

# Stakeholder engagement

## Consumers

### Why we interact

- Ensure customers are aware of the value propositions of X5's retail formats
- Differentiate ourselves from other food retailers
- Meet customer demand, addressing their shopping needs and improving their shopping experience
- Encourage customer loyalty and increase share of wallet by offering more of what they truly need
- Get customer feedback that may help us improve our business
- Provide customers with answers to their questions through direct engagement
- Evolve our business in response to changing demand
- Reduce food waste

## Suppliers

- Ensure the timely and reliable supply of high-quality products
- Increase cooperation with local producers across the regions where we operate
- Partner with suppliers to engage in effective promo and other sales activities
- Ensure that our customers are getting the solutions they need or want
- Maintain mutual trust and respect in our business relationships
- Protect the health and safety of end consumers
- Increase efficiency while reducing waste and shrinkage
- Maximise the efficiency of the way we supply goods to customers

### How we interact

- Maintain a customer hotline (each retail format has a dedicated customer hotline)
- Interact via social media and messenger platforms
- Use big data analytics of customer behaviour to understand how we can meet our customers' needs in the most efficient and reliable way
- Develop loyalty programmes across all our formats
- Adhere to fair and transparent business policies and practices
- Implement measures to make it easier for small local producers to work with X5
- Encourage the supply of locally produced goods across our formats
- Hold training events to help suppliers work efficiently with X5's logistics infrastructure
- Integrate nationwide transport and logistics operations with both large federal and smaller local suppliers
- Focus on collaborative relationships and finding mutually beneficial solutions

### Performance in 2018

- Expanded omnichannel initiatives like Perekrestok Online and in-store parcel lockers for customers to pick up online purchases, making it more convenient for customers to shop with X5
- Expanded loyalty programmes and the use of personalised offers that are tailored to customers' interests through big data solutions
- Ongoing adaptation of the CVPs of our retail formats to meet changing demand
- Established relationships with 1,426 new suppliers in 74 regions
- Development of new exclusive private-label lines with selected suppliers, including Green Line at Perekrestok
- Over 19% of assortment on average from local suppliers, with up to 30% in some regions in Pyaterochka stores

 Please see more information on supplier-related matters in the Compliance and Ethics section on pages 156-159, the Product Safety and Production Quality section on pages 150-155

## Employees

- Facilitate the professional growth and support the social well-being of employees
- Develop a corporate culture that helps us achieve our strategic goals
- Engage in productive dialogues with trade unions
- Ensure employees are regularly informed about health and safety procedures in the workplace
- Create an atmosphere where employees are encouraged to help us identify opportunities to further improve our operations
- Retain and develop a workforce of skilled and motivated employees
- Improve employee motivation, help them build their professional skills
- Maintain a reputation as an attractive employer for current and potential employees

## Society and local communities

- Understand and address community needs and social or environmental concerns
- Protect the health and well-being of communities where we are present
- Build, maintain and protect our image and reputation
- Increase recognition of our brands and offering
- Keep local, federal and international media informed about our achievements and performance
- Develop productive relationships with local authorities
- Gain a better understanding of the business opportunities within local communities
- Stay informed about government policies or regulatory changes that could impact our business

## Shareholders/Investors

- Keep the investment community informed about X5, our strategy, financial and operating performance, and other significant events
- Constantly enhance corporate governance systems
- Build sustainable long-term value as an enterprise
- Seek out new ideas that may help improve the running of the business and our ability to create value
- Demonstrate our commitment to openness and transparency
- Support investor participation in X5's activities in capital markets
- Ensure long-term growth in the Company's market capitalisation

- Provide stable, fair and transparent salaries and motivation schemes to X5 Retail Group employees
- Encourage career development and offer competitive compensation packages
- Enact strict occupational health and safety policies across our business
- Provide access to in-house and external training and development programmes
- Offer social support for employees with regard to long-term illness or accidents, bereavement, or loss of property
- Recognise significant contributions to X5's successful performance

- Support charity and social initiatives that leverage X5's position as Russia's leading food retailer, including food bank initiatives like Basket of Kindness
- Provide support to initiatives that are priorities for local communities
- Manage our environmental footprint in a responsible way, including by reducing emissions, consumption and waste generated by our activities
- Keep members of local communities informed about decisions that impact them
- Maintain relationships with local authorities and community leaders

- Execute our strategy as it evolves to address current and expected market trends
- Adhere to best practice standards of transparency and disclosure
- Implement corporate governance practices that are in line with recognised best practice standards
- Facilitate open access to information via our 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

- Invested around RUB 151 million in professional training and development
- Conducted over 300 employee engagement events – sports, informational, and entertainment – attended by more than 176,000 people
- Continued to implement and refine occupational health and safety policies and rules
- Upheld diversity and human rights policies across all of X5's operations

- Opened new stores and DCs, adding over 27,000 jobs in more than 60 Russian regions
- Paid over RUB 49.4 billion in local, regional and federal taxes
- Provided convenient, modern and reliable food retail services to people in around 2,900 cities and towns in Russia (over 4.6 billion customer visits)

- Adhered to dividend policy adopted in 2017
- Implemented award-winning investor relations practice
- Held hundreds of conference calls and meetings with investors and analysts
- Held two roadshows and participated in no fewer than 11 investor conferences
- Held Capital Markets Day in London for the first time in October 2018
- Posted around 46 RNS press releases
- Significantly enhanced direct communications with investors following the introduction of MIFID II, held our first virtual roadshow

 Please see more information on employee matters in the People Review section on pages 160-167

 Please see more information on social matters in the Community Investment Review section on pages 180-185

 Please see more information on shareholder matters in the Corporate Governance section on pages 186-225