

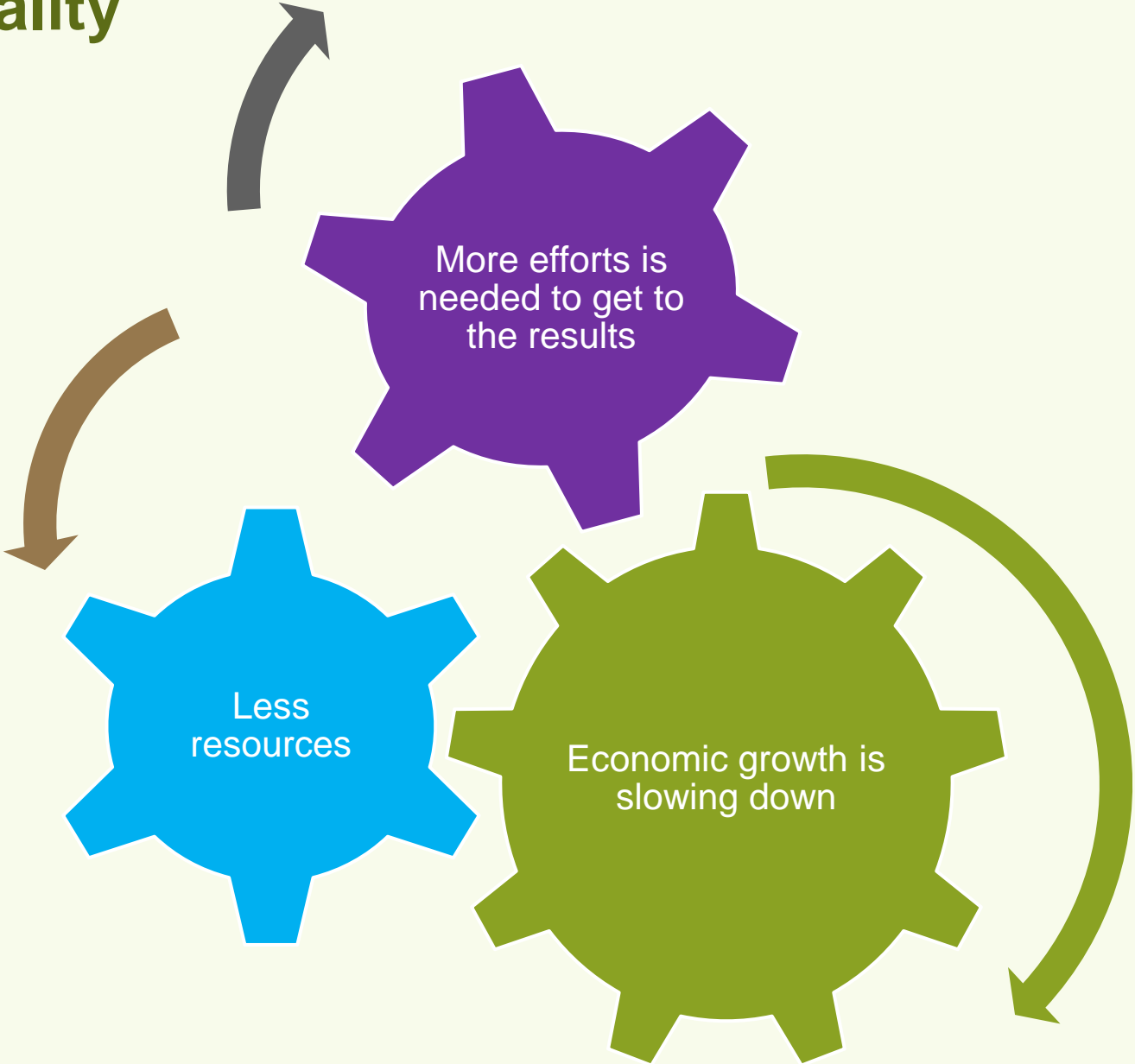
Non-executive compensation, short-term incentives and total reward

