

**APPROVED BY**

Order of the CEO

No. 3-2-100/000037-21 dated 10 February 2021

**X5'S  
ENERGY EFFICIENCY AND CLIMATE CHANGE  
PREVENTION POLICY**



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## 1. Purpose and scope

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- 1.1. X5 (the "Company") is a leading Russian food retailer employing over 300,000 people, working with thousands of suppliers and servicing millions of customers. One of the goals set out in the Company's Sustainable Development Strategy is to promote responsible consumption and use of resources.
- 1.2. X5's Energy Efficiency and Climate Change Prevention Policy (the "Policy") specifies the Company's principles and rules for slowing observed and projected long-term changes in average climate indicators and adapting to the impacts of climate change.
- 1.3. This Policy reflects the Company's internal regulations specified in Clause 5 "Related Documents".
- 1.4. All internal regulations adopted in connection with this Policy shall comply with the principles contained herein.
- 1.5. Compliance with this Policy shall be mandatory for all of the Company's employees.

## 2. Principles and rules for implementing the Policy

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- 2.1. Aware of the significance of climate change and recognising the Company's impact in this area, X5 is committed to minimising this impact by reducing consumption, introducing new technologies, streamlining processes related to energy consumption and engaging in efficient interaction with other participants in value creation while making sure to exceed environmental regulatory requirements. The Company's environmental efforts and energy-efficiency initiatives are underpinned by the following principles:

- 2.1.1. Comprehensive approach

The Company shall seek to consider the potential environmental impact caused by all of its operations and to take this into account in its strategic and operational decision-making.

- 2.1.2. Reliance on new technology

The Company shall seek to embrace innovative solutions that make it possible to reduce electricity and heat consumption in order to cut down specific energy consumption. The Company shall also aim to decommission worn-out and inefficient equipment and old vehicles in due time.

The Company shall gradually introduce automatic process control systems and energy consumption monitoring systems as well as energy management systems.

The Company shall consider new technological solutions to use waste as fuel and shall seek to implement them.

- 2.1.3. Optimisation and available alternatives

The Company shall streamline its processes and embrace alternatives that result in the smallest possible carbon footprint, including:

- scaling up its use of renewable energy sources and increasing reliance on low-carbon energy;
- taking into account energy consumption and energy efficiency when purchasing new equipment;
- improving heat insulation in retail stores, in dark stores run by the Company's online business and in other Company facilities;
- gradually replacing refrigerants in refrigerating units with alternatives producing a smaller carbon footprint;
- improving the efficiency of logistics operations involving Company-owned vehicles, ensuring strict compliance with fuel consumption benchmarks and decreasing air emissions by transitioning to more eco-friendly engines, using predictive analytics to choose optimal routes and upskilling drivers in terms of safe and eco-friendly driving;
- improving the efficiency of logistics operations involving contractors, including selecting logistics companies with a more eco-friendly fleet.

- 2.1.4. Ongoing monitoring



The Company shall develop and integrate a system to monitor indicators that show the Company's impact on climate change and shall take account of risks and opportunities arising from climate change, including physical risks and risks involved in the transition period.

The Company shall regularly measure aggregated and specific energy consumption and conduct a quantitative assessment of direct and indirect GHG emissions.

The Company shall regularly report on changes in these indicators and aim to account for the reasons for the changes and to describe the measures taken.

#### 2.1.5. Sharing responsibility

The Company shall promote responsible consumption among its employees, suppliers and partners, ensure compliance with environmental regulations and introduce eco-friendly technologies. The Company's key recommendations are set out in the Sustainability Recommendations for X5 Retail Group Suppliers.

The Company shall promote practices aimed at reducing the impact on climate change among its customers; in particular it shall strive to:

- offer locally sourced products and products certified for compliance with environmental standards that have a relatively small carbon footprint when being produced and supplied;
- raise customers' awareness of climate change and of opportunities to combat it through its external communications pursuant to X5's Responsible Marketing Policy.

#### 2.2. Energy-efficiency initiatives are underpinned by the following rules:

2.2.1. The Company shall ensure that all of its employees are familiar with this Policy and shall offer mandatory training in sustainable development covering the major provisions of X5's Sustainability Strategy.

2.2.2. In monitoring its environmental impact and striving to reduce it, the Company shall set quantitative goals to reduce its impact on climate change and shall develop initiatives to achieve these goals.

