers during the annual performance appraisal process. X5 has also created an open information space, consisting of an intranet portal where news and comments can be posted, as well as holding regular open meetings with senior management and offering special hotlines where staff can ask questions and get answers on specific topics.

Employees can contact the management of X5 Group directly at any level; X5’s senior management team have an open-door policy and encourage the free exchange of opinions and open dialogue. For retail staff at Pyaterochka and Perekrestok, the feedback system is complemented by the My Work and Glove mobile apps.

- In 2022, X5 took steps to increase accessibility and openness on the part of its senior executives. The “Coffee with the Top” project was launched, consisting of informal meetings between X5’s most senior team and middle managers. Regular informal strategy meetings were held with the CEO of X5, and a series of video interviews were made about the work of the divisions with their managers.
- X5 Business Support holds “BS People” panel discussions with executives to discuss topics chosen by staff, as well as interesting tools and colleagues’ experiences.
- Chizhik has a Telegram channel for its employees, which now has 2,200 subscribers.
- Perekrestok staff post around 500 messages in Glove each month. The chain regularly holds focus groups and in-depth interviews where employees share their feedback, which results in process changes (ordering new uniforms, offering new trainings, simplifying distribution centre-store interaction, changing incentives and more).
- Employees at Pyaterochka left 34,000 comments online and 36,000 in the My Work app. Complaints and difficult questions that employees have posted on the My Work mobile app reach the relevant managers and are assigned to them as a task, with a response provided within 5 calendar days.

Feedback within the Company is organised at different levels so that employees can resolve individual issues and also see common issues resolved through panel discussions and meetings. X5’s work in this area has been strengthened thanks to the implementation of new solutions in 2022. Staff can take part in meetings and interviews, and use intranet portals as well as apps made for specific retail chains. Some of the initiatives are implemented throughout the Company, in which case employees from different divisions can use these methods of feedback.



“Digital Pyramid 2022”
HR Tech Award 2022:

X5 Group’s intranet portal won 2nd place in the “HR Tech Product of the Year” category.

HR Galaxy Awards 2022:

X5 Group (Perekrestok) won 2nd place in the “Digitalisation Leader” category for creating an internal service that combines the functions of a messaging app, social network, knowledge portal and employee personal account, as well as offering benefits and a gift shop.



Digitalisation and efficiency

X5 is working systematically and continuously to improve the efficiency of all HR processes, the availability of services for employees, and the quality of data to make more accurate HR-related decisions. In HR, the Company is focused on creating platform solutions that can be re-used at any X5 Group division. These include employee personal accounts, including in mobile apps; the Clue platform (data-driven HR management), which is being adapted to the needs of Pyaterochka after having been scaled up at Perekrestok; and many others.



Perekrestok

Perekrestok’s Mobile Workplace and Director’s Dashboard solutions include features such as an online store for expendable materials, as well as the addition and development of store and cluster reporting.



X5 Ready Food

X5 Ready Food launched a facial recognition project to better identify production staff, and implemented the ISpring Learn platform to analyse how employees complete mandatory training on food safety requirements, use technical equipment, and operate factory equipment.

X5 Transport

For drivers, the X5 Transport app now includes payslips with details of payment to the trip level, as well as the ability to order statements and extracts, obtain copies of documents, view information about current and scheduled absences, and generate a holiday schedule. A simple electronic signature (SES) is generated for all X5 Transport employees, allowing the process of reviewing internal policies, procedures and regulations to be automated through their personal account.

In 2022, the Company conducted an audit of its digital HR solutions and applications, including from the perspective of their possible re-use for the benefit of all X5 Group assets, and identified priority projects for development. Work on the latter will continue in 2023. The transition to electronic document management continued, as did collection of employee data with a view to improving human resources analytics at both the Group and divisional level.

- In 2022, X5 revised its HR metrics system and developed new HR metrics for the new X5 Group businesses.
- X5 places a particular focus on soft metrics to improve workforce efficiency. For example, internal staff mobility, promotion and internal recruitment, and horizontal rotations are monitored at the Group level.
- Analytical tools have been created for rapid collection of data on COVID-19 infections and vaccination. The launch of the tools makes it possible to organise operational management of risks associated with staffing.
- An analytical constructor has been created that allows for internal benchmarking of key HR indicators (turnover, productivity, employee income, etc.) as well as operational reporting across more than 50 metrics (organisational structure, demographics, geography, etc.). Functionality has been added to the HR analytical tools allowing key indicators to be compared against target values. This has enabled businesses on the ground to realise research goals and take management decisions.
- Data on employees is now transferred to the Social Insurance Fund automatically (more than 300,000 records have been sent) for subsequent electronic document management when processing sick leave and sickness benefits.
- Chizhik has implemented data analytics for mass recruitment in retail and logistics on a weekly basis (“Recruitment Metrics”).
- Pyaterochka has piloted the analytical product Clue, which can forecast staff costs down to the store level, and has decided to implement it further at the chain.
- The Pyaterochka HR Dashboard has become a key tool for capturing HR metrics down to the store level. The number of unique users was about 900.

The Company continues to work on improving its centralised services. Separating the service functions HR, Procurement, Finance and the Service Development and Performance Centre as single points of responsibility for expertise at X5 Business Support will enable end-to-end support services to be efficiently managed, help optimise their cost, and improve the customer experience by minimising points of contact when interacting with service functions. A Service Development and Performance Centre has also been created within the business unit, the aim of which is to ensure consistent expertise in the context of service delivery.

- X5 has continued to centralise its transactional processes on HR support, occupational health and safety, procurement and financial oversight at X5 Business Support. 265,000 Pyaterochka employees have been transferred to the HR service at X5 Business Support.
- In the interests of using office space more efficiently, X5 staff in Moscow, irrespective of the division they belong to, can work from any of the three Moscow offices: Kalitniki, Oasis and Faktoria. X5 Business Support is the unit responsible for a uniform standard of management of the offices in Moscow and in some regions.



The X5 Group project “Creating a Shared HR Service Centre” won the ABPMP Russia Community Award. **“BPM Project of the Year”** is an annual competition for efficiency improvement projects based on methods and technologies for business process management, that is organised by the ABPMP Russian Chapter and supported by the IT cluster of the Skolkovo Foundation and the Analytical Centre under the Government of the Russian Federation.

X5’s “Personal Account” project on the automation of HR processes won the “Crystal Pyramid” for 1st place in the all-Russia competition “Best HR Departments” in the category “Digital Leader”.

Occupational health and safety

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Our occupational health and safety (OHS) approach aims to create and improve a culture of sustainable safety.

OHS is one of the most important aspects contributing to a healthy team, as the average employee spends eight hours a day in the workplace. In this regard, we work hard to maintain a comfortable and safe working environment.

The Company has adopted an [Occupational Health and Safety Policy](#). As a responsible employer, X5 upholds the right of every employee to a favourable working environment that meets national health and safety regulations. To this end, we adhere to the following principles:

01

Be a safety leader

all employees play a role in improving and maintaining the level of OHS at the Company, and managers at all levels motivate their subordinates through leading by example.

02

Identify threats and manage risks

the Company takes steps to identify threats, assess OHS risks, and analyse the causes of incidents in order to prevent them from happening again.

03

Ensure safe working conditions

the Company’s equipment and workplaces meet current national OHS standards.

04

Improve qualifications

the Company ensures that every employee’s qualifications are commensurate with their responsibilities and include the knowledge necessary to meet current OHS requirements.

05

Invest in staff

the Company rewards employees for complying with OHS requirements and puts their ideas and suggestions for improving the OHS management system into practice.

06

Promote a safe working environment when dealing with suppliers and contractors

the Company sets uniform health and safety requirements for Company staff and contractors’ personnel who carry out work on the Company’s premises and/or for the benefit of the Company.

The Company’s Occupational Health and Safety Management System (OHSMS) is compliant with the international OHSAS 18001 standard and can be applied to all levels of management. It allows potentially dangerous situations to be identified ahead of time, corrective measures to be developed to bring working conditions up to the required standards, and sound management decisions to be made.

- The main piece of legislation governing our OHSMS is the Labour Code of the Russian Federation (Article 212).
- The regulatory document for the development and implementation of an OHSMS is the Standard Regulations on an Occupational Health and Safety Management System, which sets out the basic requirements for an OHSMS.
- Guided by the Standard Regulations on the OHSMS, the Company’s business units have created their own OHSMS.

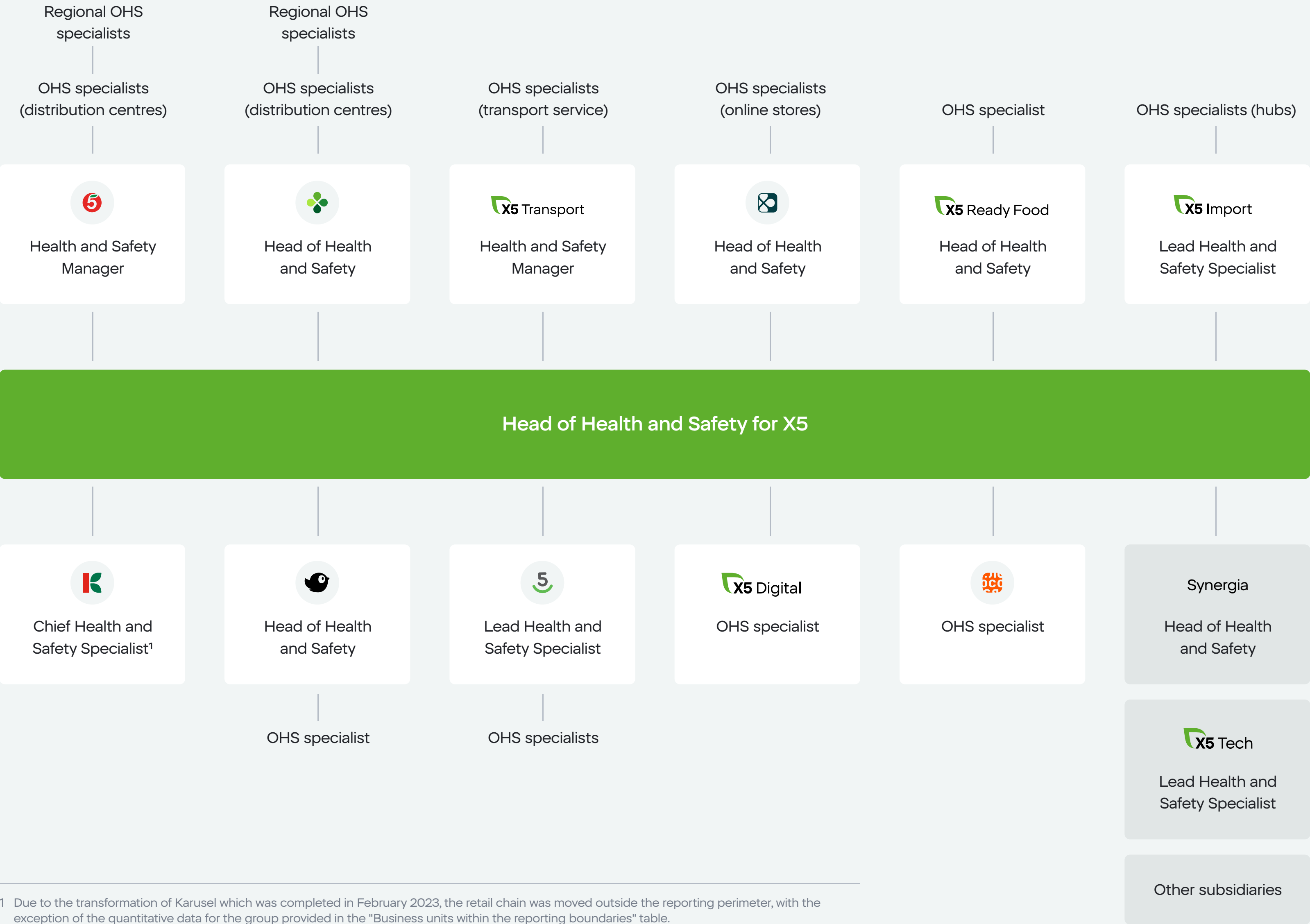
In 2022, the following documents governing occupational safety and health were updated:

- Instruction on Occupational Safety and Health (in accordance with the entry into force of Order No. 772n of the Russian Ministry of Labour of 29 October 2021)
- Regulation on OHSMS at X5 Business Units/Retail Chains (in accordance with the entry into force of Order No. 776n of the Russian Ministry of Labour of 29 October 2021)
- Internal Regulations on Training Employees in Occupational Health and Safety (in accordance with the entry into force of Russian Government Decree No. 2464 of 24 December 2021)
- Internal Regulations on Recording Minor Injuries to Employees (in accordance with the entry into force of Order No. 632n of the Russian Ministry of Labour of 15 September 2021)

If an X5 Group business unit has more than 50 full-time staff, the position of Occupational Safety Specialist must be created (requirement of the Russian Labour Code).

The Occupational Health and Safety Management System applies to all X5 employees.

The organisational structure of the OHSMS is depicted in the diagram below:



Occupational risk management

Our OHSMS is based on the principle of occupational risk management. Assessment and management of occupational risks involves such tasks as identifying occupational risk factors, determining levels of exposure that are safe or hazardous for workers, monitoring workplace health and safety, and analysing the causes of accidents and occupational illnesses. X5’s policy for improving working conditions requires carrying out a risk assessment based on the analysis of a list of risks inherent in our employees’ work.

In line with X5’s Occupational Health and Safety Policy, we encourage our employees to participate in improving the OHSMS and we hold consultations with them upon request.

Employees can report occupational risks and hazards to their line manager, send a notification to a dedicated email address, or use our hotline or mobile app. Under X5’s Occupational Health and Safety Policy, employees have the right to refuse to perform work tasks if potentially harmful or hazardous factors are involved. Retaliatory or punitive action against employees who report hazards or unsafe situations in the workplace is unacceptable and forbidden. In 2022, no previously unaccounted-for risks were identified.

In 2022, the Company continued carrying out a range of health and epidemiological measures and encouraging employees to get vaccinated to prevent the spread of COVID-19. Steps to prevent the spread of swine flu were also taken.

For more information on measures taken to improve health and wellness and about X5’s corporate voluntary health insurance programme and other social benefits, see the section “[Motivation and fair compensation](#)”.

Key OHS highlights in 2022

- Due to changes in the Russian Labour Code and the legislation governing occupational health and safety, X5’s internal regulations and policies were revised and associated measures were taken, including an ad hoc knowledge test for all employees and unscheduled briefings for the workforce.
- In line with the changes to Russian laws and regulations, the health and safety induction course (mandatory for office workers) was redesigned and launched. In creating the new course, we moved away from presenting the information in textual form towards a more engaging “live” format.
- 5Post, the Direct Import business unit and the X5 Corporate Centre implemented a project on automating record-keeping of medical examinations (the Medical Examinations intranet portal).
- Thanks to various preventive steps, X5 has reduced the incidence of occupational injury and illness.



Perekrestok

Audited its online courses on health and safety to ensure they include the necessary information and also for completeness, relevance and accessibility of the material. A more engaging “live” format was used when creating courses, involving actual photos and videos of equipment while in use. Thanks to WISE (a series of interactive events with videos about safety in common areas), we have improved the safety culture at distribution centres and carried out testing, including questions about occupational health and safety. Of the 987 tests conducted, 79% were successfully passed.



Vprok.ru

- Changed the method of moving goods from warehouse to ramp: the total weight loaded onto trolleys has been reduced, and the trolleys must be moved by two people.
- Developed a training matrix that outlines training programmes for each position. Employees undergo certification upon completing their training.



Pyaterochka

- Audited its health and safety courses and issued guidance materials explaining how to interact with customers when a theft is detected. All health and safety training courses are publicly available, meaning that employees can refresh their knowledge on their own as needed.
- Continued to employ private security company staff in stores, which helped reduce the number of injuries caused by unlawful customer conduct to 35 (10 fewer than in 2021).
- Continued the use of the “open window” tool for evaluating the quality of pallets delivered to stores, which resulted in a 40% reduction in injuries from overloaded pallets compared to 2021.
- Piloted a project to use electric trolleys at stores, which should considerably reduce the effort required when unloading vehicles. The project will help ensure compliance with regulatory requirements on manual lifting and moving of loads by women.
- Upgraded personal protective equipment to increase staff safety (protective caps have been replaced with helmets).



X5 Transport

- Continued to implement the anti-sleep intelligent safety system, with 1,681 drivers “stopped” due to deviations from the set criteria. In 2022, 2,424 vehicles (approximately 60% of the fleet) were equipped with the anti-sleep system.
- Continued to carry out a mentoring programme for drivers, which must be completed before they are allowed to work independently.
- The number of female drivers doubled in 2022.



X5 Ready Food

- Conducted OHS training and forklift driver training with on-site factory visits.
- Continued to work with new hires in the form of individual briefings and providing practical examples of violations and their consequences.
- Worked with managers to raise awareness in the course of internal OHS audits.