October 2013

MOSCOW



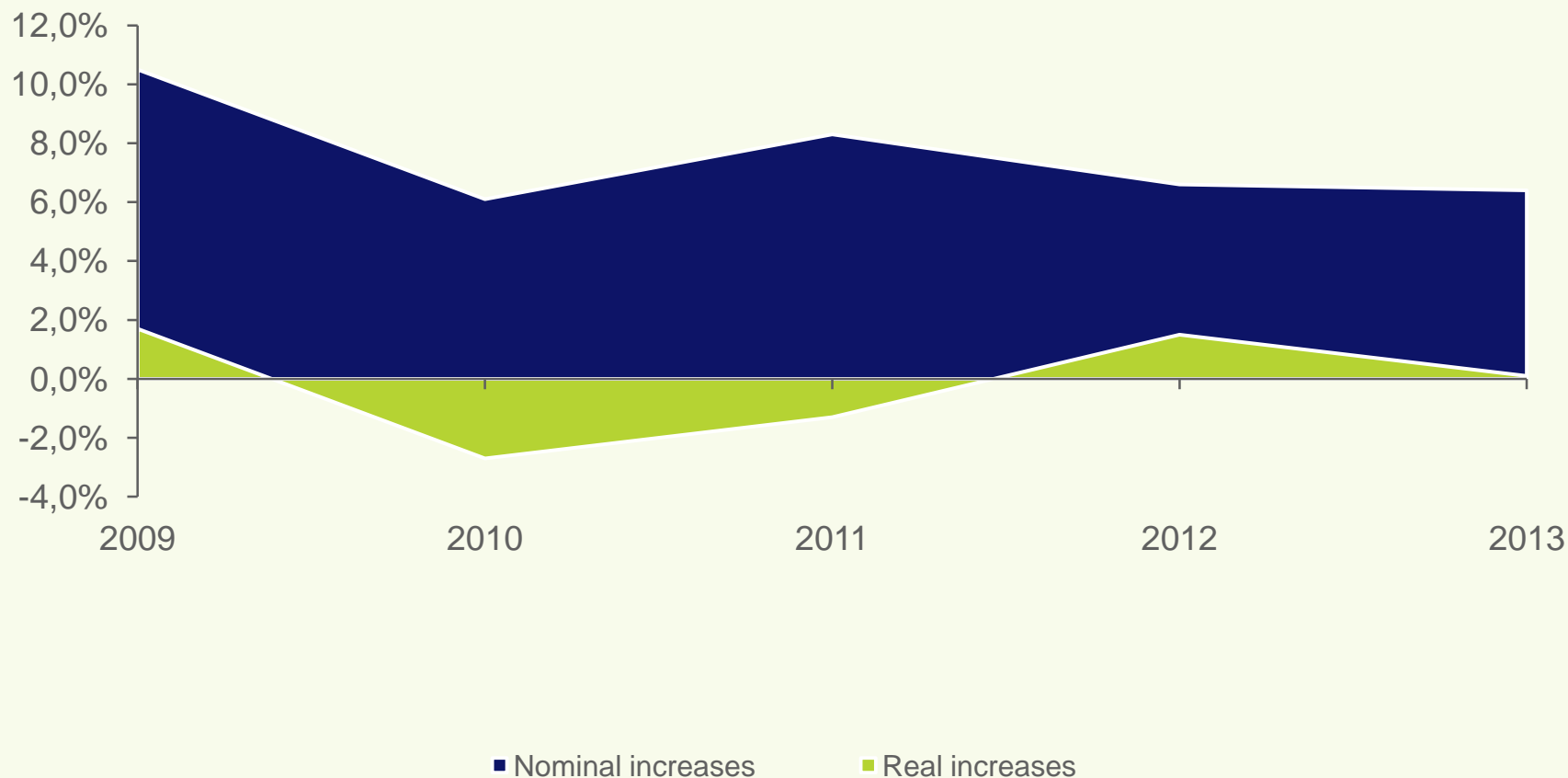
Our reality



Does it have
impact on
reward in
Russia?

For the last 5 years salaries in Russia has more of a nominal than real increase

Nominal and real salary increases in 2009 – 2013



TOP5 of regions is not changing and in reality regions are growing even slower

2009

- Sakhalin 101%
- Khanti-Mansi 78%
- Yamal 76%
- Saint Petersburg 75%
- Vladivostok 67%

2011

- Sakhalin 102%
- Yamal 85%
- Khanti-Mansi 81%
- Saint Petersburg 78%
- Vladivostok 67%

