

Sustainable development

We measure our performance by more than just financial and operating metrics, because our long-term success and sustainability depend on our ability to create value for a wide array of stakeholders.





Sustainability

Stakeholder engagement

Interaction with our stakeholders is key to creating value and achieving sustainable growth in the long term. Accordingly, X5 actively engages with the stakeholders for whom we aim to create value in order to ensure a positive outlook for our business operations in the future.

| Stakeholders | Suppliers | Society and local communities |
|----------------------------|--|--|
| Why we interact | <ul style="list-style-type: none"> • Ensure high-quality products • Maximise share of goods from local producers • Build partner relationships with suppliers, coordinating promo and other sales activities • Ensure that we are able to provide ready and relevant solutions to the end consumers of our products • Create business relationships built on trust and respect • Help guarantee the health and safety of end consumers • Reduce waste and losses, increase yield and productivity • Develop more efficient ways to bring our products to consumers | <ul style="list-style-type: none"> • Address community needs and social or environmental concerns • Support the health and well-being of the communities where we operate • Enhance our image and reputation • Build strong relationships with the world around us • Increase brand recognition • Attract positive media attention • Develop relationships with local authorities to make doing business easier • Identify new business opportunities within the communities in which we operate • Maintain awareness of government policies or regulatory changes that could impact our business |
| How we interact | <ul style="list-style-type: none"> • Engaging in fair business practices and aiming to be a reliable partner • Adapting our business processes to enable more efficient work with small local producers • Aiming to increase the share of locally produced goods across our formats • Training events at DCs help suppliers work efficiently with X5 • Nationwide distribution and logistics operations designed to integrate large federal and smaller local suppliers • Maintaining transparent, collaborative relationships | <ul style="list-style-type: none"> • Investment in charity and social initiatives that leverage X5's position as Russia's leading food retailer • Supporting charitable initiatives like Basket of Kindness • Giving to local community priorities • Taking a responsible approach to the environment • Focussing on reducing consumption and waste generated by our activities • Keeping the community up to date on decisions that impact them • Developing relationships with local community leaders |
| Performance in 2017 | <ul style="list-style-type: none"> • Established relationships with 1,050 new suppliers in 63 regions • Development of new private labels • 17% of assortment from local suppliers in 2017 with 25% in some regions | <ul style="list-style-type: none"> • Created over 40,000 new jobs in 63 regions through the opening of new stores and DCs • Paid over RUB 67 billion in local, regional and federal taxes • Provided convenient, modern and reliable food retail services to people in around 2,500 cities and towns in Russia (over 3,800 million checks) |

Through our engagement with key stakeholders, including customers, employees, investors, suppliers and local communities, we take into account the expectations of all these groups and aim to realise these expectations as far as possible.

| Personnel | Shareholders | Consumers |
|---|---|--|
| <ul style="list-style-type: none"> • Create conditions for the professional growth and social well-being of employees • Establish an effective corporate culture • Maintain productive relationships with trade unions and employees • Educate employees about health and safety procedures in the workplace • Maintain a dialogue with employees to identify opportunities to further improve our operations • Retain and develop a workforce of skilled and committed employees • Attract new talent • Improve employee motivation, help them build their interpersonal and teamwork skills | <ul style="list-style-type: none"> • Educate new investors about X5, our strategy and performance • Improve the culture and quality of corporate governance • Build X5's long-term value • Apply knowledge gained from dialogue to improve the running of the business • Commitment to openness • Inform investors about X5's operating and financial performance and other significant events • Maintain a dialogue with investors in X5's capital market activities • Ensure long-term capital growth for the Company. | <ul style="list-style-type: none"> • Inform customers about X5's value proposition • Explain what sets us apart from other food retailers • Meet our customers' shopping needs and improve their shopping experience • Improve customer loyalty and increase share of spending at X5 stores • Enable customers to give us feedback • Provide customers with answers to their questions through direct engagement • Adapt to changing demand • Reduce food waste • Give customers the chance to get to know the company and its brands |
| <ul style="list-style-type: none"> • Providing stable and fair wages to X5 Retail Group's employees • Providing meaningful career opportunities and competitive compensation packages • Ensuring strict adherence with workplace health and safety requirements across our operations • Training and development programmes • Social support for employees with regard to long-term illness or accidents, bereavement or loss of property • Recognition of significant contributions to the Company's development | <ul style="list-style-type: none"> • Implementing our strategy aimed at smart, sustainable, rapid and profitable business growth • Maintaining high standards of transparency and disclosure • Implementing best-practice corporate governance practices • Investor website with annual reports, financial statements, press releases, presentations • Roadshows • Investor conferences • Conference calls • Group meetings with analysts and investors • Five independent non-executive directors on the Supervisory Board ensure that the interests of public shareholders are represented | <ul style="list-style-type: none"> • Customer hotline • Presence on social media and messenger platforms • Data analytics of customer behaviour used to adapt assortment and CVP and better meet customers' expectations |
| <ul style="list-style-type: none"> • Invested around RUB 140 million in professional training and development • Held over 1,300 employee engagement events attended by more than 155,000 people to maintain dialogue with employees • Implemented and refined workplace health and safety policies and practices • Approved and implemented a diversity policy across all of X5's operations | <ul style="list-style-type: none"> • Adopted a dividend policy • Implemented award-winning investor relations practice • Hundreds of conference calls and meetings with investors and analysts • Five roadshows • No fewer than 10 investor conferences • Around 30 RNS press releases | <ul style="list-style-type: none"> • Brought X5's modern retail services to around 500 new Russian cities and towns • Constant adaptation of formats' CVPs to consumers' needs • Introduced new loyalty programmes that utilise big data analytics to automate personalised offers |