

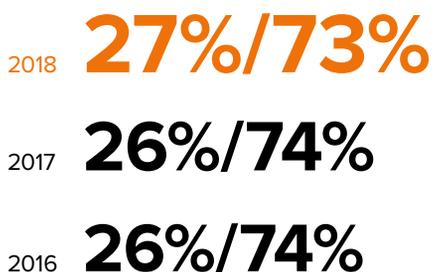
# People review

## Key highlights

### Headcount



### Male/female



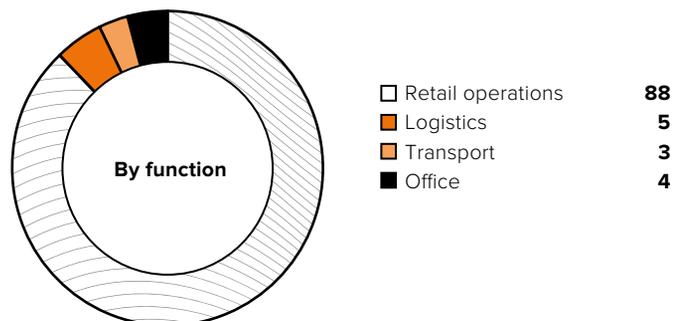
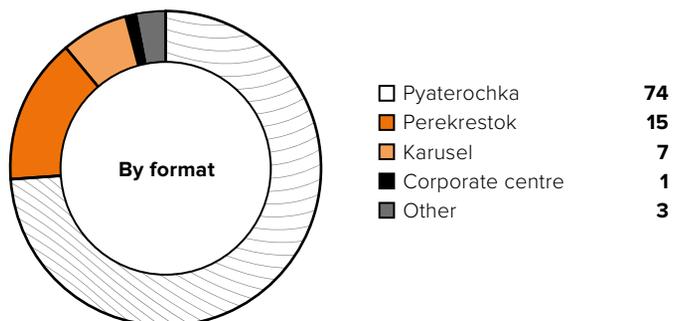
### Investments in training



### Number of training participants



### Personnel structure in 2018, %



## New HR strategy: X5 – YOUR FIRST CHOICE

One of X5 Retail Group’s key goals is to build sustainable value for our employees, as well as our customers and shareholders. Building and strengthening X5’s human capital is part of the Company’s strategic development plan and key to its long-term success.

We aim to become the best-in-class employer for both current and future employees. X5 and its business divisions will use common metrics—levels of staff turnover and engagement—to assess the effectiveness of actions taken in order to achieve this goal.

We are currently putting together a team capable of driving the creation of a retail industry of the future that is technology-based, personalised and more customer-friendly than ever before. At the same time, we promote the principles of humanity, sincerity and concern for one another. The professionalism on the part of our staff and their engagement in their work is key to achieving our goal of becoming the most customer-oriented company in the Russian retail industry.

### Values

As part of our updated strategy, we have adopted and integrated a new set of Company values, which set out cultural and ethical guidelines and reflect our approach to our customers, employees and shareholders. These values are: **honesty and fairness, respect, commitment to achievement, and customer focus.** Our main objective is to be guided by these values in our daily lives and in the choices we make when taking decisions.

### Integrity

As part of our updated strategy, we have identified shared values for all of X5’s formats. Respect, honesty, fairness, commitment to achievement and customer-centricity are the foundations of the cultural transformation that we need in order to achieve our strategic goals. We have integrated these values into all HR processes and practices, including training and development, recruitment and corporate communications. In 2018, we established our first general award for X5 employees, the Most Valuable Employee award, which was given to 20 individuals across all of our retail formats and business units.

### Engagement

“Your voice”, a study of employee engagement conducted in the spring of 2018, enabled us to learn what needs to be changed and improved to make X5 the best possible employer in each of its divisions. The study involved more than 35,000 Company employees. Improving working conditions, changing existing managerial practices and further strengthening a strong, talented team are key tasks for working with X5 personnel in 2018 and 2019.