Key indicators in the area of occupational health and safety¹

	2020	2021	2022
Number of OHS violations identified	10,884	19,670	14,230
Number of OHS violations resolved within 5 days	8,290	15,897	11,536
Number of employees taking part in OHS training (excluding compulsory briefings)	71,943	109,669	111,075
Percentage of employees under the OHSMS	100%	100%	100%
Number of recordable work-related injuries, incl. ²	214	255	206
Number of recordable work-related injuries, excluding fatalities, incl.	212	251	203
Among employees	212	248	203
Among employees of contractors	n/a	3	0
Number of fatalities as a result of work-related injuries, incl.	2	4	3
Among employees	2	4	3
Among employees of contractors	n/a	0	0
Number of hours worked by employees	451,251,238	462,289,874	462,849,717
Lost time injury frequency rate (LTIFR) among employees ³	0,47	0.55	0.45
Fatal accident rate (FAR) among employees ⁴	4.43	8.65	6.48
Total recordable injury frequency rate (TRIFR) among employees ⁵	0.44	0.50	0.39

	2020	2021	2022
Number of days lost due to incapacity for work	n/a	n/a	9,612
Lost time injury severity rate (LTISR)	n/a	n/a	20.77
Number of fatalities among employees due to work-related illnesses	n/a	n/a	0
Number of fatalities among employees of third-party organisations (contractors) due to work-related illnesses	n/a	n/a	0
Number of employees under the OHSMS who have undergone internal audits	n/a	n/a	277,382
Percentage of employees under the OHSMS who have undergone internal audits	n/a	n/a	100%
Number of employees under the OHSMS who have been audited or certified by an external organisation	n/a	n/a	11,416
Percentage of employees under the OHSMS who have been audited or certified by an external organisation	n/a	n/a	4.1%
Number of employees of contractors under the OHSMS who have been audited or certified by an external organisation	n/a	n/a	2
Percentage of employees of contractors under the OHSMS who have been audited or certified by an external organisation	n/a	n/a	100%

1 Values are not provided for a number of indicators for 2020 and 2021, as data recording for these indicators was not carried out.

2 The significant reduction in the number of injuries compared to 2021 is due to preventive work and the mandatory involvement of the OHS function in the design of operational processes, which mitigates risks.

3 The rate is calculated as the number of incidents per 1 million hours worked. Only recordable occupational injuries, including fatalities, among X5 employees are used in this calculation. Staff of contractors and third parties are excluded from the calculation in accordance with the law. Injury rates (statistical data) were analysed in the calculation, taking into account the number of accidents.

4 The rate is calculated as the number of incidents per 1 billion hours worked. Only recordable fatalities among X5 employees are used in this calculation.

5 The rate is calculated as the number of incidents per 1 million hours worked. Only recordable minor occupational injuries, as well as fatalities, among X5 employees are used in this calculation.

Prevention of work-related injuries

X5 Group has three levels of oversight of hazardous incidents: management on site, the safety service, and the OHS service.

The Company has a duty officer service that is notified of all incidents at X5’s business units. Incidents are reported to an email address that is monitored by managers and on-duty officers. If an accident happens, an investigation is carried out in accordance with the Russian Labour Code. Corrective measures are developed through regular assessments of occupational risks, with risks also being greatly reduced by removing hazards and avoiding dangerous tasks.

As part of the investigation and analysis of work-related injuries, the main causes of incidents are identified and grouped into categories. Working groups have been set up at the Company’s structural divisions, which develop hypotheses as to the causes of accidents, some of which are eliminated through additional training and analysis. The remaining hypotheses are then tested using auxiliary methods, such as assessing their quality and the feedback received, before being launched as pilot projects. Under such projects, measures which the working group believes will have the greatest effect are tested.

Improving occupational health and safety competencies

The Company provides its employees with health and safety training to improve their skills in this area. We pay particular attention to regular health and safety training for managers and employees. This includes training in safe working methods and techniques and first aid, as well as safety briefings and on-the-job training. All new employees undergo online health and safety training. The training involves familiarising employees with their basic rights and obligations under health and safety and employment law on their first day of work. Within the Company’s structural divisions, immediate supervisors provide practical OHS instruction and are responsible for ensuring that work is carried out under the supervision of more experienced staff and with appropriate safety precautions.

In line with changes to Russian laws and regulations, in 2022 the OHS induction course (mandatory for all office workers) was redesigned and launched.

In accordance with legal requirements (Russian Government Decree 2464), an additional First Aid course for office workers will be launched in 2023.

Logistics safety

X5 Transport continually strives to improve working conditions for drivers and other employees:

- X5 has introduced a road safety portal that ensures that drivers who are at higher risk of accidents are identified systematically and that preventive measures, including additional road safety training, are taken in a timely manner based on data from the portal.
- The risk of accidents has also been reduced through regular renewal of the vehicle fleet and scheduled service maintenance with full diagnostics.
- X5’s haulier companies offer comfortable rest and recovery rooms that have a kitchen, all appliances needed to prepare hot meals and showers, as well as separate rest and recovery rooms with beds for men and women. Employees at the haulier companies have access to drinking water, and water purification filters are installed.
- Thirteen of X5’s haulier companies have sports facilities, and all categories of employees can participate in corporate sporting contests and tournaments.

Anti-sleep system

The Company uses an intelligent anti-sleep safety system, which prevents drivers from falling asleep at the wheel. The system is installed inside the vehicles and monitors the driver. If deviations from set criteria are detected (e.g., the vehicle strays from its lane), the system gives an audio signal, preventing the driver from falling asleep. The introduction of this system improves safety both for our drivers and for other road users. The anti-sleep system has reduced accidents involving X5 vehicles by an average of 30%, as it improves safety not only by reacting in time to signs of driver fatigue or drowsiness, but also by activating when it detects signs of dangerous driving. By the end of 2022, over 60% of the Company’s fleet was equipped with the anti-sleep system.

Key measures and practices

- Online meetings involving each business unit’s key occupational health and safety managers and chaired by the head of Health and Safety at the X5 Corporate Centre continue to be held on a regular basis
- The Head of Health and Safety informs employees about upcoming OHS webinars and conferences taking place outside the Company (online and offline)
- The Head of Health and Safety regularly sends out updates about changes to OHS laws and regulations to the OHS managers of every business unit and retail chain
- A chat group has been set up for the OHS managers of all business units and retail chains to discuss pressing OHS issues
- The Company continues to transition OHS training to an online format, with most training of OHS specialists and operational staff of the Corporate Centre, Perekrestok and X5 Technology already switched from third-party training centres to online
- All business units provide OHS advice to their employees on an ongoing basis through emails, phone calls and online meetings
- Regular OHS training is provided for line managers, who are responsible for monitoring and enforcing OHS requirements in the divisions under their oversight
- Meetings and consultations about OHS matters are held with employees during audits
- Meetings continue to be held with division heads regarding the filing of OHS documentation
- Every large Pyaterochka store has an action group or committee responsible for identifying hazards and assessing risks in the workplace; managers undergo a special training programme called Evaluating Occupational Risks to improve their understanding of the causes of work-related injuries and accidents
- The contact details of the head of Health and Safety are available on the Company’s intranet portal; oral/written consultations are provided in response to enquiries from employees

Managing contractor safety

One of the main aims of including work with contractors under the OHSMS is to effectively manage activities involving contractors, coordinate efforts, and ensure that agreed-upon work procedures are followed by systematically monitoring contractors’ compliance with OHS requirements. All contractor staff working on X5 premises are required to undergo introductory health and safety training for representatives of third-party organisations. Occupational health and safety is primarily the responsibility of the contractors and is supervised by the heads of X5’s structural divisions.

A corporate standard for interaction with contractors is also being developed.

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

Investigating incidents and accidents

Russian labour law sets out compulsory procedures for investigating and responding to accidents in the workplace. All incidents involving the Company’s staff and contractors are subject to mandatory investigation.

In the event of an accident in the workplace, any injured workers are given first aid, steps are taken to prevent the situation from escalating, and the business unit in question forms a commission to investigate and document the incident. In cases of severe or fatal injuries, officials from state regulatory bodies are included in the commission.

Causes of fatal accidents in 2022

Business unit/position	Description of incident	Cause of incident
X5 Transport Vehicle driver	Traffic accident. Collision with a passing vehicle in poor visibility (fog)	Violation of traffic rules by employee
X5 Transport Vehicle driver	Accident, collision with a stopped car on the roadway	Violation of traffic rules by employee
Pyaterochka Store assistant/cashier	Assault by persons unknown	Unlawful acts by third parties

The following measures have been taken to prevent future incidents at the Company’s business units:



X5 Transport

- Continuation of the mandatory driver training (mentoring) programme, to be completed before drivers are allowed to work independently
- Supplemental road safety training after every incident involving violation of the traffic rules
- Accident-avoidance driver training is planned for at-risk drivers
- Implementation of the anti-sleep system: as of the end of 2022, 72% of urban delivery vehicles and 61% of all vehicles have been equipped with the system. By the end of 2023, it is planned to have the system installed in a further 25% of the vehicles.



Pyaterochka

- Issuance of guidance materials and training on how to interact with customers when a theft is detected, including at the time of the theft, with training to continue in 2023
- Organising the evacuation of staff via the main entrance, and relocating the alarm control panel from loading dock areas to entrance areas
- Installing perimeter and in-store security lighting compliant with Russian State Standard GOST 12.1.046-85 at stores where incidents have occurred, with security lighting to be continually on during night-time hours

Additional video surveillance cameras are also installed around the perimeter of store property and in auxiliary premises. The Company also investigates less serious workplace incidents, although this is not required under Russian labour law. In cases where an employee suffers a minor injury or there is an incident involving no consequences, the OHS department conducts an internal investigation in conjunction with the head of the facility, after which appropriate corrective action is taken.

In this regard, the following measures have been taken at the Company’s business units:

- when carrying out internal health and safety audits, particular attention is to be paid to flooring (holes, protrusions, cracks in the floor material, etc.)
- the maintenance service is instructed to rectify issues as soon as possible
- floor covering safety points are included on the maintenance staff’s inspection checklists
- the signal markings for height differences have been updated
- ladders and stepladders are inspected to ensure they are safe to use

In 2022, Pyaterochka continued to implement the “open window” tool introduced in 2021 to evaluate the quality of pallets delivered to stores. Based on data from 2022, the number of injuries from overloaded pallets fell by 40% compared to the previous year. The project has significantly reduced the risk of one of the main types of accidents.

Analysis of the injury frequency rate (the number of accidents per 1,000 employees) shows a decrease compared to the previous year, from 0.55 in 2021 to 0.45 in 2022. The reduction in injuries in 2022 is largely attributable to mandatory involvement of the OHS function in organising operational processes, which helps proactively mitigate risks, as well as preventive work in each business unit or chain.

The main causes of injuries in 2022 were as follows: 39% were due to employee negligence, 11% were due to violation of OHS requirements by the injured party, and 20% were caused by third parties (assault by customers or third parties, breach of OHS requirements by contractors).

Our plans

Our HR function will continue to support change and X5’s ambitions for growth under the new development strategy in terms of each of its priorities as a valued business partner. The focus will remain on improving operational and cost efficiency and improving internal processes, including through digitalisation and automation of key services, development and training, with a particular focus on leadership skills and competencies. We will continue transforming our management models and corporate culture, including updating our values and operating principles, to support a culture of partnership and successful interaction between businesses, as well as the realisation of X5’s ambitious goals.

Retaining staff and increasing their engagement through comprehensive measures in all areas of HR, from improved working conditions to personalised adaptation and training programmes, is an ongoing priority for the Company.

Major projects that are currently pending include development of the X5 Shelf corporate university and involving retail staff, creating a unified recruitment system, developing a succession and talent pool programme, and scaling up the Store Director-Partner programme.

We plan to update the onboarding programme for all X5 employees, launch new projects involving work with young people, and continue the process of centralising HR services within the framework of X5 Business Support, with transition to a service model.

Occupational health and safety



5

Pyaterochka

- Launch the Medical Examinations intranet portal to facilitate monitoring and analysis of the timing of medical examinations
- Continue to implement the “open window” tool for evaluating the quality of pallets delivered to stores

Mnogo Lososya

- Hold a conference with employees involving a first aid trainer and health and safety expert
- Make a visual rendering of health and safety documents, and convert instructions and regulations into video/audio format (e.g. induction, risks, etc.)

Vprok.ru

- Improve employees' occupational health and safety knowledge and skills by changing the internal training process to include more face-to-face time with OHS specialists and publishing manuals and descriptive material on safe working practices
- Increase oversight by OHS specialists through detailed audits of facilities and involving stakeholders in audits

Perekrestok

- Continue practical training on WISE (work in a safe environment) culture at distribution centres
- Introduce monthly safety events and short presentations on safety topics and key OHS violations
- Update the online health and safety course for distribution centre employees similarly to the retail course
- Conduct health and safety audits at stores and distribution centres to assess the condition of equipment, workplaces, premises and the availability of PPE in order to identify risks and potential hazards and prevent injuries to employees
- Conduct staff safety training in various formats (leaflets on information boards, briefings, etc.)
- Hold local (cluster-by-cluster) online meetings with supermarket managers to highlight the importance of conducting health and safety briefings for staff, logging briefings, reviewing incidents and causes of injuries at the chain, promoting timely medical check-ups for staff, and communicating this information by directors to their line staff

Chizhik

- Automate OHS training and briefings
- Automate record-keeping of PPE

X5

Ready food

- Provide employees with additional modern personal protective equipment for hazardous work. Purchase safety harnesses, safety slings with shock absorbers, safety goggles and helmets; outfit emergency evacuation points with cabinets containing equipment for self-rescue
- Carry out health and safety audits of the organisation's divisions. Develop and modernise a new approach to auditing which takes into account the higher quality of audits and time optimisation
- Conduct occupational health and safety training for staff, with a view to transferring the knowledge and skills needed to perform certain types of work. Place greater emphasis on offline training, with the involvement of teachers from training centres and development of practical skills: providing first aid to victims, using PPE, fire drills. Use modern learning technologies and equip the training room (purchase a mannequin, put up visual aids, make methodological materials available)
- Foster a culture of workplace safety among staff; hold seminars, special days dedicated to health and workplace safety, and set out informational material in break areas
- Prepare training videos on safe working practices with specific types of equipment and when doing particular types of work

X5

Transport

- Continue to implement the anti-sleep intelligent security system. As part of the project, 1,062 transport vehicles have been equipped with the system, with another 25% of vehicles planned to be equipped by the end of 2023
- Continue the driver training programme as a requirement before allowing drivers to work independently
- Organise health resort treatment for workers approaching retirement age
- Renovate 15 rest and recovery rooms for drivers
- Switch to electronic logging of health and safety induction

X5

Import

- Organise a health and safety corner with computers for employees to undergo training
- Procure mannequins to practice first aid skills
- Purchase anti-bacterial shoe dryers



08



Care for the community

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Our approach and 2022 highlights

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Since it was founded, X5 Group has strived to contribute to the health and well-being of local residents in the regions where we operate. We are guided by Russia’s national development goals, the UN SDGs, the views of experts from non-governmental organisations, and international best practices. The national objective on the Preservation of the Population, Good Health and Well-being is a priority for the Company. We will continue to work in this area in line with the Company’s sustainable development strategy, which is focused on achieving two of the UN SDGs:

2

ZERO HUNGER

SDG 2:
Zero Hunger

3

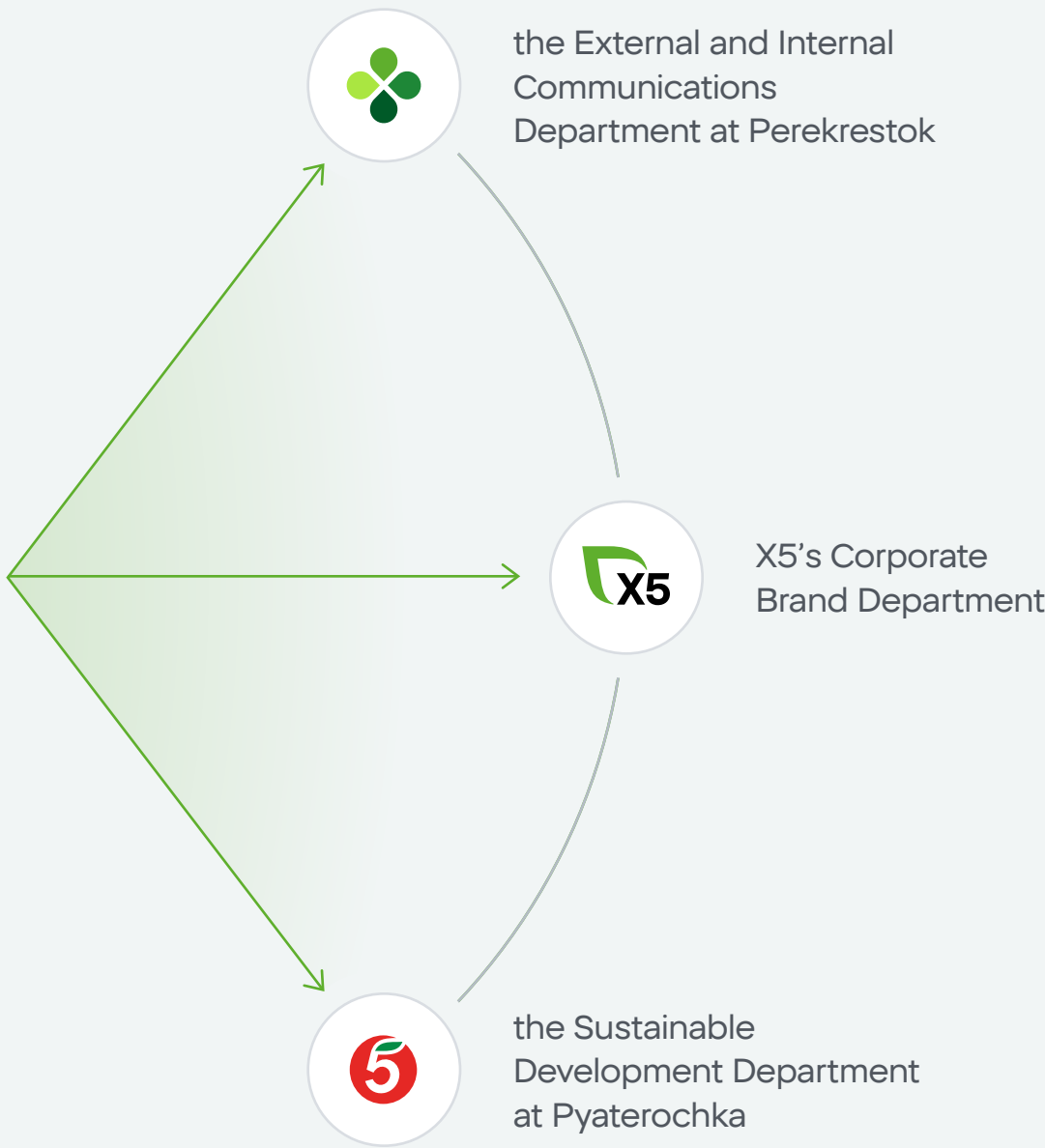
GOOD HEALTH AND WELL-BEING

SDG 3:
Good Health and Well-Being

The Company’s social projects have been developed based on our assessment of the priority areas in which we can make the most significant contribution to the health and well-being of local communities, enabling us to make a positive impact on people’s lives and human rights.

