

4.6.2 Compensation of Executive Board members and the Chief Executive Officer in 2018

The Personnel Compensation Policy, as an integral part of the Company's HR management system, is aimed at preserving, enhancing, developing and unlocking the Company's staff potential, increasing labour productivity and loyalty of employees, and ultimately achieving the objectives defined by the Company's business strategy.

The compensation of the PAO Sovcomflot Executive Board members consists of:

- A fixed component (monthly salary);
- A variable component (compensation based on the Company's annual performance).

The size of a monthly salary is established by the employment contracts concluded at the time of employment.

Compensation based on the Company's annual performance is directly linked to the attainment of a number of key performance indicators defined according to the Long-Term Development Programme. The payment of annual bonuses acts as an incentive to attain the strategic goals of PAO Sovcomflot, and also serves to attract and retain the best industry specialists.

Starting from 1 January 2015, members of the Executive Board and some of seagoing and onshore personnel are participating in the Long-Term Motivation Programme (LTMP) approved by the Board of Directors.

The Company's LTMP was developed in accordance with best industry practices in incentive compensation and enables the Company to attract and retain high-profile fleet management professionals, including masters and chief engineers who have unique competencies in ensuring a safe, reliable and quality transportation of energy resources and servicing of offshore oil & gas projects as well as an extensive experience of work on high-tech vessels in difficult climate and weather conditions.

The total duration of the LTMP is five years with remunerations to be paid in 2018, 2019 and 2020.

In accordance with the LTMP, employees are entitled to receive remuneration upon the attainment of target key performance indicators (KPI targets) defined in the Company's Long-Term Development Programme. If KPI targets are not attained, entitlements accrued in accordance with the LTMP terms and conditions may be cancelled.

Target KPIs determining the contribution of Executive Board members to implementing the PAO Sovcomflot LDP for the 2018 financial year were approved by the Board of Directors decision dated 12 December 2017 (Minutes No. 168).

Compensation of the Executive Board members and Chief Executive Officer in 2018¹

Indicator	Amount, RUB thousand
Salary	185,512
Bonuses	264,176
Commissions	-
Benefits	-
Reimbursement for expenses	-
Other types of compensation	-
TOTAL	449,688

Target KPIs determining the contribution of Executive Board members to implementing the PAO Sovcomflot LDP for the 2019 financial year were approved by the Board of Directors decision dated 11 December 2018 (Minutes No. 177).

1. According to the accounting (financial) statements of PAO Sovcomflot prepared under RAS.