

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	-
TOTAL	48,943

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.

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 (LTMP KPIs) defined in the Company's Long-Term Development Programme. If LTMP 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 2019 financial year were approved by the Board of Directors decision dated 11 December 2018 (Minutes No. 177).

Compensation of Executive Board members and the Chief Executive Officer in 2019¹

Indicator	Amount, RUB thousand
Salary	207,917
Bonuses	310,238
Commissions	-
Benefits	-
Reimbursement for expenses	-
Other types of compensation	-
TOTAL	518,155

Target KPIs determining the contribution of Executive Board members to implementing the PAO Sovcomflot LDP for the 2020 financial year were approved by the Board of Directors decision dated 10 December 2019 (Minutes No. 187).

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