### Evolving

In 2018, our HR function carried out extensive work to support innovative aspects of our strategy: we bolstered our IT team, and divisions for working with big data and omnichannel content were created from scratch. These new teams bring together top-tier professionals from the best Russian and international companies in the IT and high-tech sectors.

## Approach to personnel management

### Human rights

We support the four fundamental principles outlined in the International Labour Organization's Declaration on Fundamental Principles and Rights at Work.

### Regulatory requirements

We fully align all of our personnel policies with Russian labour law, providing the appropriate rights, benefits and compensation to all employees.

### Labour safety and working conditions

We aim to create a comfortable working environment for our people through an integrated occupational health and safety programme, continuous monitoring and improvement of labour conditions, as well as by accelerating efforts to upgrade work processes.

### Effective motivation and fair remuneration

Our processes are designed to uphold a fair, consistent and transparent remuneration and incentive system that reflects individual performance and the Company's financial results. This system has been developed in line with best market practices.

### Training and development

We strive to provide ample opportunities for professional and personal growth for employees at every level through high-quality learning tools. All employees, from top managers to retail staff, are offered training programmes in accordance with their job requirements, performance assessments and the specific needs of the Company.

### Internal growth

The promotion and development of employees with high potential is one of the key aspects of the Company's work in terms of personnel management and development.





## Development of management potential

For the successful implementation of our strategy and the achievement of our goals, a strong management team is needed that is capable of taking on and quickly meeting challenges related to the economy, the market and the changing needs of customers. In 2018, we introduced a systematic, long-term approach to the development of our executives.

## Employer brand

Our goal is to become the most attractive possible employer for both our current and future employees. The Company's size, ambitious projects and innovations offer great potential for professional development and career growth. We collaborate with leading universities and youth NGOs, arrange internships for students and provide the best performers with an opportunity to continue working for the Company.

## Corporate culture and values

As part of our updated strategy and goals, we have identified common values for all our divisions. They should be reflected in all our business processes and in our relations with employees, customers, suppliers, shareholders, the state and local communities in regions of our presence.

## Understanding the strategy and our overall goal

In order to successfully implement our strategy and achieve our goal, it is important that our employees understand the contribution each of them makes to our results and that they share our aspirations. We take a systematic and in-depth approach to communication with staff, constantly expanding the range of channels and tools available for constructive dialogue between managers, employees and the Company's various divisions.

## Automation and digitalisation of HR processes

As one of the largest employers in Russia, we employ efficient, state-of-the-art tools in our HR work, and we are constantly making our processes faster and easier to use. We aim to use big data technologies and in-depth analysis of all personnel information for more efficient and more rational decision-making in the area of HR management.



## Performance highlights

### Working conditions based on best Russian and international practices

#### Effective motivation and fair remuneration

- In 2018, we adopted uniform policies on benefits and relocation, as well as a regulation on job assessment and grading; we also introduced a cross-format grading system and launched a new long-term remuneration programme for key executives.
- We updated our retail incentive system for productivity growth at Perekrestok; at Karusel, we revised the rewards structure for retail employees and launched a pilot programme to enhance the remuneration system.

#### Workplace safety and working conditions

- Since 2018, updated standards on staff facilities have been in place that are to be applied during the renovation of Karusel hypermarkets. Perekrestok adopted a new policy on workplace safety and launched a project called “Comfortable Environment” with the aim of upgrading staff canteens to make them more comfortable for personnel.

#### Automation and digitalisation of HR processes

- In 2018, key HR metrics were identified, an audit of HR processes was conducted, and priorities for automating HR processes were determined. At Pyaterochka, a project focused on electronic document distribution and digital signatures was launched. A system for automated planning of vacation schedules is now operating at all Perekrestok stores, and the Mobile Personnel app was piloted, enabling the format’s Moscow-based locations to request cashiers in exceptional circumstances.
- Pyaterochka and Perekrestok made their HR services more accessible: retail staff can now request and receive HR documents online.