2013

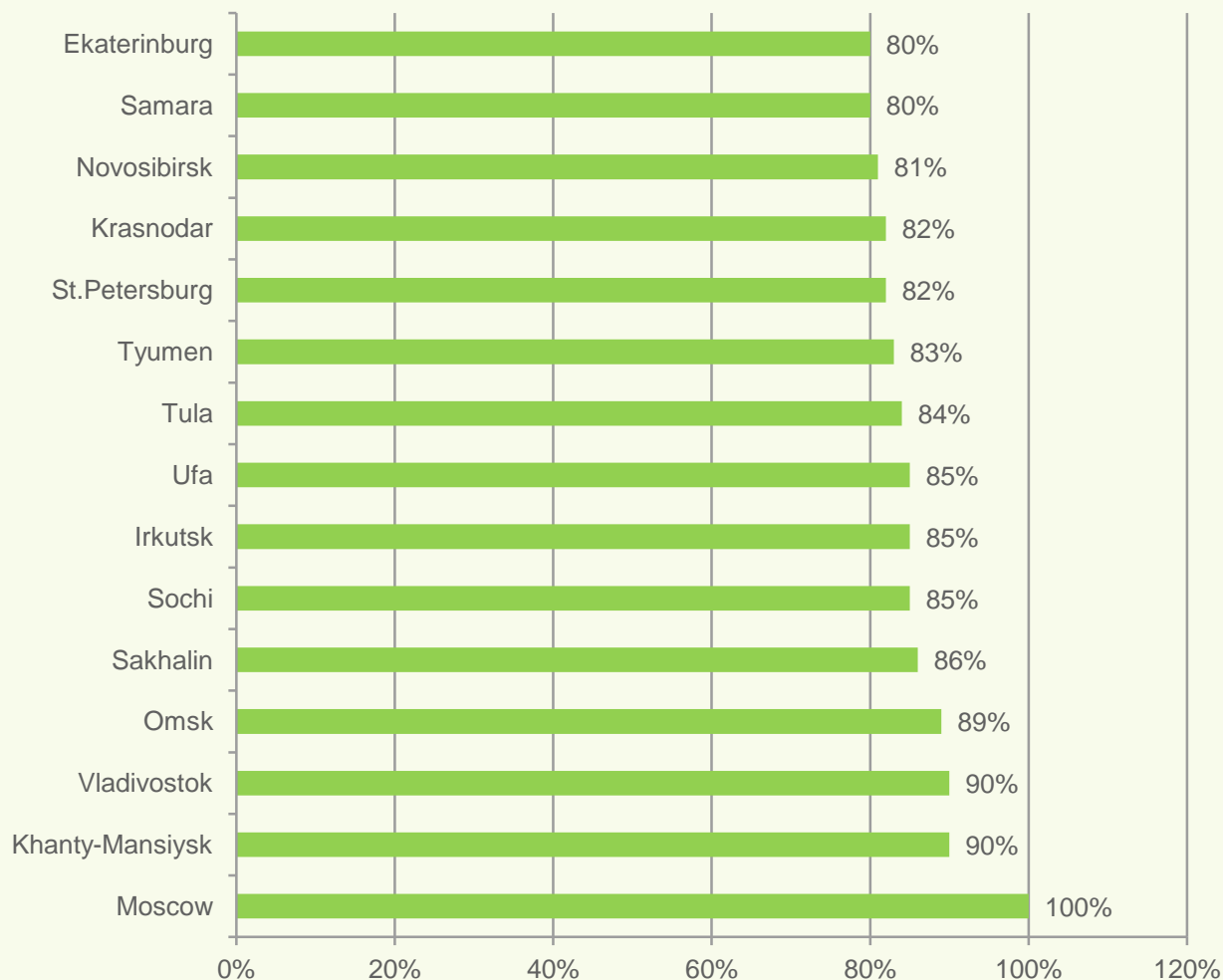
- Sakhalin 87%
- Saint Petersburg 77%
- Yamal 73%
- Khanti-Mansi 71%
- Vladivostok 68%

Lets **look at** the
compensation
package of
specialist that
works in Moscow
in retrospective



