

## 4.6. Compensation system for members of management bodies

### 4.6.1 COMPENSATION OF THE BOARD OF DIRECTORS MEMBERS IN 2019

In accordance with the Regulations on the Payment of Compensation and the Reimbursement of Expenses to Members of the PAO Sovcomflot Board of Directors (approved by Instructions No. 1158-r of the Federal Agency for State Property Management dated 30 June 2012, as amended by Instructions No. 478-r of the Federal Agency for State Property Management dated 29 June 2015 and Instructions No. 519-r of the Federal Agency for State Property Management dated 30 June 2016), and also according to Instructions No. 373-r of the Federal Agency for State Property Management dated 26 June 2019 and Instructions No. 592-r of the Federal Agency for State Property Management dated 23 September 2019, PAO Sovcomflot reimburses Board of Directors members for actual documented expenses incurred whilst exercising their duties as Board of Directors members.

In accordance with recommendations of the Russian Ministry of Economic Development and the Regulations on the Payment of Compensation and the Reimbursement of Expenses to Members of the PAO Sovcomflot Board of Directors, the directors of PAO Sovcomflot are paid compensation during their term of office for exercising their duties as Board of Directors members, with basic compensation set at RUB 3,200,000 a year. Compensation in the following amounts is paid each year in addition to basic compensation for the directors serving as Chairman of the Board of Directors, Chairman of a Committee of the Board of Directors, and Member of a Committee of the PAO Sovcomflot Board of Directors:

- For exercising the duties of the Chairman of the Board of Directors, in the amount of the basic compensation multiplied by a coefficient of 2.3.
- For exercising the duties of the Chairman of a Committee of the Board of Directors, in the amount of the basic compensation multiplied by a coefficient of 0.8.
- For exercising the duties of a Member of a Committee of the Board of Directors, in the amount of the basic compensation multiplied by a coefficient of 0.6.

Compensation amounts paid on top of the basic compensation are paid regardless of the number of PAO Sovcomflot Board of Directors Committees on which the member of the Board of Directors works.

Compensation is not paid to Board of Directors members who are employees of PAO Sovcom-flot or state officials and to other individuals who are not entitled under Russian law to compensation.

In accordance with the above Regulations on the Payment of Compensation and the Reimbursement of Expenses to Members of the PAO Sovcomflot Board of Directors as well as Instructions No. 373-r of the Federal Agency for State Property Management dated 26 June 2019 and Instructions No. 592-r of the Federal Agency for State Property Management dated 23 September 2019, PAO Sovcomflot Board of Directors members were paid compensation and reimbursement for expenses in the amount set forth in internal documents of PAO Sovcomflot.

**Compensation of the Board of Directors members in 2019**

| Indicator   | Amount, RUB thousand |
|---|----------------------|
| Compensation for participation in a management body | 43,601               |
| Salary  | -                    |
| Bonuses   | -                    |
| Commissions   | -                    |
| Benefits  | -                    |
| Reimbursement for expenses                          | 5,342                |
| Other types of compensation                         | -                    |
| <b>TOTAL</b>  | <b>48,943</b>        |

**4.6.2 COMPENSATION OF EXECUTIVE BOARD MEMBERS AND THE CHIEF EXECUTIVE OFFICER IN 2019**

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 on-shore 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 engineering officers 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.