## X5 – a company of opportunities

### Internal promotions

- In 2018, we solidified our work with our internal talent pool and achieved impressive results in terms of promoting high-potential employees. Some 70% of appointments to management positions in 2018, including to positions reporting directly to the CEO, were existing X5 employees.

### Recruitment and adaptation

- As part of the development of our recruitment and adaptation processes for X5 employees, we have implemented a number of helpful initiatives, such as our referral programme at the Corporate Centre level, internship programmes, attracting potential employees through social networks, the Perekrestok Express project for staff migration to other X5 divisions, chat bots, job radars and landing pages for the recruitment of personnel for our Karusel format.
- Our Transport Department has partnered with DOSAAF driving schools to provide new resources for drivers, while the logistics specialists at Perekrestok have added a mentoring programme for new staff.

### Training and development

- As part of our updated strategy, our retail formats launched training projects in 2018 for retail and administrative personnel, e.g., an online game and a programme to identify candidates for our internal talent pool at Pyaterochka stores, a new distance learning portal at clever.x5.ru, and virtual-reality training for sales staff at Perekrestok.
- The Category Management Academy, which opened in 2018, became our first general training project for all X5 retail formats.

### Development of management potential

- Training seminars and business simulation games were held in 2018 on team-building and decision-making skills for a number of employees in senior positions in our retail formats and logistics divisions.
- Together with the IMD Business School in Switzerland, a team-building programme for managers called “X5 Leaders” was launched; a series of programmes for various management levels will be created in 2019.

## Cultural reset

### Common cultural and information space

- In October 2018, the X5 Connect information event was held for the first time for employees of our retail formats, business divisions and the Corporate Centre. More than 1,000 people watched video broadcasts of executive presentations, and some 500 questions were asked. In 2019, X5 Connect will be held twice: in April and in October.

- Turbo FM corporate radio appeared in Pyaterochka stores; Perekrestok launched the first X5 mobile application for operational staff; Karusel and our Transport Department continued to arrange regular meetings for employees and top executives.

### Maintaining the prestige of working in retail and operations

- In 2018, our Pyaterochka format held a number of contests: for the best store team, for increasing sales in various divisions, and for the best staff in various professions at distribution centres.
- The “Logistics Superman” competition was held for the first time at Perekrestok, and an operational competition called “Champions League” was organised for the format’s stores.
- The “League of Professional X5 Drivers” was named the “Event of the Year” in a national industrywide competition.

### Events with meaning

- During the World Cup, more than 700 Company employees received tickets to matches throughout the country as a reward for their professional achievements.
- Throughout the summer of 2018, Pyaterochka staff from all over the country competed in the Turbo football corporate championship. The event brought together more than 27,000 people from no fewer than 17 cities. While Perekrestok held its first-ever volleyball championship, Karusel hypermarkets celebrated stores’ birthdays and New Year’s Eve, and also organised sports competitions to go along with the World Cup.
- “Special Wednesday: The Weekend”, organised in partnership with the Liza Alert search-and-rescue team and dedicated to child safety, brought together more than 400 X5 employees and their children. They took part in a quest developed by the Liza Alert School on safety advice. Instructors from the search-and-rescue team gave a lecture for parents on child safety, and they also explained how parents should talk with their children about safety.

# Turbo football



One of the key corporate events for Pyaterochka employees last year was the Turbo football championship. Russia hosted the World Cup in 2018, and X5 organised football matches in a number of cities across the country. Cashiers, warehouse operators, lawyers, financiers—employees from various departments demonstrated their teamwork and ball-handling skills.



Highlights for 2018

**25,000** fans

**23,000**  
kilometres run  
by football players

**2,216**  
players

**17** cities

**4** months of  
football matches