The Company also strives to always ensure that human rights are respected and protected when preparing specification documents, developing initiatives and events. When engaging with all Company stakeholders, the impact on them and the potential impact on them are taken into consideration.

Charitable activities and social projects are managed and implemented by:



The Company takes into account feedback from local communities and customers. To improve the efficacy of our activities, we plan to carry out:

- + comprehensive assessments and calculations of the impact of charitable programmes on various aspects of local communities
- + develop a monitoring system
- + prepare internal regulations on regular assessments
- + generate theory-of-change maps for important projects

In 2022, the Company organised its own large-scale projects and numerous programmes with partners and suppliers within defined focus areas. X5’s social policy priorities were food assistance, creation of a comfortable and safe environment, and health.

Various activities were carried out for the main target groups listed below, with examples of these activities described in more detail in subsequent sections of this chapter:

- children
- the elderly
- refugees
- local communities
- pensioners in need
- large families in difficult circumstances

In 2021, the Company reviewed its [Charity Policy](#) and set new priority areas for its charity work. The Policy continues to be in force in 2022. The Policy sets out general principles and rules for charitable activities and describes priority areas of funding for charitable projects. It also defines the roles and responsibilities of employees involved in charitable programmes.

The Policy applies to all divisions of X5 Group.

Strategic objectives

by 2023

- Double the number of families receiving food aid through the Basket of Kindness project compared with 2019
- Have all stores engaged in the Safety Zones programme
- Developing partnership programmes with small and medium-sized businesses, farmers and local producers
- Develop programs aimed at helping local communities

by 2030

- Increase the annual growth rate in the number of families receiving assistance through the Basket of Kindness programme to up to 30% per year

The Company has defined the following priority areas in its charitable activities:

- Food assistance
- Creation of a comfortable and safe environment
- Good health and well-being

The Company does not make monetary donations or provide other types of assistance to non-charitable organisations (including commercial entities, political parties, movements and associations), nor does it support events organised by non-charitable organisations. X5 Group also does not provide direct financial assistance to individuals. Our aim is to ensure transparency about the Company’s charitable activities and to raise public awareness of the Company’s expectations regarding its charitable programmes and compliance with all applicable legal and regulatory requirements in implementing them.

To achieve this goal, we abide by the following commitments:

- To publish data on the Company’s charitable activities in the sustainable development section of our annual report and in a separate sustainability report
- To regularly monitor the use of allocated funds
- To regularly monitor and analyse requests from non-governmental organisations (NGOs)
- To conduct media outreach campaigns

Every NGO that works with the Company provides feedback following the completion of a project.

The Company also has a hotline via which any interested party can submit questions, complaints or suggestions and receive advice on any issue of interest, including human rights violations.

Awards

In 2022, X5 Group was conferred the status of Partner of National Projects. Partner status is essentially public recognition of the contribution made by businesses and NGOs to the achievement of national goals and the implementation of national projects. It was granted by the autonomous non-profit organisation National Priorities based on an analysis of corporate social responsibility (CSR) programmes that made it to the final round of the Our Contribution national ranking. In particular, the organisers commended the Basket of Kindness project when making their decision.

Pyaterochka won an award at the Champions of Good Deeds VIII All-Russia Competition for Corporate Volunteering Projects. The retail chain won in the Comprehensive Project category and was highly commended by the jury.

As its submission for the competition, Pyaterochka chose its Community Centres project, which is part of the retail chain’s Care for the community programme and helps implement local residents’ social initiatives, fostering an atmosphere of good neighbourliness and mutual support.

The Community Centres project has won several awards:

1st at the HR IMPACT 2023 awards	1st in the category SUSTAINABLE MINDSET: Best Project on Employee Engagement in Sustainable Development	1st in the Silver Archer national awards
1st in the Social Contribution category at the Recognition awards	22nd best in the category Communication in Sustainable Development: Social Projects	2nd in the category Territory of Kindness at the InterComm 2022 awards

For the second year in a row, X5 Group improved its position in the Leaders of Corporate Charity ranking organised by the Donors’ Forum association. In 2020, X5 received a C (Developing Practice) rating; in 2021, it was given a B+ (Advanced Practice) rating. This year, the Company was awarded an A (Best Practice) rating—the highest rating among retailers. The Basket of Kindness project was recognised as one of the best programmes contributing to the UN Sustainable Development Goal of Good Health and Well-being.

At the Managing Change: Visionaries awards, X5 Group won in the Unique Synergy category. The expert community praised the **food-sharing** project that X5 is implementing in conjunction with the independent non-profit organisation Foodsharing and Foodbank Rus.

X5 Group’s social and economic contributions

In early 2022, the Company published its first report containing an assessment of X5 Group’s social and economic impact on the Russian economy by industry and various levels of influence. The main purpose of the report was to examine the scale of job creation, income generation and added value in the Russian economy directly attributable to X5 as a result of its economic activity.

To assess its economic impact, X5 Group carried out an input-output analysis using the Company’s detailed data on employment, procurements of goods and services, and other expenses, as well as macroeconomic data from Russia’s Federal State Statistics Service.

The assessment also included additional contributions to the economy, namely value added per employee, investments (broken down by sector), taxes paid to the federal and regional budgets, and digitalisation in the retail sector.

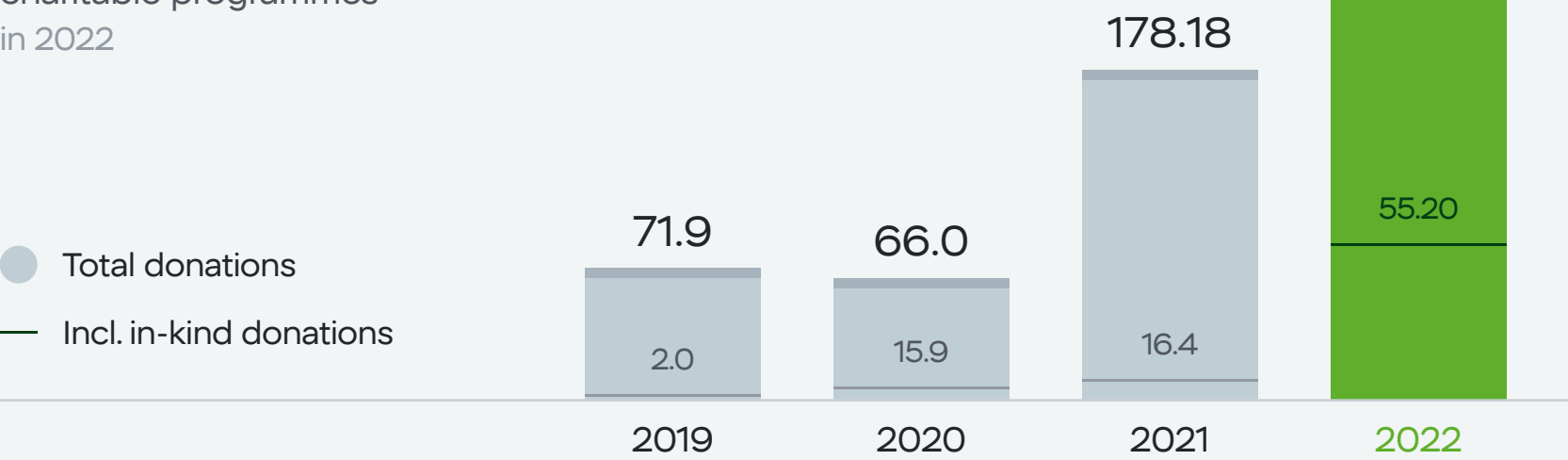
More detailed information about the methodology used to calculate the social and economic impact of X5 Group and its social and economic contributions can be found [here](#).

One of the target groups in our social programmes is older customers, for whom Pyaterochka and Perekrestok offer discounts. In 2022, discounts totalling RUB 13.4 billion were provided to pensioners at Pyaterochka, and more than 519 million purchases were made under the programme. At Perekrestok, discounts totalled more than RUB 1.2 billion, with 30 million purchases being made. Discount offers were most frequently made use of in Moscow and the Moscow region, the Leningrad region and the Volga region.

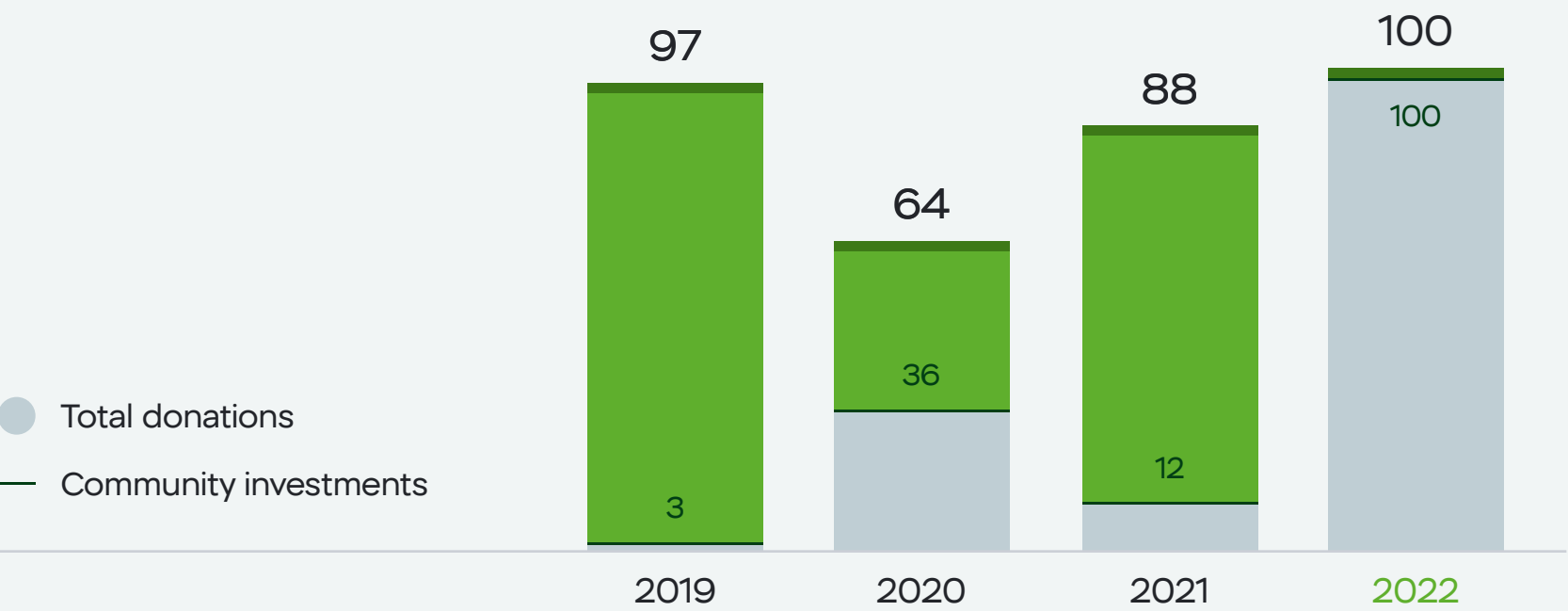
Donations to initiatives to help those in need, RUB mln

268.8 RUB MLN

Total amount allocated to charitable programmes in 2022



Donations breakdown by type, %



In 2022

RUB 12.586 mln

was raised for charitable purposes under the Pyaterochka social partnership programme.

Charitable programmes

203-1

413-1

Through its charitable programmes, the Company is making progress in achieving the overall goal it has set for the year 2030: increasing the annual number of families receiving food assistance under the Basket of Kindness project up to 30%. By doing so, we are contributing towards Russia's National Development Goal to 2030 of Preservation of the Population, Good Health and Well-being.

The figures for 2022 show an 8% increase in the number of people receiving food assistance through the Basket of Kindness project.



X5 assesses the impact its charitable activities have on local communities and the economy. For example, under the Basket of Kindness project, members of the local community can reduce their expenses on food.

More information about such assessments and the Group's social and economic contributions can be found [here](#).

Our social policy is focused on 3 groups of beneficiaries: children, the elderly and people in need, and local communities. Charitable programmes are implemented in the following areas:

- + Food assistance
- + Helping seriously ill children
- + Supporting people with disabilities
- + Assistance for lost or disoriented people
- + Preventing social orphanhood
- + Contributing to the development of local communities and creation of a comfortable, safe environment



Food assistance

Food-sharing

In 2022, the Company launched a pilot food-sharing project at several Pyaterochka and Perekrestok stores in conjunction with Foodbank Rus and the independent non-profit organisation Foodsharing.

Food-sharing involves donating food that will soon expire but is still safe to eat to people in need instead of throwing it away once the expiry date has passed. Over the first 5 months, bakery products were distributed to 5,839 people, and the project expanded to include 27 stores in several regions of Russia: Moscow, St Petersburg, Chelyabinsk, Ryazan, Yekaterinburg and Tomsk. On average, each store collected about 120–180 kg of bread per month for distribution to people in need.

Based on the results of the pilot project, X5 plans to scale up the project to include more stores in other Russian cities, expand the categories of products given out under the food-sharing scheme, and get the Company’s distribution centres involved in the project.

Basket of Kindness

In August 2015, X5 launched the nationwide Basket of Kindness project in conjunction with Foodbank Rus to donate food to individuals in need. In 2022, a total of 6,093 Pyaterochka and Perekrestok stores took part in the project. Some 518 tonnes of food were collected and donated to the elderly, large families and people with disabilities.

Pyaterochka and Perekrestok stores held 17 food drives over the year, collecting 295 tonnes of food. Using the money that was donated on its [website](#), X5 purchased about 13 tonnes of food and donated a further 210 tonnes of food purchased with Company funds.

Last year, Baskets of Kindness were given out to 199,156 people in 40 regions of Russia, including large families, pensioners, people in difficult circumstances, doctors and refugees. Over 145,000 Pyaterochka and Perekrestok customers became donors. The project would not have been possible without the help of volunteers and store staff: over 13,000 volunteers from Foodbank Rus and 1,439 employees of our retail chains took part in organising charity events and food drives.

>5,800

people received food aid under X5 Group’s food-sharing project in 2022



~14,500

volunteers took part in the project. Over 199,100 people, or about 51,800 families, received assistance

>518 TONNES

of food were collected for people in need in 2022 under the Basket of Kindness project



Food assistance

Basket of Kindness charity card

Under the Basket of Kindness social project, the Company continues to distribute charity cards that have a pre-loaded balance to eligible individuals. Charity cards were given out to 990 families from 8 regions to buy groceries at Perekrestok supermarkets.

The cards can be used to purchase goods across 14 product categories, excluding alcohol and tobacco products. Single mothers, large families and families in difficult financial situations are eligible for aid. The Company donates money to Foodbank Rus, which tops up the cards with RUB 1,000 each month.

Basked of Kindness results

	2019	2020	2021	2022
Number of participating stores	1,560	1,308	3,769	6,093
Amount of groceries collected, tonnes	173	267	356	518
Number of people who received support, ths	59	142	185	199

Higher discount for pensioners

Pyaterochka has increased the discount for pensioners at its stores in Moscow, the Moscow region, St Petersburg, the Leningrad region, and the Tver, Pskov and Novgorod regions. A 10% discount is now offered on weekdays from the store’s opening until 1:00 p.m. The aim of the initiative is to enable elderly shoppers to continue to buy their usual basket of groceries or even expand it.