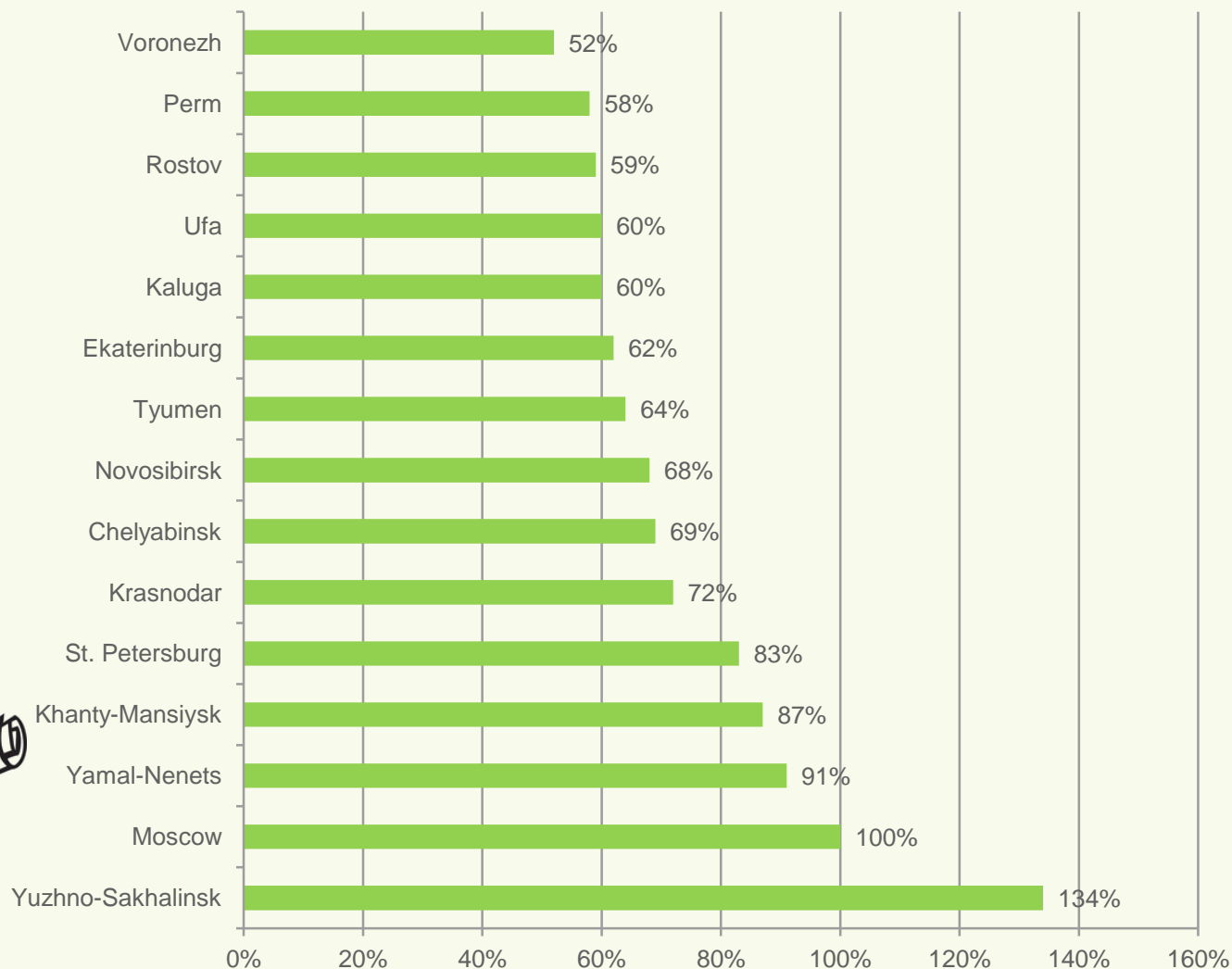
Specialist, 14 Hay level

Difference in base salary level for Sales manager in regions



Sales manager
14 Hay Level

Difference in base salary level for Engineer in regions



Engineer
14-15 Hay Level