2.2.3. The Company shall constantly monitor its compliance with this Policy.

2.2.4. Policy violations shall be reported via the hotline. The hotline is a communication channel for employees to report violations of the Code of Business Conduct and Ethics and other relevant policies. The Company shall guarantee the confidentiality of anonymous reports; the Company shall also guarantee that persons contacting the hotline shall not face any retaliatory measures.

Hotline contact information:

- Phone: +7 800 200 26 13
- Email: [hotline@x5.ru](mailto:hotline@x5.ru)
- Feedback form on the Company's [website](#)

2.2.5. In the event of a violation of this Policy, the Company shall conduct an investigation and take corrective measures as well as steps to prevent such violations in the future in accordance with its internal procedures.

2.2.6. The Company's energy-efficiency and climate change performance is disclosed in its public non-financial reporting.

### 3. Roles and responsibilities

Role	Responsibilities
<p><b>Person responsible for operating the facilities and logistics at an RC/BU (appointed by heads of the RC/BU)</b></p>	<ul style="list-style-type: none"> <li>• Ensure compliance with the climate change prevention principles set out in this Policy</li> <li>• Monitor compliance with the principles and provisions of this Policy and ensure improvement and evolution of the Company's climate change prevention management</li> <li>• Monitor all of the Company's related policies, procedures and other internal regulations for compliance with the provisions of this Policy</li> </ul>



Role	Responsibilities
<b>Person responsible for sustainable development at X5 (Sustainable Development Director)</b>	<ul style="list-style-type: none"> <li>Conduct high-level monitoring of compliance with the principles and rules of this Policy at all levels within the Company</li> </ul>

#### 4. Terms and abbreviations

No.	Term/abbreviation	Definition
1.	Internal regulation	An internal regulation setting out uniform requirements for a functional area or for carrying out a business process
2.	Law	Laws and regulations that affect the Company in all applicable jurisdictions, including extraterritorial provisions of laws and regulations
3.	Company	The aggregate of legal entities that together with X5 Corporate Centre LLC constitute a group, as defined in Article 9 of Federal Law No. 135-FZ dated 26 July 2006 <i>On Protection of Competition</i> , including those legal entities where X5 Corporate Centre LLC, as stipulated by relevant agreements, acts as the sole executive body
4.	Environment	The surroundings in which the Company operates, including the air, water, land, natural resources, flora, fauna, humans and their interrelationships
5.	Supplier/partner	A legal entity or individual (sole proprietor) that has signed a contract with the Company to supply goods, works or services for the Company's needs
6.	Natural resources	Components of the environment, natural sites and human-modified natural features that are used or can be used in economic and other activities as energy sources, manufactured products or consumer items and that have a consumer value
7.	Employee	An individual employed by the Company
8.	Sustainable development	Development focused on creating value for all by achieving a balance between the economic, environmental and social aspects of operations
9.	Climate change	The observed and projected long-term change in average climate indicators as well as climate variability, including anomalies such as drought, severe storms and floods, attributed to human activity

#### 5. Related documents

No.	Document
1.	IPCC Fifth Assessment Report
2.	OECD Guidelines for Multinational Enterprises, 2011 edition
3.	Retail Environmental Sustainability Code, EuroCommerce and European Retail Round Table 2010
4.	GRI Standards for energy efficiency and climate
5.	SASB: Standards for Food Retailers & Distributors
6.	ISO 50001 Energy management systems – Requirements with guidance for use
7.	GOST R 56828.29-2017 Best available technologies. Energy conservation. Procedure for determining energy-efficiency indicators
8.	Federal Law No. 7-FZ dated 10 January 2002 <i>On Environmental Protection</i>
9.	Federal Law No. 261-FZ dated 23 November 2009 <i>On Energy Conservation and Improving Energy Efficiency and on Amending Individual Legislative Acts of the Russian Federation</i>
10.	Russia's Long-Term Development Strategy with Low Greenhouse Gas Emissions to 2050 (as of the date of this Policy, a draft of 23 March 2020 is available)
11.	Climate Doctrine of the Russian Federation adopted pursuant to Presidential Executive Order No. 861-rp dated 17 December 2009
12.	X5 Retail Group's Sustainable Development Strategy
13.	X5 Retail Group's Code of Business Conduct and Ethics
14.	X5 Retail Group's Code of Interaction with Business Partners
15.	X5 Retail Group's Supplier Policy
16.	X5's Responsible Marketing Policy
17.	Sustainability Recommendations for X5 Retail Group Suppliers