Basket of Kindness for animal shelters

This is not the first year that help has been given not only to people, but to animals as well: about 21 tonnes of food were provided to more than 6,000 dogs and cats at 17 shelters in Moscow and the Moscow region, St Petersburg, Rostov-on-Don, Chelyabinsk, Yekaterinburg, Perm, Izhevsk, Kazan, Volgograd, Saratov, Krasnoyarsk, Novosibirsk, Tomsk and other regions. The campaign involves 148 Perekrestok and Pyaterochka stores, whose customers donated 7.8 tonnes of cat and dog food, while a further 13.2 tonnes of food was purchased using funds raised on the [Basket of Kindness website](#).

Perekrestok and Foodbank Rus launched a project called [Happy Tails](#) to help homeless animals. The project took the form of a charity flash mob, in which anyone could take part by sharing a story about their pet. For each story posted, Perekrestok donated RUB 100 to Foodbank Rus to buy food and accessories for animal shelters as part of the Basket of Kindness programme, while each flash mob participant received 400 bonus points on their Perekrestok loyalty card. Over 200 people took part in the campaign.

Direct delivery of food aid

Pyaterochka delivered some 113 tonnes of food aid to doctors, low-income families, refugees, people affected by emergencies and elderly people living alone – an increase of 61.4% compared to the previous year.

The Corporate Centre donated 97 tonnes of food to refugees, low-income families and pensioners – 2.4 times more than in 2021.

Assistance was provided to:

8,391

doctors working with COVID-19 patients

8,871

elderly people

116,707

children

9,345

refugees

436

people affected by emergencies

Helping seriously ill children

Life Line Foundation – donation boxes

Over 400 Perekrestok stores have set up donation boxes for the Life Line Foundation, an organisation that supports children with serious illnesses.

9 RUB MLN

Was collected through our stores, which funded treatment for 18 children who made full recoveries in 2022

Life Line Foundation – Candies of Kindness

Under the project, customers can buy Candies of Kindness at the checkout counter of any Pyaterochka store, with RUB 5 from each sale being donated to the Life Line Foundation.

~17 RUB MLN

Raised by the project for the treatment of 32 seriously ill children in 2022

10 RUB MLN

Allocated for the treatment of 23 children in 2022

Charity fairs

In 2022, two charity fairs were held at X5’s offices to benefit three seriously ill children under the care of the Life Line Foundation. At the fairs, which were organised for X5 staff, employees could buy Christmas samples from suppliers as well as “retro-style” orange-coloured merchandise from the Company.

~750 RUB THS

Raised by the campaign in 2022

Apple orchard at Moscow’s Centre for Child Neuropsychology

The Life Line Foundation and X5 Group organised a charity event at the Centre for Child Neuropsychology. Volunteers and friends of the foundation planted an apple orchard as a symbol of the joy of being.

1 RUB MLN

Donated by the Company for comprehensive rehabilitation treatment for children and teenagers with disorders of the nervous and musculoskeletal systems in 2022

Kindness bags

Since late 2020, Perekrestok supermarkets across Russia have been selling natural cotton shopping bags bearing the tagline “I’m carrying kindness”. These “kindness bags” are available at store checkout counters and cost RUB 299, with RUB 5 from each bag sold donated to the Gift to an Angel foundation.

The bag’s original and new tagline, “I’m carrying kindness” were made in partnership with Dobroshrift, an organisation that raises awareness of problems faced by children with cerebral palsy. Thirty-three children under the care of the Gift to an Angel foundation wrote one letter of the alphabet each, which professional designers then used to create a unique font. In 2022, Perekrestok redesigned the bags. This initiative aims to raise awareness of the needs of individuals with diseases of the central nervous system.

Pyaterochka wish tree

Towards the end of 2022, 175 Pyaterochka stores put up Christmas trees decorated with cards from children with disabilities, as well as children from low-income or large families. Visitors to Pyaterochka in 9 Russian regions made it possible for children’s holiday wishes to come true.

1,500

Beneficiaries of Foodbank Rus received toys, art kits and sweets in 2022

Cheerful people are X5 times kinder

In 2022, X5 Group and the Life Line Foundation implemented a charity project to raise money for seriously ill children. Anyone making a RUB 100 donation received a red clown nose or bow from the foundation, while X5 Group increased fivefold the total amount of money raised for Life Line. The project resonated with the younger generation: users of the Likee video sharing platform made 1,136 videos using the novelty items and a special musical track, with X5 donating an additional RUB 1,000 for each video to direct towards children’s treatment.

>3 RUB MLN

Raised by X5 and Life Line for the treatment of seriously ill children in 2022

Supporting people with disabilities

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

X5 has been supplying groceries free of charge to residential institutions for people with visual and hearing impairments since 2017. As part of this project, two institutions receive groceries from Pyaterochka stores in Troitsk and Lyubertsy. The Company donated nearly RUB 1.5 million worth of food through this initiative in 2022.

Accessible stores

Pyaterochka has equipped 26 of its stores with the Speaking City system for the visually impaired. These inclusive stores are now available in Krasnodar, Novorossiysk, Nizhny Novgorod, Yaroslavl, Kursk and Moscow. The aim of the Speaking City system is to improve accessibility at retail locations. More than 1,700 customers with visual impairments have already benefitted from the project since its launch.

Pyaterochka was the first retailer to implement the project. The Speaking City system helps people with visual impairments find the entrance to a store and orient themselves while inside it via beacon tones and informational messages about obstacles near the store’s entrance area.

Accessible Environment: Perekrestok’s experience

The Perekrestok team engaged Everland, a company specialising in developing guidelines to improve services for people with disabilities, to adapt its stores to be more accessible for people with disabilities. The work included studying Russian state standards and other standards, audits of 100 of the chain’s retail locations, and inspecting stores for accessibility for people with disabilities.

Following inspection, some stores were certified as accessible while others were given detailed guidance on additional steps that need to be taken. Training courses have been developed for Perekrestok staff so they can provide competent assistance. When renovating or building new supermarkets, the chain takes Everland’s recommendations into account to ensure that the infrastructure at all its stores is as accessible as possible for all customers.

Perekrestok has also launched a grant competition for small businesses, called An Accessible Environment: It’s Up to You, to help them adapt their infrastructure for customers with disabilities, train staff on communicating with customers, and improve their websites in terms of accessibility. The website delo-perekrestok.ru contains useful information to enable small businesses to take immediate steps towards making their business more accessible: this includes blueprints of accessibility ramps, basic rules for communicating with customers with disabilities, and accessibility checklists for their business. As part of the project’s awareness campaign, a video with audio description was created which shows some of the difficulties faced by customers with disabilities.

Assistance for lost or disoriented people

Safety lessons from Liza Alert

In 2022, Pyaterochka developed a safety class for senior kindergarten groups and primary school children called Islands of Adventure in conjunction with specialists from the Centre for Missing Persons and Liza Alert. The Centre’s specialists held training sessions for teachers at schools in Chelyabinsk, Nizhny Novgorod, Syktyvkar and several districts in the Samara region, to prepare teachers to present the safety class to their pupils.

The aim of the project is to get children to learn the basics of safety in the city and anticipate dangerous situations. It will help them develop a responsible attitude not only towards their own health and safety, but also towards the health and safety of others, which should lead to fewer lost and missing persons.

Beeline media screens

Beeline and Pyaterochka launched a project in Moscow in which photos of missing people that the Liza Alert search-and-rescue team is looking for are displayed on media screens at 200 of the chain’s stores.

The project is based on the Beeline Indoor platform, which uses smart algorithms to customise messages on remote advertising media. With this smart technology, information about a person and their photograph can be uploaded to Liza Alert’s account within 2 minutes. Correlation with geolocation data enables information about the missing person to be promptly displayed on store screens within a radius of 5 to 10 kilometres from the person’s last known location or the place where there were last seen. The partnership with Beeline and the use of smart technology is set to significantly improve the effectiveness of missing person searches.

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

Safety Zones are special areas in our stores marked with a distinctive orange geolocation pin that serve as a point of reference for lost or disoriented people. Any person who is lost or disoriented can walk into any Pyaterochka or Perekrestok store and ask a staff member for help, or wait to be offered assistance.

The project has helped 3,831 people, including 228 children, since its launch in 2019.

1,183
In 2022, Safety Zones helped 1,183 lost or disoriented people return home



Preventing social orphanhood

In Russia, more than 50,000 children are orphaned every year, with 8 out of 10 of these children having one or both living parents. Social orphanhood of this kind often results from the parents' lack of knowledge as to how to deal with crisis situations. X5 donates funds to the Family Strengthening Centre in St Petersburg, the largest organisation in Russia addressing this issue.

The Centre brings together knowledge, approaches and methodologies to prevent social orphanhood, which are then scaled up in all regions where SOS Children's Villages operate. Supporting the Centre helps to develop the SOS Children's Villages programme as a whole, which offers a wide range of opportunities for families that find themselves in difficult circumstances.

With the support of X5, SOS Children's Villages arrange counselling based on a tailored plan for each family in need, as well as offering various events, master classes, training and educational assistance, and comprehensive support for family members. In 2022, 588 families, including 747 children, received support through this programme.

In June 2022, professional psychologists from SOS Children's Villages held a workshop for bloggers on how to build dialogue within families and between children. The bloggers then engaged in a discussion with the experts and shared their key takeaways with their respective audience.

#LikeFor500

In the run-up to New Year's Eve, X5 together with SOS Children's Villages and Pyaterochka launched the #LikeFor500 campaign, dedicated to New Year's family traditions. X5 donated RUB 3 million to SOS Children's Villages, tripling the amount of donations that had been raised thanks to the involvement of subscribers. Under the terms of the campaign, for each of the 2,000 actions (comments, likes, reposts) that subscribers undertook during the campaign, the Company donated RUB 500 to SOS Children's Villages.



Other programmes

Contributing to the development of local communities and creating a comfortable, safe environment

Community Centres

Pyaterochka stores have taken on a new role in local communities as a place for neighbourly exchange and mutual assistance.

Pyaterochka launched its Community Centres project in August 2021 and continued to develop the initiative in 2022. There are now 355 such centres in Pyaterochka stores across the country, with each centre featuring community bulletin boards and shelves for sharing books and other items. As part of the project, the stores host masterclasses, lectures, creative competitions and charity events for local residents. In 2022, Community Centres held an average of more than 2,500 events per month and engaged a total of approximately 60,000 people and 4,000 volunteers from Pyaterochka.

The project aims to support the interests of local residents and their participation in activities, as well as support children's development in local communities (including employees' children) through various activities:

- +

Free fruit gifts

⋮

+

Excursions around stores

⋮

+

GoodPost

⋮

+

Friendship notebooks
- +

Exhibitions

⋮

+

Basket of Champions

⋮

+

Quests and masterclasses

Book exchange at Pyaterochka

A book exchange initiative has been launched at Pyaterochka stores in Kemerovo, Novokuznetsk and other cities of the Kemerovo region, as well as in Abakan, Barnaul, Rubtsovsk and Biysk. In these cities, special racks have been set up at Pyaterochka stores where anyone can leave a book or borrow a book that they would like to read, completely free of charge.

Kindness lids

Containers for the collection of plastic lids have been set up at 317 Perekrestok supermarkets in partnership with Henkel. The plastic will be recycled to make special ramps to be installed at the entrances to supermarkets in various regions. In 2022, more than 18 tonnes of lids were collected, with the proceeds donated to charitable organisations that help orphans. Nearly RUB 1 million has been donated to charity since the initiative's launch.

Corporate volunteering

203-2

413-1

In 2022, the Company launched corporate-scale volunteering programmes that complement its Charity Policy. X5 Group supports intelligent volunteering through the [procharity.ru](#) platform and encourages employees to volunteer at X5 stores for the Basket of Kindness project. In addition, all divisions of the Company can initiate and run their own volunteering projects.

The role of the Company’s social mission and staff involvement in charitable, environmental and volunteering initiatives is becoming more prominent. In May 2022, the Company marked 16 years since its foundation, and all of the celebrations that month were focused on volunteering and supporting one another.

Corporate volunteering and the Company’s wider charitable activities are managed by X5’s Corporate Brand Department, Pyaterochka’s Sustainable Development Department and Perekrestok’s External and Internal Communications Department.

Corporate volunteering at X5 Group business units

Pyaterochka



Volunteering at the Pyaterochka retail chain is part of the Company’s corporate culture. In 2022, we began integrating volunteering into all nationwide corporate projects and continued to carry out local socially focused activities. In this way, we give employees across the country an opportunity to volunteer regularly with the Company’s support.

Pyaterochka’s approach to volunteering is based on the idea that it should be accessible to every employee – it does not require special skills or talents and is not tied to age, experience or position. Volunteering also does not require money, because volunteering at Pyaterochka is about activities, not donations. All that’s required is a sincere desire to help and a willingness to abide by the commitments made.

Pyaterochka Magicians New Year campaign

In December 2022, 44 volunteers dressed up as Grandfather Frosts, Snow Maidens and other holiday characters to wish little visitors to our stores a happy New Year. The campaign was held in 15 cities across the country: Moscow, St Petersburg, Kaluga, Ryazan, Krasnodar, Voronezh, Samara, Kazan, Perm, Ufa, Novosibirsk, Krasnoyarsk, Nizhny Novgorod, Yekaterinburg and Rostov-on-Don. By stopping by their local Pyaterochka store, 10,056 visitors were able to see their favourite characters and immerse themselves in the festive atmosphere. An online platform for sharing stories of kindness was also launched as part of the project, where Company staff as well as visitors to our stores, partners and anyone in the general public could post stories about good deeds for a nationwide audience. In less than a month, participants posted more than 530 stories on the platform to serve as an inspiration for others.

Superheroes with a Big Future project

For Knowledge Day in Russia (1 September), Pyaterochka volunteers organised environmental lessons at 20 schools in Moscow, Korolev, Sergiyev Posad, St Petersburg, Krasnodar, Rostov-on-Don, Kazan, Chelyabinsk and Ryazan. The project engaged schoolchildren from grades 1 to 9. Volunteers arranged for ‘eco-lectures’ to be carried out at local schools, assisted professional lecturers in giving the lesson, and provided children with information on how they could raise their environmental awareness through a free online educational platform specially developed for the project. Getting volunteers involved in the project meant that more schools could be reached, while providing an opportunity for the Company’s volunteers to shine.

Celebrating Retail Worker’s Day

On Retail Workers’ Day, 65 volunteers across the country congratulated Pyaterochka’s 160 grandmothers and grandfathers – people who had worked for the Company for more than 10 years and retired upon leaving Pyaterochka. The volunteers made phone calls to congratulate these individuals and brought them sweet treats from the Company.

Construction of sports fields

Pyaterochka has built sports fields in several Russian cities as part of its Turbostarts project to promote corporate sport and a healthy lifestyle. Since its inception, the Turbostarts corporate project has grown into a large-scale health and wellness programme not only for staff, but also for their families, friends and relatives. The Company hopes that having sports fields within walking distance of people’s homes will motivate them to exercise and get outdoors more often.

Parcels for low-income families in Moscow and Krasnodar

Volunteers from Pyaterochka in Moscow and Krasnodar went to the warehouses of Foodbank Rus and helped put together food parcels from groceries collected during the Basket of Kindness campaign. Over 500 parcels of food and school supplies were collected and given out to low-income families with schoolchildren in time for the start of the school year.

Pyaterochka

Reforestation in St Petersburg

In March 2022, Pyaterochka in conjunction with the support of Nature Reserve Embassy charitable educational foundation raised money at the chain’s stores to restore coniferous forests as part of the Restore Our Forests Together! campaign. In May, the Company used the funds to plant over 2,500 pine and spruce seedlings and install fencing around the planted areas, as well as put up signs and booths in the Shungerovsky State Nature Reserve. The Shungerovsky forest park is extremely important for the ecology of St Petersburg, and such projects are always met with a great response from X5 staff.

ECO-generation in Rostov-on-Don

Pyaterochka supported 1,700 participants who took part in the ECO-generation Festival of Ecology and Creativity, which took place in April 2022 in the Botanical Garden of the Southern Federal University in Rostov-on-Don. The Company’s staff and activists cleaned up the area, organised separate waste collection, and talked about the importance of conscious consumption and environmental awareness.

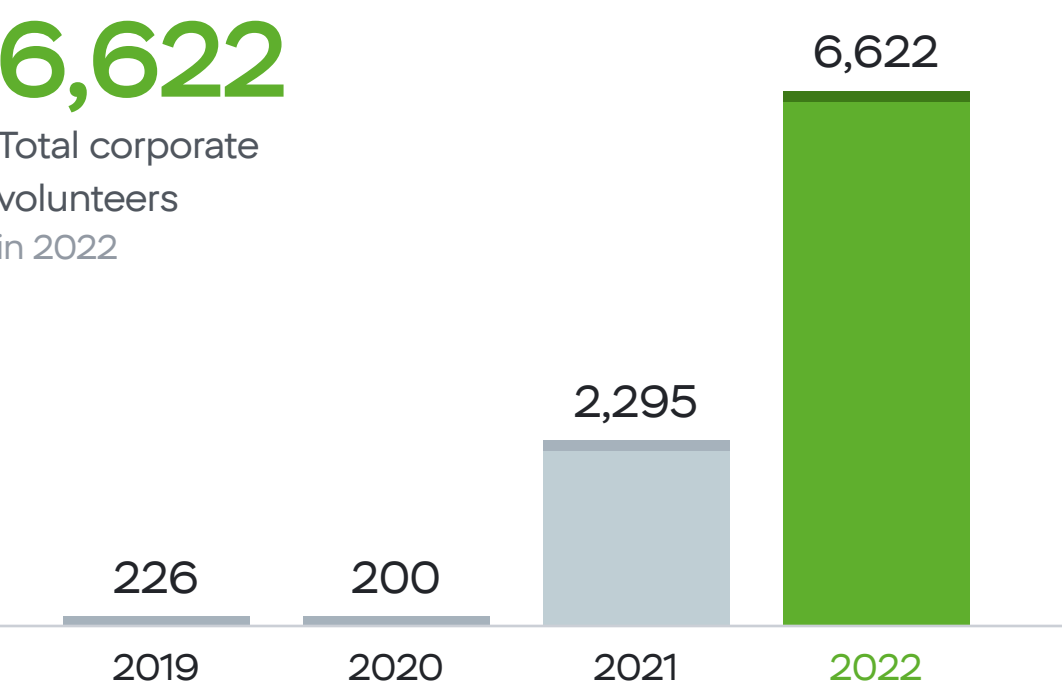


Perekrestok



Perekrestok supports CSR projects as an important part of the Company’s corporate culture, including in terms of team-building. Years of experience have shown that volunteer events have a positive impact not only on their beneficiaries but also on the volunteers themselves. The development of volunteer communities, where staff not only help people in need by giving material assistance but contribute their efforts, attention, knowledge and time, has particular potential. Such projects tend to be successful regardless of changing external conditions.

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



Good deeds marathon for employees

From April to June 2022, Perekrestok held a large-scale marathon of good deeds called Perek’s Travels. Our corporate mascot Perek visited more than 20 cities, brought together around 45,000 employees across Russia, and attended volunteer and charity events along with various interesting environmental initiatives. The final point of the journey was a celebration marking the 27th anniversary of the opening of the very first Perekrestok.

Thanks to the Perek’s Travels event, the Company’s staff:

- Organised eco-volunteering activities such as cleaning up parks and embankments, planting trees, plogging, and collecting waste paper
- Visited the Otradnaya Orphanage in Voronezh
- Handed out food baskets to orphans and children without parental care in Ufa
- Visited the Khimki Social Rehabilitation Centre for Minors
- Helped homeless animals at the Homeless Angel shelter in Apatity
- Visited nursing homes, took part in the Immortal Regiment campaign and participated in an eco-quest focusing on proper sorting of waste, among many other good deeds

Talent competition

In 2022, Perekrestok supported a nationwide competition for young talent from the [Talantonline.ru](#) online platform. The aim of the project is to help talented children in Russia find their future path in the performing arts and creative industries. In January 2023, the Company tallied the results, with 50 people declared the winners of the talent competition. Perekrestok sent gift cards to the winners, which can be used to purchase healthy products from Perekrestok’s Green Line brand.

X5 Technology

The staff of X5 Technology act as teachers in volunteering projects that help people with disabilities and children from orphanages.

Our plans





Independent practitioner’s assurance report

Translation of the original Russian version

Independent practitioner’s assurance report

To the Supervisory Board of X5 Retail Group N.V.

Subject matter

We have been engaged by X5 Retail Group N.V. (hereinafter “the Company”) to perform a limited assurance engagement, as defined by International Standards on Assurance Engagements, (herein “the Engagement”), to report on X5 Retail Group N.V. Sustainability Report (hereinafter “the Report”) as of 31 December 2022 or for 2022 (hereinafter “the reporting period”).

Under this engagement, we did not perform any procedures with regard to the following:

- ▶ Forward-looking statements on performance, events or planned activities of the Company;
- ▶ Statements of third parties included in the Report;
- ▶ Correspondence between the Report and Sustainability Accounting Standards Board standards, thresholds under EU Taxonomy, requirements and recommendations of the London Stock Exchange, compliance with Directive 2014/95/EU.

Applicable criteria

In preparing the Report the Company applied Global Reporting Initiative Sustainability Reporting Standards (hereinafter “GRI Standards”) (“in accordance” option) and the sustainability reporting principles of the Company as set forth in the Section “About the Report” of the Report.

The Company’s management 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. In addition, the Company’s management is responsible for ensuring that the documentation provided to the practitioner is complete and accurate.

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 conclusion.

Our independence and quality control

We apply International Standard on Quality Control 1 (ISQC 1) and International Standard on Quality Management 1 (ISQM 1) adopted by the International Federation of Accountants in respect of those matters for which the relevant requirements in ISQC 1 are either missing or less in scope (or in nature) than the requirements in ISQM 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 enquiries, primarily of persons responsible for preparing the Report and related information, and applying analytical and other appropriate procedures.

Our procedures included:

- ▶ Inquiries of the representatives of the Company management and specialists responsible for its sustainability policies, activities, performance and relevant reporting;
- ▶ Analysis of key documents related to the Company sustainability policies, activities, performance and relevant reporting;

Translation of the original Russian version

- ▶ Obtaining understanding of the process used to prepare the information on sustainability performance indicators of the Company;
 - ▶ Analysis of the Company stakeholder engagement activities reviewing the results of the stakeholder survey;
 - ▶ Analysis of material sustainability issues identified by the Company;
 - ▶ Identification of sustainability issues material for the Company based on the procedures described above and analysis of their reflection in the Report;
 - ▶ Review of data samples regarding key human resources, environmental protection, health and safety, and charitable activities indicators for the reporting period, to assess whether these data have been collected, prepared, collated and reported appropriately;
 - ▶ Collection on a sample basis of evidence substantiating other qualitative and quantitative information included in the Report at the headquarter level;
 - ▶ Assessment of compliance of the Report and its preparation process with Company’s sustainability reporting principles;
 - ▶ Assessment of compliance of information and data disclosures in the Report with the requirements of the “in accordance” option of reporting with the GRI Standards (2021).
- We also performed such other procedures as we considered necessary in the circumstances.

Conclusion

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the Report is not represented fairly, in all material respects, according to the Criteria.

M.Y. GOLOVKINA
Partner
TSATR – Audit Services Limited Liability Company

31 May 2023

Details of the independent practitioner

Name: TSATR – Audit Services Limited Liability Company
Record made in the State Register of Legal Entities on 5 December 2002, State Registration Number 1027739707203.
Address: Russia 115035, Moscow, Sadovnicheskaya naberezhnaya, 77, building 1.
TSATR – Audit Services Limited Liability Company is a member of Self-regulatory organization of auditors Association “Sodruzhestvo”. TSATR – Audit Services Limited Liability Company is included in the control copy of the register of auditors and audit organizations, main registration number 12006020327.

Details of the entity

Name: X5 Retail Group N.V.
Record made in the State Register of Legal Entities on 13 August 1975, State Registration Number 33143036.
Address: 1077 XV, Zuidplein, 196, Amsterdam, The Netherlands.



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Key quantitative data

Number of employees by gender, age and type of employment

	2020	2021	2022
Headcount ¹	342,330	340,928	344,774
Number of employees in Russia	286,535	283,987	282,466
Number of permanent staff	–	–	256,746
Number of full-time permanent employees	–	–	249,931
men	–	–	61,762
women	–	–	188,169
Number of permanent part-time employees	–	–	6,816
men	–	–	1,593
women	–	–	5,223
Number of temporary staff	–	–	25,720
Number of employees with insecure employment ²	55,795	56,941	62,308
Percentage of men in the workforce	26%	26%	24%
Percentage of women in the workforce	74%	74%	76%
Number of full-time employees	286,564	297,550	282,466
Number of hours worked	451,251,238	462,289,874	462,849,717

	2020	2021	2022
Percentage of staff who underwent performance appraisal and received feedback	100%	95%	93%
Total number of employees entitled to parental leave, incl.	286,535	283,987	282,466
men	74,505	72,740	68,395
women	212,031	211,248	214,071
Total number of employees who took parental leave during the reporting period, incl.	11,698	12,701	10,154
men	125	140	165
women	11,573	12,561	9,989
Total number of employees who returned to work from parental leave during the reporting period, incl.	–	–	4,835
men	–	–	74
women	–	–	4,761
Number of managers (CEO-1, CEO-2, CEO-3, CEO-4)	1,206	1,417	1,826
<30 years of age	–	–	93
30–50 years of age	–	–	1,634
>50 years of age	–	–	97

1 The headcount includes both X5 employees and outsourced staff.

2 The value is calculated as the ratio of hours actually worked to the standard number of hours for the reporting period.

Quantitative data on energy consumption¹

Total electricity and heat consumption²

		2020				2021				2022			
	Unit	Pyaterochka	Perekrestok	Other	Total	Pyaterochka	Perekrestok	Other	Total	Pyaterochka	Perekrestok	Other	Total
Electricity consumption, total ³	MWh	2,774,051	719,763	205,702	3,699,516	3,155,518	928,337	152,029	4,235,884	3,281,258	823,820	93,792	4,198,870
Electricity consumption from non-renewable sources (from the grid) ⁴	MWh	2,774,051	205,702	205,702	3,699,516	3,096,490	928,337	152,029	4,176,856 ⁵	3,220,609	823,820	93,792	4,138,222
Electricity consumption from renewable sources, including	MWh	–	–	–	–	134,028	–	–	134,028	60,648	34,947	–	95,595 ¹⁰
On-site renewable energy generation	MWh	–	–	–	–	32	–	–	32	139 ¹¹	–	–	139
Direct agreements with energy suppliers ⁶	MWh	–	–	–	–	58,996	–	–	58,996	60,509	–	–	60,509
Renewable energy certificates (I-REC)	MWh	–	–	–	–	75,000	–	–	75,000	–	34,947	–	34,947
Heating	Gcal	1,168,207	436,475	78,389	1,683,071	1,224,995	283,238	105,614	1,613,847 ⁷	1,286,245	301,617	100,628	1,688,490
Energy consumption ⁸	MWh	–	–	–	–	4,581,526	1,257,743	121,351	6,114,238	4,778,539	1,174,780	212,330	6,165,650
Energy intensity ⁹	MWh / ths sqm of selling space	–	–	–	–	674	1,191	448	753	657	1,075	1,144	721

1 Due to the optimisation of the Company’s data collection and record-keeping processes, the values for previous periods were updated and adjusted. The corresponding changes are noted in the footnotes to each calculation. The Company is in the process of switching to automated data collection, which will make the values more accurate with each reporting period while also reducing the margin of error.

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

3 The final value for electricity consumption does not take I-REC certificates into account.

4 Data on electricity consumption from non-renewable sources is provided without taking into account the energy covered by I-REC certificates.

5 This value was adjusted to take into account previously reported data in the category of renewable sources.

6 According to the supplier, X5 facilities are provided with energy from hydroelectric power plants.

7 This value was adjusted due to the automation of data collection and record-keeping and a change in the methodology.

8 This value includes the total consumption of electricity and heating as well as diesel fuel used in diesel generators. Not all data was taken into account in 2020; the value for this metric is not comparable.

9 This metric is calculated by taking into account the consumption of electricity and heating as well as diesel fuel used in diesel generators. This metric is calculated on the basis of the format’s selling space. The total annual figure does not coincide with the amount due to the specifics of how these metrics are calculated. Not all data was taken into account in 2020; the value for this metric is not comparable.

10 The decrease in the amount of purchased energy covered by I-REC certificates was due to limitation of the possibility to purchase such certificates.

11 The increase in energy consumption was due to the increase in the number of solar panels used.



Total fuel consumption

	Unit	2020	2021 ¹	2022 ²
Diesel consumed by transportation ³	l	155,261,188	153,016,459	153,467,892
Gasoline (petrol) consumed by transportation ^{3,4}	l	172,452	301,492	383,634
Compressed natural gas consumed by transportation	cubic m	9,900,796	12,718,267	11,478,888
Diesel consumed by diesel generators ⁵	l	500	142,873	302,029

Amount of waste by disposal method and waste type⁶

		2020				2021				2022			
	Unit	Pyaterochka	Perekrestok	Other	Total	Pyaterochka	Perekrestok	Other	Total	Pyaterochka	Perekrestok	Other	Total
Total waste by disposal method ⁷	ths tonnes	1,048	565	26	1,640	1,041	182	24	1,247	1,052	173	20	1,245
Amount of waste sent to landfills	ths tonnes	424	502	9	936	411	67	12	491	402	76	8	486
Amount of waste sent to landfills from food waste write-offs	ths tonnes	381	457	5	842	367	60	10	437	359	68	5	432
Amount of waste sent to landfills from non-food waste write-offs	ths tonnes	2	23	2	27	3	1	0	4	3	1	0	4
Amount of waste sent to landfills, other (household waste)	ths tonnes	40	23	4	68	41	7	2	50	40	8	3	51
Amount of non-hazardous waste	ths tonnes	–	–	–	–	1,041	182	9	1,246	1,052	173	20	1,245
Amount of non-hazardous waste sent to third parties for processing	ths tonnes	–	–	–	–	630	115	6	756	650	97	12	759

1 The value of this metric was adjusted; the methodology for recording data at DCs was optimised and refined.

2 For diesel and gasoline consumption metrics in the reporting period, the approach to data collection was changed. The data is collected on the basis of financial statements and may be updated in the following reporting periods after conducting the relevant transactions.

3 The approach to data collection was changed in the reporting period . The data is collected on the basis of financial statements and can be updated in the next reporting periods after the completion of the relevant transactions.

4 The increase was due to the opening of new Group facilities, an increase in the number of transport vehicles and in the number of trips, as well as the increased number of freight shipments between facilities due to the closure of airline services in the southern part of Russia.

5 The increase in this metric was due to an increase in the use of diesel generators due to emergency situations.

6 The values may not add up to the total due to rounding. Waste is not sent directly to incinerators. These metrics do not include data for Mnogo Lososya due to a lack of records on quantitative indicators.

7 The values for 2021 were adjusted to account for the recalculation of the data.



Amount of waste by disposal method and waste type

		2020				2021				2022			
	Unit	Pyaterochka	Perekrestok	Other	Total	Pyaterochka	Perekrestok	Other	Total	Pyaterochka	Perekrestok	Other	Total
Amount of hazardous waste ¹	ths tonnes	-	-	-	-	0	0	0	0	0	0	0	0
Amount of hazardous waste sent to third parties for processing	ths tonnes	-	-	-	-	0	0	0	0	0	0	0	0
Amount of waste sent for decontamination ²	ths tonnes	-	-	1	1	0	0	0	0	0	0	0	0
Amount of recyclable waste sold for recycling	ths tonnes	546	55	12	613	547	111	11	667	560	93	10	663
Cardboard	ths tonnes	279	48	9	336	271	50	7	328	300	46	4	351
Banana boxes ³	ths tonnes	11	3	0	14	12	2	0	15	14	2	0	17
Plastic ³	ths tonnes	9	2	0	12	11	3	0	13	15	3	0	18
Polyethylene ³	ths tonnes	23	2	1	26	26	3	1	29	30	3	0	34
Pallet scrap ⁴	ths tonnes	222	1	0	224	227	52	0	279	201	37	3	241
Other ⁵	ths tonnes	0	0	1	1	0	1	1	3	0	1	1	2
Amount of non-expired goods sold that were not in saleable condition	ths tonnes	79	8	1	87	83	4	2	89	90	4	2	96
Total amount by waste type	ths tonnes	1,048	565	26	1,640	1,041	182	24	1,247	1,052	173	20	1,245
Inventories written off	ths tonnes	462	487	10	959	454	64	12	530	452	73	7	532
Other waste, including logistics packaging	ths tonnes	586	78	17	681	588	117	13	718	601	100	13	713

Due to the optimisation of the Company’s data collection and record-keeping processes, the values for previous periods were updated and adjusted. The corresponding changes are noted in the footnotes to each calculation. The Company is in the process of switching to automated data collection, which will make the indicator values more accurate with each reporting period while also reducing the margin of error.

1 Wastes in hazard classes I–III are considered hazardous to the environment; records are not kept regarding classes of waste that are hazardous to humans. The Company does not hand over hazardous waste at landfills. The total amount of hazardous waste was 0.38 thousand tonnes in 2021 and 0.35 thousand tonnes in 2022, but the value is indicated as "0" due to rounding. All hazardous waste was sent to third parties for processing.

2 Hazardous waste (belonging to hazard classes I–III in accordance with Russian legislation) is processed in order to prevent a negative impact on the environment. Following decontamination, third-party companies send the waste either for processing or to landfills; the Company does not exercise any oversight over the activities of their operations.

3 The increase in the metric was due to the natural growth of the Pyaterochka retail chain, as well as the improvement in the process of collecting recyclables at its facilities in 2022.

4 The decrease in the metric in 2022 was due to the increase in the amount of repairs and the return of containers to circulation, the decrease in the amount of transfer for the recycling at the Ready Food unit, as well as the increase in the sale of pallet scrap at the Direct import unit.

5 Includes several categories, which are not highlighted separately in "Amount of recyclable waste sold for recycling", namely: tires, batteries, scrap metal, used oils and others.

GRI content index

X5 Group’s 2022 Sustainability Report was prepared in accordance with GRI Standards. Where the information available was insufficient for GRI disclosure, an explanation is provided.

Statement of use

X5 Retail Group N.V. has reported in accordance with the GRI for the period January 1 to December 31, 2022.

GRI 1 Standard used

GRI 1: Foundation 2021

Applicable GRI Sector Standard(s)

No sector guidelines apply

GRI Standards Indicator / Other Source	Reference	Pages	Information	Omission
General Disclosures				
GRI 2: General Disclosures 2021	2-1 Organisational details	–	Legal name – PJSC X5 Retail Group N.V. (Naamloze Vennootschap, public joint-stock company). The Company’s head office is located in Amsterdam. Retail stores and distribution centres are located in 67 constituent entities of the Russian Federation.	–
	2-2 Entities included in the organisation’s sustainability reporting	Chapter 1. About this Report: Report methodology, page 6	The scope of the Company’s economic performance and operating results coincides with the scope of its audited consolidated financial statements for 2022.	–
	2-3 Reporting period, frequency and contact point	Chapter 1. About this Report: Report methodology, page 6 Contacts, page 139	–	–
	2-4 Restatements of information	–	The text of the Report contains a number of clarifications of the data presented in previous reports; reservations about this are included in the text.	–
	2-5 External assurance	Independent practitioner’s assurance report, page 140	–	–



GRI Standards Indicator / Other Source	Reference	Pages	Information	Omission
General Disclosures				
GRI 2: General Disclosures 2021	2-6 Activities, value chain and other business relationships	Chapter 2. About the Company: Company profile and business model, pages 11–22 Chapter 4. Responsible business conduct: Responsible supply chain, pages 52–56 Information about the Company’s activities, value chain and other business relationships is also disclosed in the Company’s 2022 Annual Report, pages 9–10	–	–
	2-7 Employees	Chapter 7. Employees: Our approach and 2022 highlights, pages 102–105 Annex: Key quantitative data, page 142	–	Information is incomplete. We do not keep records on the total number of employees broken down by region. We also do not keep records on the total number of permanent, temporary and non-guaranteed hours employees broken down by gender and by region. However, the Company is working on the possibility of providing full analytics in the next reporting periods.
	2-8 Workers who are not employees	Chapter 7. Employees: Our approach and 2022 highlights, pages 102–105 Annex: Key quantitative data, page 142	X5 has 62,308 external employees; these individuals are not X5 employees, but their work is supervised by the Company. Of these, 88% were hired through outstaffing and 12% are self-employed. The main positions filled by external personnel include: salesclerks / cashiers, loaders, pickers, assemblers, packers, etc. The number of external staff increased by 9% from the previous year due to the fact that organic growth was carried out by hiring self-employed personnel.	–
	2-9 Governance structure and composition	Chapter 3. Sustainable development and the Company’s business: Sustainable development governance model, pages 24–26 For more on the structure and composition of the Company’s governance bodies, see the Company’s 2022 Annual Report, pages 109–147	–	–
	2-10 Nomination and selection of the highest governance body	For more on the process of nominating and selecting the highest governance body, see the Company’s 2022 Annual Report, pages 111–118; 130–136	–	–



GRI Standards Indicator / Other Source	Reference	Pages	Information	Omission
General Disclosures				
GRI 2: General Disclosures 2021	2-11 Chair of the highest governance body	Chapter 3. Sustainable development and the Company’s business: Sustainable development governance model, pages 24–26 Information on the structure and composition of the Company’s governance bodies is also provided in the Company’s 2022 Annual Report, pages 109–147	–	–
	2-12 Role of the highest governance body in overseeing the management of impacts	Chapter 3. Sustainable development and the Company’s business: Sustainable development governance model, pages 24–26 Sustainable development strategy, pages 27–35 Chapter 4. Responsible business conduct: Current challenges, pages 45–47 Information on the structure and composition of the Company’s governance bodies is also provided in the Company’s 2022 Annual Report, pages 109–147	–	–
	2-13 Delegation of responsibility for managing impacts	Chapter 3. Sustainable development and the Company’s business: Sustainable development governance model, pages 24–26	–	–
	2-14 Role of the highest governance body in sustainability reporting	Chapter 1. About this Report: Report methodology, pages 6–7	X5 Group’s Sustainability Reports are submitted to the Supervisory Board for review and approval prior to publication. The Sustainability Director is responsible for sustainability reporting as well as for the process of identifying material topics. Responsibility for the process of identifying and managing material topics is delegated to a senior management team that includes, in particular, the X5 President and the Sustainability Division, the latter of which is part of the Corporate Communications Department. Notification of all changes in material topics and information on the results of stakeholder surveys and on the material topics identified is provided to the Executive Board, which is also able to manage changes.	–



GRI Standards Indicator / Other Source	Reference	Pages	Information	Omission
General Disclosures				
GRI 2: General Disclosures 2021	2-15 Conflicts of interest	Chapter 4. Responsible business conduct: Compliance and business ethics, pages 48–50 Information on conflicts of interest is also provided in the Company's 2022 Annual Report, page 114	The Company has a policy in place for approving transactions with PDMRs,* a process for keeping records on PDMRs and a service for carrying out verification when concluding contracts. *PDMR, or person discharging managerial responsibilities, refers to a person who is a member of the Supervisory Board, the Management Board or the Executive Board.	As of now, the Company does not have special mechanisms for public disclosure of such conflicts of interest, but we are looking for opportunities to collect relevant data.
	2-16 Communication of critical concerns	Chapter 4. Responsible business conduct: Compliance and business ethics, pages 48–50 X5 Group's Code of Business Conduct and Ethics is available on the Company's website .	A report is prepared twice a year for the Supervisory Board's Audit Committee on the operations of the Company's ethics hotline, including on critical violations (if there were any).	Not applicable. There were not critical comments in 2022.
	2-17 Collective knowledge of the highest governance body	–	Members of the highest governance body are regularly involved in managing sustainability issues. The Company considers all sustainability-related strategic issues at regular meetings of the Supervisory Board where members of the Company's highest governance body are present, as well as in the Cross-Format Sustainability Committee, which was established at the management level to make key decisions on achieving the performance indicators outlined in X5 Group's sustainable development strategy. For more information on the measures taken within the Company to raise the collective awareness and improve the competence of members of the highest governance body on economic, environmental and social issues, see the chapter "Report of the Supervisory Board" in the Company's 2022 Annual Report, pages 130–136.	–
	2-18 Evaluation of the performance of the highest governance body	A performance evaluation of the highest governance body is provided in the Company's 2022 Annual Report, page 133	The evaluation resulted in a set of key priorities for the Board going forward, including strengthening the Board's expertise in the field of product retail and e-commerce, enhanced risk management oversight at plenary Board level, and increased focus on executive retention, incentives and succession planning taking into account the rapidly changing macro-economic environment. The Supervisory Board attaches great value to these evaluations as they ensure a continued focus on the quality of its, and its committees, activities, composition and functioning, as well as its relationship with the Executive Board.	–



GRI Standards Indicator / Other Source	Reference	Pages	Information	Omission
General Disclosures				
GRI 2: General Disclosures 2021	2-19 Remuneration policies	The Management Board Remuneration Policy and the Supervisory Board Remuneration Policy adopted by the Company are described on the Company's website. The Company's approach to remuneration is described in the Company's 2022 Annual Report, pages 130–147	–	–
	2-20 Process to determine remuneration	More information on the Company's process for determining remuneration can be found in the Company's 2022 Annual Report, pages 130–147, as well as in the Supervisory Board Remuneration Policy and the Management Board Remuneration Policy posted on the Company's website .	–	–
	2-21 Annual total compensation ratio	Information on remuneration for managers can be found in the Company's 2022 Annual Report, on pages 137–147	The ratio of the percent increase in the total annual compensation for the Company's highest-paid employee to the average percent increase in annual compensation for all Company employees is 7.7%. The ratio of the total annual compensation for the Company's highest-paid employee to the median annual total compensation for all employees (excluding the highest-paid individual) is 275. In 2022, the highest-paid employee was the CEO (Chief Executive Officer). The CEO's annual remuneration and the median compensation for all employees excluding the CEO for the reporting period were used to calculate the ratio.	–
	2-22 Statement on sustainable development strategy	Chairman's statement, page 3 X5 President and X5 CEO's statement, page 4	–	–

GRI Standards Indicator / Other Source	Reference	Pages	Information	Omission
General Disclosures				
GRI 2: General Disclosures 2021	2-23 Policy commitments	Chapter 3. Sustainable development and the Company’s business: Sustainable development governance model, pages 24–26 Respect for human rights, pages 36–37 Chapter 4. Responsible business conduct: Current challenges, pages 45–47 Compliance and business ethics, pages 48–50 Chapter 7. Employees: Corporate culture and values, pages 109–110	The Company applies the precautionary principle (Principle 15) set out in the Rio Declaration on Environment and Development adopted in 1992.	–
	2-24 Embedding policy commitments	Chapter 3. Sustainable development and the Company’s business: Respect for human rights, pages 36–37 Chapter 4. Responsible business conduct: Current challenges, pages 45–47 Compliance and business ethics, pages 48–50 Responsible supply chain, pages 52–56	–	–
	2-25 Processes to remediate negative impacts	Chapter 3. Sustainable development and the Company’s business: Respect for human rights, pages 36–37 Chapter 4. Responsible business conduct: Current challenges, pages 45–47 Compliance and business ethics, pages 48–50 Responsible supply chain, pages 52–56 Care for our customers, page 57	–	–



GRI Standards Indicator / Other Source	Reference	Pages	Information	Omission
General Disclosures				
GRI 2: General Disclosures 2021	2-26 Mechanisms for seeking advice and raising concerns	Chapter 4. Responsible business conduct: Compliance and business ethics, pages 48–50	–	–
	2-27 Compliance with laws and regulations	–	In 2022, there were 2,737 cases of violations of regulatory requirements, fines for which amounted to RUB 261 million. The number of fines for instances of non-compliance that occurred in previous reporting periods was 692. The cost of fines for instances of non-compliance that occurred in previous reporting periods was RUB 64,251 million. Penalties that entailed one or more of the following consequences are significant for the Group: - a significant public response - the suspension of activities in one or more regions of operations of a Group legal entity or division The Company did not identify any significant penalties in 2022.	Information is not available. As of now, we do not keep records on non-financial sanctions. We are looking for opportunities to collect relevant data.
	2-28 Membership associations	Chapter 3. Sustainable development and the Company’s business: Sustainable development governance model, pages 24–26 Respect for human rights, pages 36–37	The Company is a member of the UN Global Compact, the National ESG Alliance, ECR (Efficient Consumer Response), the Association of Retail Companies (ACORT), the Donors Forum Association, the Association of E-Commerce Companies (Pyaterochka, Vprok.ru).	–
	2-29 Approach to stakeholder engagement	Chapter 1. About this Report: Determination of material topics, pages 8–9 Chapter 3. Sustainable development and the Company’s business: Stakeholder engagement, pages 38–43 Chapter 4. Responsible business conduct: Care for our customers, page 57	–	–



GRI Standards Indicator / Other Source	Reference	Pages	Information	Omission
General Disclosures				
	2-30 Collective bargaining agreements	–	–	As of now, the X5 Group personnel management system does not have a methodology for determining this coefficient for employees covered and not covered by collective agreements.
Material Topics				
GRI 3: Material topics 2021	3-1 Process to determine material topics	Chapter 1. About this Report: Determination of material topics, pages 8–9	–	–
	3-2 List of material topics	Chapter 1. About this Report: Determination of material topics, pages 8–9	–	–
	3-3 Management of material topics	See notes.	Information is provided in the corresponding disclosures on material topics.	–
Economic Performance				
GRI 3: Material Topics 2021	3-3 Management of material topics	Chapter 3. Sustainable development and the Company's business: Sustainable development strategy, pages 27–35	–	–
		Respect for human rights, pages 36–37		
		Chapter 4. Responsible business conduct: Current challenges, pages 45–47		
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Chapter 2. About the Company: 2022 key highlights, pages 17–20	–	–
	201-2 Financial implications and other risks and opportunities due to climate change	Chapter 4. Responsible business conduct: Current challenges, pages 45–47 Chapter 6. The planet: TCFD disclosure, pages 90–95	–	–



GRI Standards Indicator / Other Source	Reference	Pages	Information	Omission
Indirect Economic Impacts				
GRI 3: Material Topics 2021	3-3 Management of material topics	Chapter 3. Sustainable development and the Company's business: Sustainable development strategy, pages 27–35	–	–
		Respect for human rights, pages 36–37		
		Chapter 8. Care for the community: Our approach and 2022 highlights, pages 127–129		
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	Chapter 8. Care for the community: Our approach and 2022 highlights, pages 127–129	–	–
		Charitable programmes, pages 130–135		
	203-2 Significant indirect economic impacts	Chapter 8. Care for the community: Our approach and 2022 highlights, pages 127–129 Corporate volunteering, pages 136–137	–	–
Procurement Practices				
GRI 3: Material Topics 2021	3-3 Management of material topics	Chapter 3. Sustainable development and the Company's business: Sustainable development strategy, pages 27–35	–	–
		Respect for human rights, pages 36–37		
		Chapter 4. Responsible business conduct: Responsible supply chain, pages 52–56		
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	Chapter 4. Responsible business conduct: Responsible supply chain, pages 52–56	–	Information is not available. As of now, the Company does not keep records of the share of purchases from local suppliers. We are looking for opportunities to collect relevant data.



GRI Standards Indicator / Other Source	Reference	Pages	Information	Omission
Anti-corruption				
GRI 3: Material Topics 2021	3-3 Management of material topics	Chapter 3. Sustainable development and the Company’s business: Sustainable development strategy, pages 27–35	–	–
		Respect for human rights, pages 36–37		
		Chapter 4. Responsible business conduct: Current challenges, pages 45–47		
		Compliance and business ethics, pages 48–50		
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	–	–	This information is confidential, since this information is a trade secret and is not subject to disclosure.
	205-2 Communication and training about anti-corruption policies and procedures	Chapter 4. Responsible business conduct: Compliance and business ethics, pages 48–50	–	Information is incomplete. As of now, the Company does not keep detailed records on the number and percentage of members of governing bodies, broken down by region; the number and percentage of employees, broken down by employee categories and region, the number and percentage of business partners, broken down by types of business partnerships and region that have been informed about the organisation's policies and methods of combating corruption; the number and percentage of members of governing bodies by region, the number and percentage of employees by employee category and region who have been trained in anti-corruption policies and methods. We are looking for opportunities to collect relevant data.
	205-3 Confirmed incidents of corruption and actions taken	–	–	This information is confidential, since this information is a trade secret and is not subject to disclosure.
Anti-competitive Behavior				
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	–	In 2022, two anti-trust cases were initiated against Pyaterochka: 1) Under Article 11 (1) (1) of the Law on the Protection of Competition (prohibiting cartel agreements) 2) Under Article 10 (1) (6) and (8) of the Law on the Protection of Competition (establishing variable pricing) The Federal Antimonopoly Service of Russia dismissed both cases for failure to establish corpus delicti. No other cases connected with anti-competitive behavior or anti-trust violations were brought against Group companies.	–

GRI Standards Indicator / Other Source	Reference	Pages	Information	Omission
Materials				
GRI 3: Material Topics 2021	3-3 Management of material topics	Chapter 3. Sustainable development and the Company's business: Sustainable development strategy, pages 27–35	–	–
		Respect for human rights, pages 36–37		
		Chapter 6. The planet: Our approach and 2022 highlights, pages 76–78		
		Waste management and sustainable packaging, pages 79–83		
GRI 3: Material Topics 2021	3-3 Management of material topics	Promoting responsible consumption, pages 99–100	–	–
GRI 301: Materials 2016	301-3 Reclaimed products and their packaging materials	–	–	Information is not available. The Company does not keep records on the proportion of reused goods and their packaging for each product category, but we are looking for ways to collect relevant data.
Energy				
GRI 3: Material Topics 2021	3-3 Management of material topics	Chapter 3. Sustainable development and the Company's business: Sustainable development strategy, pages 27–35	–	–
		Respect for human rights, pages 36–37		
		Chapter 6. The planet: Our approach and 2022 highlights, pages 76–78		
		Reduced climate impact and energy efficiency, pages 84–89		
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	Chapter 6. The planet: Reduced climate impact and energy efficiency, pages 84–89	–	–
		TCFD disclosure, pages 90–95		
GRI 302: Energy 2016	302-3 Energy intensity	Chapter 6. The planet: Reduced climate impact and energy efficiency, pages 84–89	–	–
		TCFD disclosure, pages 90–95		



GRI Standards Indicator / Other Source	Reference	Pages	Information	Omission
Energy				
GRI 302: Energy 2016	302-4 Reduction of energy consumption	Chapter 6. The planet: Our approach and 2022 highlights, pages 76–78	–	–
		Reduced climate impact and energy efficiency, pages 84–89		
		TCFD disclosure, pages 90–95		
Water				
GRI 303: Water Effluents 2018	303-1 Interactions with water as a shared resource	Chapter 6. The planet: Responsible water consumption, page 98	–	–
	303-2 Management of water discharge-related impacts	Chapter 6. The planet: Responsible water consumption, page 98	–	–
	303-3 Water withdrawal	Chapter 6. The planet: Responsible water consumption, page 98	–	Information is incomplete/not applicable. The Company does not keep records of data broken down by region, but we are looking for opportunities to collect relevant data. Data on water intake from surface waters, underground sources and seawater by region are not provided, since the Company uses only fresh water and does not take water in regions with water scarcity, and also does not provide water to third parties.
	303-4 Water discharge	Chapter 6. The planet: Responsible water consumption, page 98	–	Information is incomplete/not applicable. The Company does not keep records of data broken down by region, but we are looking for opportunities to collect relevant data. The Company does not dump substances that cause irreversible damage, moreover, only fresh water is used and water is not taken in regions with water scarcity.
	303-5 Water consumption	Chapter 6. The planet: Responsible water consumption, page 98	–	Information is incomplete/not applicable. The Company does not keep records of water consumption broken down by region, but we are looking for opportunities to collect relevant data. The Company does not store water which has a significant impact on the state of water and water-related processes.

GRI Standards Indicator / Other Source	Reference	Pages	Information	Omission
Emissions				
GRI 3: Material Topics 2021	3-3 Management of material topics	Chapter 3. Sustainable development and the Company’s business: Sustainable development strategy, pages 27–35	–	–
		Respect for human rights, pages 36–37		
		Chapter 6. The planet: Our approach and 2022 highlights, pages 76–78		
		Reduced climate impact and energy efficiency, pages 84–89		
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	Chapter 6. The planet: Reduced climate impact and energy efficiency, pages 84–89	–	–
		TCFD disclosure, pages 90–95		
	305-2 Energy indirect (Scope 2) GHG emissions	Chapter 6. The planet: Reduced climate impact and energy efficiency, pages 84–89	–	–
		TCFD disclosure, pages 90–95		
	305-3 Other indirect (Scope 3) GHG emissions	Chapter 6. The planet: Reduced climate impact and energy efficiency, pages 84–89	–	–
		TCFD disclosure, pages 90–95		
	305-4 GHG emissions intensity	Chapter 6. The planet: Reduced climate impact and energy efficiency, pages 84–89	–	–
		TCFD disclosure, pages 90–95		
	305-5 Reduction of GHG emissions	Chapter 6. The planet: Reduced climate impact and energy efficiency, pages 84–89	–	–
		TCFD disclosure, pages 90–95		

GRI Standards Indicator / Other Source	Reference	Pages	Information	Omission
Waste				
GRI 3: Material Topics 2021	3-3 Management of material topics	Chapter 3. Sustainable development and the Company’s business: Sustainable development strategy, pages 27–35	–	–
		Respect for human rights, pages 36–37		
		Chapter 6. The planet: Our approach and 2022 highlights, pages 76–78		
		Waste management and sustainable packaging, pages 79–83		
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	Chapter 6. The planet: Waste management and sustainable packaging, pages 79–83	–	–
		Promoting responsible consumption, pages 99–100		
	306-2 Management of significant waste-related impacts	Chapter 6. The planet: Waste management and sustainable packaging, pages 79–83	–	–
		Promoting responsible consumption, pages 99–100		
	306-3 Waste generated	Chapter 6. The planet: Waste management and sustainable packaging, pages 79–83	–	–
		Annex: Key quantitative data, page 142		
	306-4 Waste diverted from disposal	Chapter 6. The planet: Waste management and sustainable packaging, pages 79–83	–	–
		Promoting responsible consumption, pages 99–100		
		Annex: Key quantitative data, page 142		
	306-5 Waste directed to disposal	Chapter 6. The planet: Waste management and sustainable packaging, pages 79–83	–	–

GRI Standards Indicator / Other Source	Reference	Pages	Information	Omission
Supplier Environmental Assessment				
GRI 3: Material Topics 2021	3-3 Management of material topics	Chapter 3. Sustainable development and the Company's business: Sustainable development strategy, pages 27–35	–	–
		Respect for human rights, pages 36–37		
		Chapter 4. Responsible business conduct: Responsible supply chain, pages 52–56		
GRI 308: Supplier Environmental Assessment 2020	308-1 New suppliers that were screened using environmental criteria	–	–	Information on the percentage of new suppliers using environmental criteria is not available. Environmental criteria were not applied to evaluate new suppliers. Nevertheless, the Company encourages suppliers to conduct business in a responsible manner, which is reflected in the section "Responsible Supply Chain".
Employment				
GRI 3: Material Topics 2021	3-3 Management of material topics	Chapter 3. Sustainable development and the Company's business: Sustainable development strategy, pages 27–35	–	–
		Respect for human rights, pages 36–37		
		Chapter 7. Employees: Our approach and 2022 highlights, pages 102–105		
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Chapter 7. Employees: Our approach and 2022 highlights, pages 102–105	–	–
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Chapter 7. Employees: Motivation and fair compensation, pages 111–113	–	–
	401-3 Parental leave	Chapter 7. Employees: Our approach and 2022 highlights, pages 102–105	–	–

GRI Standards Indicator / Other Source	Reference	Pages	Information	Omission
Labour/Management Relations				
GRI 3: Material Topics 2021	3-3 Management of material topics	Chapter 3. Sustainable development and the Company’s business: Sustainable development strategy, pages 27–35	–	–
		Respect for human rights, pages 36–37		
		Chapter 7. Employees: Our approach and 2022 highlights, pages 102–105		
GRI 402: Labour/Management Relations 2016	402-1 Minimum notice periods regarding operational changes	–	The minimum notice period for significant changes in the Company’s operations complies in full with the requirements of the Labour Code of the Russian Federation.	Not applicable. The Company does not keep records of data on the formation of collective agreements, but we are looking for opportunities to collect relevant data.
Occupational Health and Safety				
GRI 3: Material Topics 2021	3-3 Management of material topics	Chapter 3. Sustainable development and the Company’s business: Sustainable development strategy, pages 27–35	–	–
		Responding to global challenges, page 35		
		Respect for human rights, pages 36–37		
		Chapter 7. Employees: Our approach and 2022 highlights, pages 102–105		
		Occupational health and safety, pages 118–123		
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	Chapter 7. Employees: Occupational health and safety, pages 118–123	–	–
	403-2 Hazard identification, risk assessment, and incident investigation	Chapter 7. Employees: Occupational health and safety, pages 118–123	–	–
	403-3 Occupational health services	Chapter 7. Employees: Occupational health and safety, pages 118–123	–	–
	403-4 Worker participation, consultation, and communication on occupational health and safety	Chapter 7. Employees: Occupational health and safety, pages 118–123	–	Information is not available/not applicable. The Company has no OHS committees with the joint participation of management and employees.



GRI Standards Indicator / Other Source	Reference	Pages	Information	Omission
Occupational Health and Safety				
GRI 403: Occupational Health and Safety 2018	403-5 Worker training on occupational health and safety	Chapter 7. Employees: Occupational health and safety, pages 118–123	–	–
	403-6 Promotion of worker health	Chapter 3. Sustainable development and the Company’s business: Responding to global challenges, page 35 Chapter 7. Employees: Chapter 7. Employees: Motivation and fair compensation, pages 111–113 Occupational health and safety, pages 118–123	–	–
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Chapter 7. Employees: Occupational health and safety, pages 118–123	–	–
	403-8 Workers covered by an occupational health and safety management system	Chapter 7. Employees: Occupational health and safety, pages 118–123	–	–
	403-9 Work-related injuries	Chapter 7. Employees: Occupational health and safety, pages 118–123	Number of serious injuries among the Company’s employees – 24. Number of minor and serious injuries among employees of third-party organisations (contractors), as well as fatalities – 0.	Information is incomplete. The Company does not keep records of the number of man-hours worked by all employees who are not directly employed by the Company, but whose activities fall within the Company’s area of responsibility (for example, contractors). There is not enough data to calculate the injury rates of such employees. We are checking whether the relevant information for the 2023 reporting year will be available.
	403-10 Work-related ill health	Chapter 7. Employees: Occupational health and safety, pages 118–123	In 2022, there were no cases of illness in response to work-related factors or fatalities due to work-related illnesses among Company employees or workers who are not directly employed by the Company but whose activities fall within the Company’s area of responsibility. The Company reviews all work-related injuries and, based on its analysis, takes measures to prevent hazards from occurring.	Not applicable. There were no cases indicating the types of occupational diseases for all employees, as well as for all employees who are not directly employed by the Company, but whose activities fall within the Company’s area of responsibility (for example, contractors), in 2022.



GRI Standards Indicator / Other Source	Reference	Pages	Information	Omission
Training and Education				
GRI 3: Material Topics 2021	3-3 Management of material topics	Chapter 3. Sustainable development and the Company's business: Sustainable development strategy, pages 27–35	–	–
		Respect for human rights, pages 36–37		
		Chapter 7. Employees: Our approach and 2022 highlights, pages 102–105		
		Training and development, pages 114–115		
GRI 404: Education and Training 2016	404-1 Average hours of training per year per employee	Chapter 7. Employees: Training and development, pages 114–115	–	–
	404-2 Programmes for upgrading employee skills and transition assistance programmes	Chapter 3. Sustainable development and the Company's business: Sustainable development strategy, pages 27–35	Among other things, the Company trains employees on sustainability, the environment, human rights, ethics and compliance, as well as information security.	–
		Respect for human rights, pages 36–37		
		Chapter 4. Responsible business conduct: Current challenges, pages 45–47		
		Chapter 5. Healthy lifestyles: Product quality and safety assurance, pages 63–71		
		Chapter 7. Employees: Training and development, pages 114–115		
	404-3 Percentage of employees receiving regular performance and career development reviews	–	–	Information is incomplete. As of now, the Company does not keep records on the proportion of employees by gender and by categories of employees who receive regular feedback on work results and career development during the reporting period, only aggregated data are provided. Almost all employees of the Company regularly receive feedback on the results of their work. However, we are checking whether the relevant information for the 2023 reporting year will be available.

GRI Standards Indicator / Other Source	Reference	Pages	Information	Omission
Diversity and Equal Opportunity				
GRI 3: Material Topics 2021	3-3 Management of material topics	Chapter 3. Sustainable development and the Company’s business: Sustainable development strategy, pages 27–35	–	–
		Respect for human rights, pages 36–37		
		Chapter 7. Employees: Our approach and 2022 highlights, pages 102–105		
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	Chapter 7. Employees: Our approach and 2022 highlights, pages 102–105 Annex: Key quantitative data, page 142	–	Information is incomplete. As of now, the Company does not keep records on other indicators of diversity, except for gender and age. However, we are checking whether the relevant information for the 2023 reporting year will be available.
	405-2 Ratio of basic salary and remuneration of women to men	Chapter 7. Employees: Chapter 7. Employees: Motivation and fair compensation, pages 111–113		Information is incomplete. As of now, the Company does not keep records of data on the ratio of the base wage rate of women to the base rate of men for the category of senior employees, broken down by regions where the Company carries out significant activities. We are checking whether the relevant information for the 2023 reporting year will be available.
Non-discrimination				
GRI 3: Material Topics 2021	3-3 Management of material topics	Chapter 3. Sustainable development and the Company’s business: Sustainable development strategy, pages 27–35	–	–
		Respect for human rights, pages 36–37		
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	–	In 2022, the Company identified seven incidents of discrimination. In all cases, the responsible individuals followed standard procedures in investigating and assessing the incident, and interviews were conducted with the individuals who had violated regulations. No further action is being taken concerning these incidents.	–



GRI Standards Indicator / Other Source	Reference	Pages	Information	Omission
Freedom of Association and Collective Bargaining				
GRI 3: Material Topics 2021	3-3 Management of material topics	Chapter 3. Sustainable development and the Company’s business: Sustainable development strategy, pages 27–35	–	–
		Respect for human rights, pages 36–37		
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	–	–	Not applicable. In 2022, no significant risks or violations of the right of employees to exercise freedom of association and collective bargaining were identified within the Company’s divisions or among its suppliers.
Child Labour				
GRI 3: Material Topics 2021	3-3 Management of material topics	Chapter 3. Sustainable development and the Company’s business: Sustainable development strategy, pages 27–35	–	–
		Respect for human rights, pages 36–37		
GRI 408: Child Labour 2016	408-1 Operations and suppliers at significant risk for incidents of child labour	–	–	Not applicable. In 2022, no significant risks or cases of child labour were identified within the Company’s divisions or among its suppliers.
Forced or Compulsory Labour				
GRI 3: Material Topics 2021	3-3 Management of material topics	Chapter 3. Sustainable development and the Company’s business: Sustainable development strategy, pages 27–35	–	–
		Respect for human rights, pages 36–37		
GRI 409: Forced or Compulsory Labour 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour	–	–	Not applicable. In 2022, no significant risks or cases of forced or compulsory labour were identified within the Company’s divisions or among its suppliers.



GRI Standards Indicator / Other Source	Reference	Pages	Information	Omission
Local Communities				
GRI 3: Material Topics 2021	3-3 Management of material topics	Chapter 3. Sustainable development and the Company’s business: Sustainable development strategy, pages 27–35	–	–
		Respect for human rights, pages 36–37		
		Chapter 8. Care for the community: Our approach and 2022 highlights, pages 127–129		
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programmes	Chapter 3. Sustainable development and the Company’s business: Responding to global challenges, page 35	–	–
		Stakeholder engagement, pages 38–43		
		Chapter 8. Care for the community: Our approach and 2022 highlights, pages 127–129		
		Charitable programmes, pages 130–135		
		Corporate volunteering, page 136–137		
		X5 Group’s Socio-economic Impact Assessment Report is available here .		
	413-2 Operations with significant actual and potential negative impacts on local communities	–	–	Not applicable. In 2022, there were no cases where our programmes had a negative impact on local communities.

GRI Standards Indicator / Other Source	Reference	Pages	Information	Omission
Supplier Social Assessment				
GRI 3: Material Topics 2021	3-3 Management of material topics	Chapter 3. Sustainable development and the Company's business: Sustainable development strategy, pages 27–35 Responding to global challenges, page 35 Respect for human rights, pages 36–37 Chapter 4. Responsible business conduct: Responsible supply chain, pages 52–56	–	–
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	–	–	Information on the percentage of new suppliers that have been evaluated according to the criteria of influence on society is not available. Social criteria for evaluating new suppliers were not applied. Nevertheless, the Company encourages suppliers to conduct socially responsible business, which is reflected in the section "Responsible Supply Chain".
Public Policy				
GRI 3: Material topics 2021	3-3 Management of material topics	Chapter 3. Sustainable development and the Company's business: Sustainable development strategy, pages 27–35 Respect for human rights, pages 36–37 Chapter 8. Care for the community: Our approach and 2022 highlights, pages 127–129	–	–
GRI 415: Public Policy 2016	415-1 Political contributions	Chapter 8. Care for the community: Our approach and 2022 highlights, pages 127–129	–	–



GRI Standards Indicator / Other Source	Reference	Pages	Information	Omission
Customer Health and Safety				
GRI 3: Material Topics 2021	3-3 Management of material topics	Chapter 3. Sustainable development and the Company's business: Sustainable development strategy, pages 27–35	–	–
		Respect for human rights, pages 36–37		
		Chapter 5. Healthy lifestyles: Our approach and 2022 highlights, pages 61–62		
		Promoting healthy lifestyles, pages 72–74		
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	Chapter 5. Healthy lifestyles: Product quality and safety assurance, pages 63–71	–	–
		Promoting healthy lifestyles, pages 72–74		
		416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	–	In 2022, there were 306 instances of non-compliance with the rules regarding the health and safety impacts of products and services. None of the instances resulted in a warning; all 306 instances resulted in a fine. Also, there were no instances in 2022 of non-compliance with codes and regulations voluntarily adopted by the Company regarding the health and safety impacts of products and services. Records are kept with a breakdown by the type of fine.
Marketing and Labeling				
GRI 3: Material Topics 2021	3-3 Management of material topics	Chapter 3. Sustainable development and the Company's business: Sustainable development strategy, pages 27–35	–	–
		Respect for human rights, pages 36–37		
		Chapter 5. Healthy lifestyles: Our approach and 2022 highlights, pages 61–62		
		Promoting healthy lifestyles, pages 72–74		

GRI Standards Indicator / Other Source	Reference	Pages	Information	Omission
Marketing and Labeling				
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	Chapter 5. Healthy lifestyles: Product quality and safety assurance, pages 63–71 Promoting healthy lifestyles, pages 72–74	–	Information is incomplete. As of now, the Company does not keep records of the percentage of significant categories of goods or services for which an assessment is made for compliance with these requirements for information and labeling of goods and services. However, we are looking for opportunities to collect relevant data.
	417-2 Incidents of non-compliance concerning product and service information and labeling	–	In 2022, there were 75 instances of non-compliance with the rules regarding the provision of product and service information and on labeling. None of the instances resulted in a warning; all 75 instances resulted in a fine. Also, there were no instances in 2022 of non-compliance with the codes and rules voluntarily adopted by the Company regarding the provision of product and service information and on labeling. Records are kept with a breakdown by the type of fine.	–
	417-3 Incidents of non-compliance concerning marketing communications	–	–	Information is not available. As of now, the Company does not keep records of cases of non-compliance with the regulatory requirements of voluntary codes related to marketing communications, including advertising, promotion and sponsorship, but we are looking for opportunities to collect relevant data.
Customer Privacy				
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Chapter 4. Responsible business conduct: Privacy and data protection, page 51	–	–

SASB content index

SASB code	Accounting metric	Reference	Page	Comments
FOOD RETAILERS & DISTRIBUTORS				
Activity Metrics				
FB-FR-000.A	Number of (1) retail stores and (2) distribution centres	Chapter 2. About the Company: Geography of operations	16	–
FB-FR-000.B	Total area of (1) retail space and (2) distribution centres	Chapter 2. About the Company: Geography of operations	16	–
FB-FR-000.C	Number of vehicles in the commercial fleet	Chapter 4. Responsible business conduct: Responsible supply chain Annual Report: X5 Transport	52–56	–
Fleet Fuel Management				
FB-FR-110a.1	Fleet fuel consumed, percentage renewable	Chapter 6. The planet: Reduced climate impact and energy efficiency; TCFD disclosure	90–95	–
Air Emissions from Refrigeration				
FB-FR-110b.1	Gross global Scope 1 emissions from refrigerants	Chapter 6. The planet: Reduced climate impact and energy efficiency; TCFD disclosure	90–95	–
Energy Management				
FB-FR-130a.1	(1) Operational energy consumed, (2) percentage grid electricity, (3) percentage renewable	Chapter 6. The planet: Reduced climate impact and energy efficiency; TCFD disclosure Annex: Key quantitative data	90–95 143	–

SASB content index

SASB code	Accounting metric	Reference	Page	Comments
Food Waste Management				
FB-FR-150a.1	Amount of food waste generated, percentage diverted from the waste stream	Chapter 6. The planet: Waste management and sustainable packaging	79–83	–
		Annex: Key quantitative data	144–145	
Data Security				
FB-FR-230a.1	(1) Number of data breaches, (2) percentage involving personally identifiable information (PII), (3) number of customers affected	Chapter 4. Responsible business conduct: Privacy and data protection	51	–
FB-FR-230a.2	Description of approach to identifying and addressing data security risks	Chapter 4. Responsible business conduct: Privacy and data protection	51	–
Food Safety				
FB-FR-250a.1	High-risk food safety violation rate	Chapter 5. Healthy lifestyles: Product quality and safety assurance; Promoting healthy lifestyles Annex: SASB content index	63–71; 72–74	In 2022, there were 306 instances of non-compliance with the rules regarding the health and safety impacts of products and services. None of the instances resulted in a warning; all 306 instances resulted in a fine. Also, there were no instances in 2022 of non-compliance with codes and regulations voluntarily adopted by the Company regarding the health and safety impacts of products and services. Records are kept with a breakdown by the type of fine.
Product Health & Nutrition				
FB-FR-260a.2	Discussion of the process to identify and manage products and ingredients related to nutritional and health concerns among consumers	Chapter 4. Responsible business conduct: Current challenges	45–47	–
		Chapter 5. Healthy lifestyles: Product quality and safety assurance; Promoting healthy lifestyles	63–71; 72–74	



SASB content index

SASB code	Accounting metric	Reference	Page	Comments
Product Labelling & Marketing				
FB-FR-270a.1	Number of incidents of non-compliance with industry or regulatory labelling and/or marketing codes	Chapter 5. Healthy lifestyles: Product quality and safety assurance; Promoting healthy lifestyles Annex: SASB content index	63–71; 72–74	In 2022, there were 75 instances of non-compliance with the rules regarding the provision of product and service information and on labelling. None of the instances resulted in a warning; all 75 instances resulted in a fine. Also, there were no cases in 2022 of non-compliance with the codes and rules voluntarily adopted by the Company regarding the provision of product and service information and on labelling. Records are kept with a breakdown by the type of fine.
Labour Practices				
FB-FR-310a.1	(1) Average hourly wage and (2) percentage of in-store and distribution centre employees earning minimum wage, by region	Annex: SASB content index	–	Our average hourly rate for employees of stores and distribution centers is RUB 391 per hour. A regional breakdown of the percentage of employees earning minimum wage at stores and distribution centres is not available.
FB-FR-310a.2	Percentage of active workforce covered under collective bargaining agreements	Annex: SASB content index	–	X5 Group’s HR system does not currently have a methodology in place to calculate this percentage.
Management of Environmental & Social Impacts in the Supply Chain				
FB-FR-430a.3	Discussion of strategy to manage environmental and social risks within the supply chain, including animal welfare	Chapter 4. Responsible business conduct: Current challenges; Responsible supply chain	45–47; 52–56	–
		Chapter 6. The planet: Waste management and sustainable packaging	79–83	
FB-FR-430a.4	Discussion of strategies to reduce the environmental impact of packaging	Chapter 6. The planet: Waste management and sustainable packaging; Promoting responsible consumption	79–83; 99–100	–

SASB content index

SASB code	Accounting metric	Reference	Page	Comments
Water Management				
FB-PF-140a.1	(1) Total water withdrawn, (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress	Chapter 6. The planet: Responsible water consumption	98	–
FB-PF-140a.3	Description of water management risks and discussion of strategies and practices to mitigate those risks	Chapter 6. The planet: Responsible water consumption	98	–
E-COMMERCE				
Employee Recruitment, Inclusion & Performance				
CG-EC-330a.1	Employee engagement as a percentage	Chapter 7. Employees: Engagement and feedback	116	–
CG-EC-330a.2	(1) Voluntary and (2) involuntary turnover rate for all employees	Chapter 7. Employees: Our approach and 2022 highlights	102–105	–
CG-EC-330a.3	Percentage of gender and racial/ethnic group representation for (1) management, (2) technical staff, and (3) all other employees	Chapter 7. Employees: Our approach and 2022 highlights	102–105	–
		Annex: Key quantitative data	142	

TCFD compliance statement and index

Compliance statement

X5 Group took into consideration the documents referred to in the updated guidance found in Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures, published in October 2021.



X5 Group complies with the following TCFD Recommendations and recommended disclosures:

- ✓ Governance – (a) and (b)
- ✓ Strategy – (a) and (c)
- ✓ Risk management – (a), (b) and (c)
- ✓ Metrics and targets – (b) and (c)



X5 Group partially complies with the following TCFD recommendations and recommended disclosures:

- ✓ Strategy – (b)
- ✓ Metrics and targets – (a)



In the table below, we include cross-references to disclosures made elsewhere within the Report and offer explanations for why we partially comply with some of the TCFD recommendations and recommended disclosures. X5 is set to cover most of the partially compliant disclosures in future reporting.

TCFD Disclosure	Cross-reference for the disclosure in the Report	Summary of the climate-related financial disclosures	Explanation for non-compliance	Next steps
GOVERNANCE				
a) Describe the board’s oversight of climate-related risks and opportunities.	p. 90	The Supervisory Board meets at least four times per year and discusses climate-related issues through the Audit and Sustainable Development and Innovation Committees. The Executive Board is in charge of properly managing progress against the Company’s strategy and the sustainable development strategy as well as associated risks, including all climate-related risks and opportunities. By reviewing the detailed reports submitted by relevant committees, the Board keeps track of all key projects and activities, including progress measured against the sustainable development strategy, the implementation of climate-related mitigation measures, and project outcomes.	–	–
b) Describe management’s role in assessing and managing climate-related risks and opportunities.	p. 90	The Group has set up a Sustainable Development Committee at the Executive Board level. The Committee is responsible for implementing decarbonisation measures and developing action plans to mitigate climate-related risks, which are then submitted to the Sustainable Development and Innovation Committee, as well as the Supervisory Board, for approval. Representatives of business units implement the proposed measures and changes within the Group’s sustainability agenda.	–	–
STRATEGY				
a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.	p. 91–94	The Group’s climate risk assessment is aligned with three time horizons: 2025, the short-term horizon; 2025–2030, the medium-term horizon; and 2030–2050, the long-term horizon. The Group analyses its transition and physical risks for each business unit separately in order to glean a comprehensive understanding of risk exposure across different business activities and geographies. A full list of identified climate-related risks is published in our 2021 Sustainability Report on pages 68–71.	–	–
b) Describe the impact of climate-related risks and opportunities on the organisation’s businesses, strategy and financial planning.	p. 90, 95	In 2022, we have qualitatively reassessed the impact of our identified climate-related risks, results may be found on pages 91–94.	The Group periodically (less than once a year) assesses the impacts of climate-related risks and opportunities on X5’s financial performance through 2030.	X5 Group plans to disclose information on this metric in future disclosures.

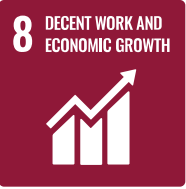
TCFD Disclosure	Cross-reference for the disclosure in the Report	Summary of the climate-related financial disclosures	Explanation for non-compliance	Next steps
STRATEGY				
c) Describe the resilience of the organisation’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	p. 91–94	By analysing how climate-related risks affect us, we unlock a more comprehensive understanding of how the Group’s strategy should be built, as well as how we should mitigate the consequences of potential issues in the future. The risk assessment used the following climate scenarios from the IPCC’s Sixth Assessment Report (AR6): the 1.5°C scenario (scenario SSP1-2.6), the 2.0°C scenario (scenario SSP2-4.5) and the 4.0°C scenario (scenario SSP5-8.5). X5 Group pays particular attention to materiality scores in the SSP2-4.5 scenario. We consider SSP2-4.5 the primary scenario for our industry, and we believe it will have a long-term effect on the Group’s strategic resilience and estimated financial impacts.	–	–
RISK MANAGEMENT				
a) Describe the organisation’s processes for identifying and assessing climate-related risks.	p. 94–95	Climate-related risks, including physical and transition risks, are incorporated in the general risk register and are reviewed annually. The Group’s climate risk assessment process is aligned with its general risk assessment. The results are plotted on a scale, representing risk impact from the lowest possible impact (green) to the most significant possible impact (red).	–	–
b) Describe the organisation’s processes for managing climate-related risks.	p. 94–95	Our decarbonisation initiatives feed into measures to mitigate climate risk to ensure our sustainable development strategy remains adequate and effective in scope. The sustainable development strategy is based on cost-effective decarbonisation measures that are set to benefit X5’s long-term value.	–	–
c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation’s overall risk management.	p. 94–95	Our climate risk assessment process aligns with the Group’s general risk assessment and is closely reviewed on a regular basis during the Supervisory Board’s strategy sessions.	–	–



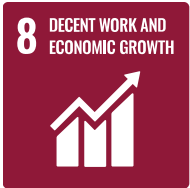
TCFD Disclosure	Cross-reference for the disclosure in the Report	Summary of the climate-related financial disclosures	Explanation for non-compliance	Next steps
METRICS AND TARGETS				
a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	p. 94–95	In 2022, the Group regularly reviewed qualitative results relating to climate-related risks and opportunities. When charting its pathway to net zero, X5 established a feasible internal carbon price to aid in strategic decision-making. X5 Group has set climate-related KPIs for management to help motivate them to implement our 2023 and 30x30 agenda. The KPIs include the LTI programme, which aims for a 10% carbon footprint cut by 2023 vs a 2019 baseline. The KPIs also include other sustainability metrics, such as boosting the share of packaging that is recycled, as well as waste management initiatives, which are vital for decreasing Scope 3 emissions. Overall, climate-related KPIs hold a 5% weighting for total management team KPIs.	X5 Group has set an internal carbon price; however, the methodology for establishing the metric is being revised.	X5 Group plans to disclose carbon price information in future disclosures.
b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.	p. 85–86	Since 2019, the Group has been measuring GHG emissions (Scope 1 and Scope 2, as well as Scope 3 since 2020) in accordance with the GHG Protocol. In 2021, this assessment included GHG emission sources at key business units that make up at least 95% of all GHG emission sources.	–	–
c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	p. 27–32	X5 has introduced the 30x30 agenda, which encompasses the following medium-term targets for 2030: - A 30% reduction in GHG emissions intensity (Scope 1 and Scope 2) per square metre of selling space against a 2019 baseline - A 30% share of renewable energy in X5 operations against a 2019 baseline - A 30% reduction in the ratio of waste generated to retail sales against a 2019 baseline ESG and climate considerations are also being incorporated into its short-term corporate strategy to 2025, which is currently under development. X5’s GHG reduction targets are based on the methodology and requirements of the Science Based Targets initiative (SBTi) and look to achieve net zero by 2050.	–	–



UN SDGs content index

SDG	Relevant SDG target	Our contribution disclosed in the Report	Page
Primary SDGs			
	Goal 2. End hunger, achieve food security and improved nutrition, and promote sustainable agriculture	• Sustainable development and the Company’s business: Sustainable development strategy • Responsible business conduct: Care for our customers • Healthy lifestyles: Our approach and 2022 highlights • Care for the community: Our approach and 2022 highlights; Charitable programmes; Our plans	27–32 57 61–62 127–129; 130–135; 138
	Goal 3. Ensure healthy lives and promote well-being for all at all ages	• Sustainable development and the Company’s business: Sustainable development strategy; Responding to global challenges; Respect for human rights • Healthy lifestyles: Our approach and 2022 highlights; Product quality and safety assurance; Promoting healthy lifestyles • Employees: Our approach and 2022 highlights; Motivation and fair compensation; Occupational health and safety; Our plans • Care for the community: Our approach and 2022 highlights; Charitable programmes; Our plans	27–35; 35; 36–37 61–62; 63–71; 72–74 102–105; 111–113; 118–123; 124–125 127–129;130–135; 138
	Goal 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	• 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 • 8.2 Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors • 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 • 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	27–35; 36–37 45–47; 48–50; 52–56; 57; 58–59 76–78; 79–83 84–89;98 102–105; 109–110; 111–113; 114–115; 116; 117; 118–123; 124–125



SDG		Relevant SDG target	Our contribution disclosed in the Report	Page
	Goal 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	● 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 ● 8.6 By 2020, substantially reduce the proportion of youth not in employment, education or training ● 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 ● 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		
	Goal 12. Ensure sustainable consumption and production patterns	● 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 ● 12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse ● 12.6 Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle ● 12.8 By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature	● Sustainable development and the Company's business: Sustainable development strategy ● Responsible business conduct: Current challenges; Responsible supply chain ● The planet: Our approach and 2022 highlights; Waste management and sustainable packaging; Reduced climate impact and energy efficiency; Promoting responsible consumption ● Care for the community: Our approach and 2022 highlights; Charitable programmes; Our plans	27–35 45–47; 52–56 76–78; 79–83; 84–89; 99–100 127–129; 130–135; 138
Secondary SDGs				
	Goal 5. Achieve gender equality and empower all women and girls	● 5.1 End all forms of discrimination against all women and girls everywhere ● 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	● Sustainable development and the Company's business: Sustainable development strategy; Respect for human rights ● Responsible business conduct: Compliance and business ethics ● Employees: Our approach and 2022 highlights; Corporate culture and values; Motivation and fair compensation; Training and development	27–35; 36–37 48–50 102–105; 109–110; 111–113; 114–115
	Goal 7. Ensure access to affordable, reliable, sustainable and modern energy for all	● 7.2 By 2030, increase substantially the share of renewable energy in the global energy mix	● Sustainable development and the Company's business: Sustainable development strategy ● The planet: Our approach and 2022 highlights: Reduced climate impact and energy efficiency; TCFD disclosure	27–35 76–78; 84–89; 90–95



SDG	Relevant SDG target		Our contribution disclosed in the Report	Page
	Goal 10. Reduce inequality within and among countries	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	- Sustainable development and the Company’s business: Sustainable development strategy; Respect for human rights - Responsible business conduct: Compliance and business ethics - Employees: Corporate culture and values - Care for the community: Our approach and 2022 highlights; Charitable programmes; Our plans	27–35; 36–37 48–50 109–110 127–129; 130–135; 138
	Goal 11. Make cities and human settlements inclusive, safe, resilient and sustainable	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 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	- Sustainable development and the Company’s business: Sustainable development strategy - The planet: Waste management and sustainable packaging; Reduced climate impact and energy efficiency; Promoting responsible consumption - Employees: Our approach and 2022 highlights - Care for the community: Charitable programmes	27–35 79–83; 84–89; 99–100 102–105 130–135
	Goal 13. Take urgent action to combat climate change and its impacts	13.3 Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning	- Sustainable development and the Company’s business: Sustainable development strategy; Responding to global challenges; Stakeholder engagement - Responsible business conduct: Current challenges; Responsible supply chain - The planet: Our approach and 2022 highlights: Reduced climate impact and energy efficiency; TCFD disclosure; Promoting responsible consumption	27–35; 35; 38–43 45–47; 52–56 76–78; 84–89; 90–95; 99–100
	Goal 14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development	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 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	- Sustainable development and the Company’s business: Sustainable development strategy; Stakeholder engagement - Responsible business conduct: Current challenges; Responsible supply chain - The planet: Our approach and 2022 highlights; Waste management and sustainable packaging; Reduced climate impact and energy efficiency; TCFD disclosure; Responsible water consumption; Promoting responsible consumption	27–35; 38–43 45–47; 52–56 76–78; 79–83; 84–89; 90–95; 98; 99–100
	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	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	- Sustainable development and the Company’s business: Sustainable development strategy - The planet: Our approach and 2022 highlights; Reduced climate impact and energy efficiency; Promoting responsible consumption	27–35 76–78; 84–89; 99–100