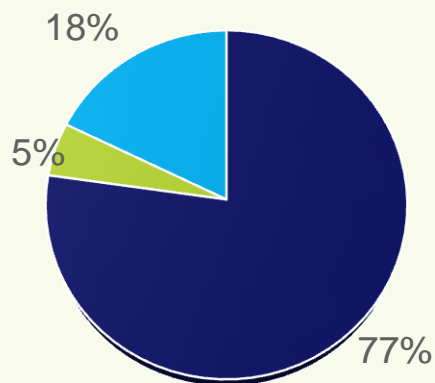
Total Remuneration mix 2009-2013

- Base Salary
- Bonus
- Benefits

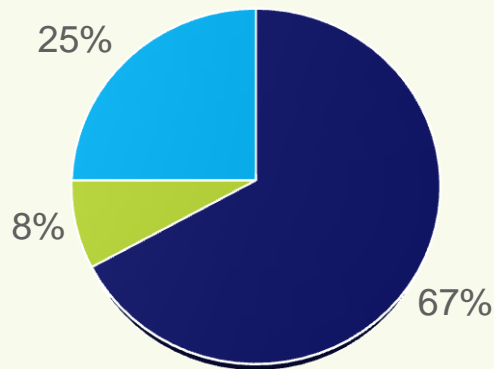


Specialist,
14 Hay level

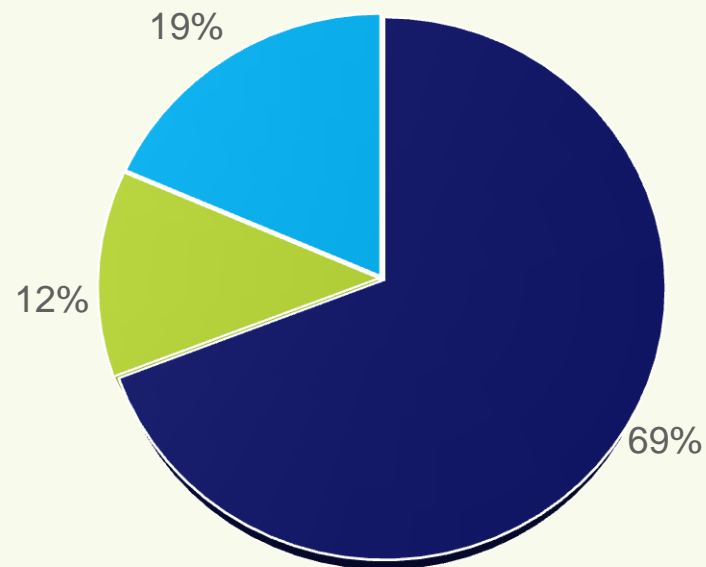
2009



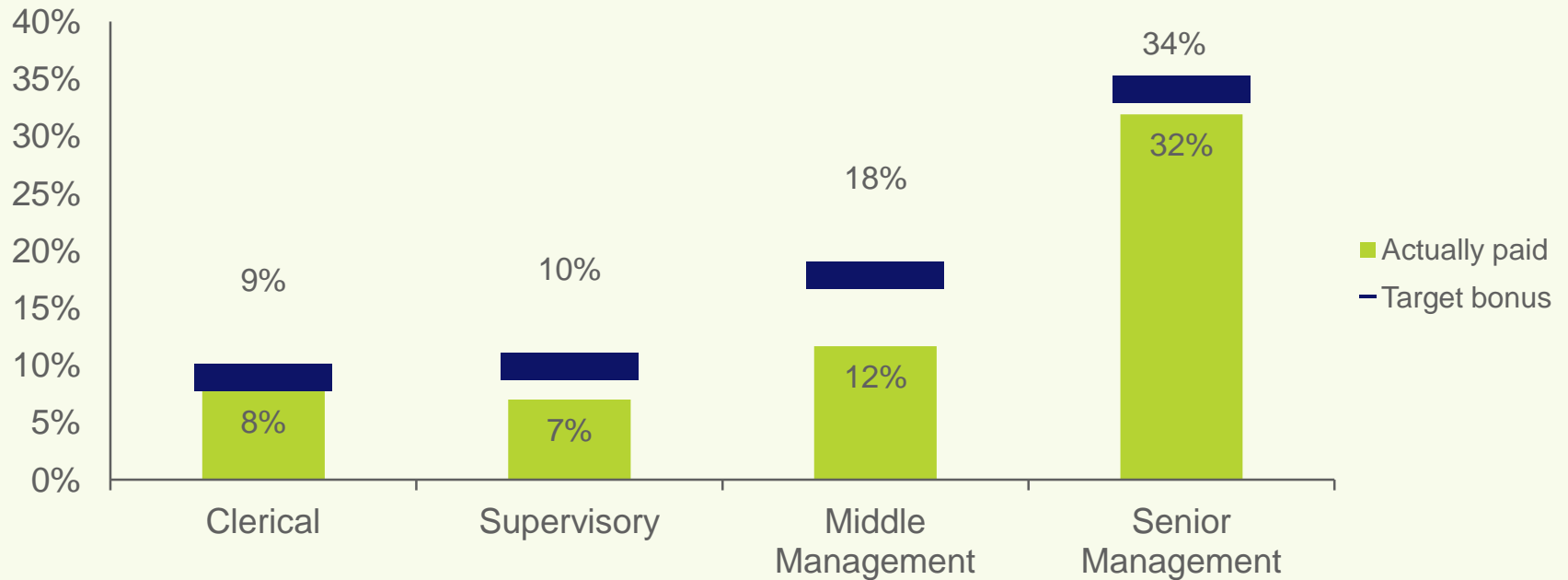
2011



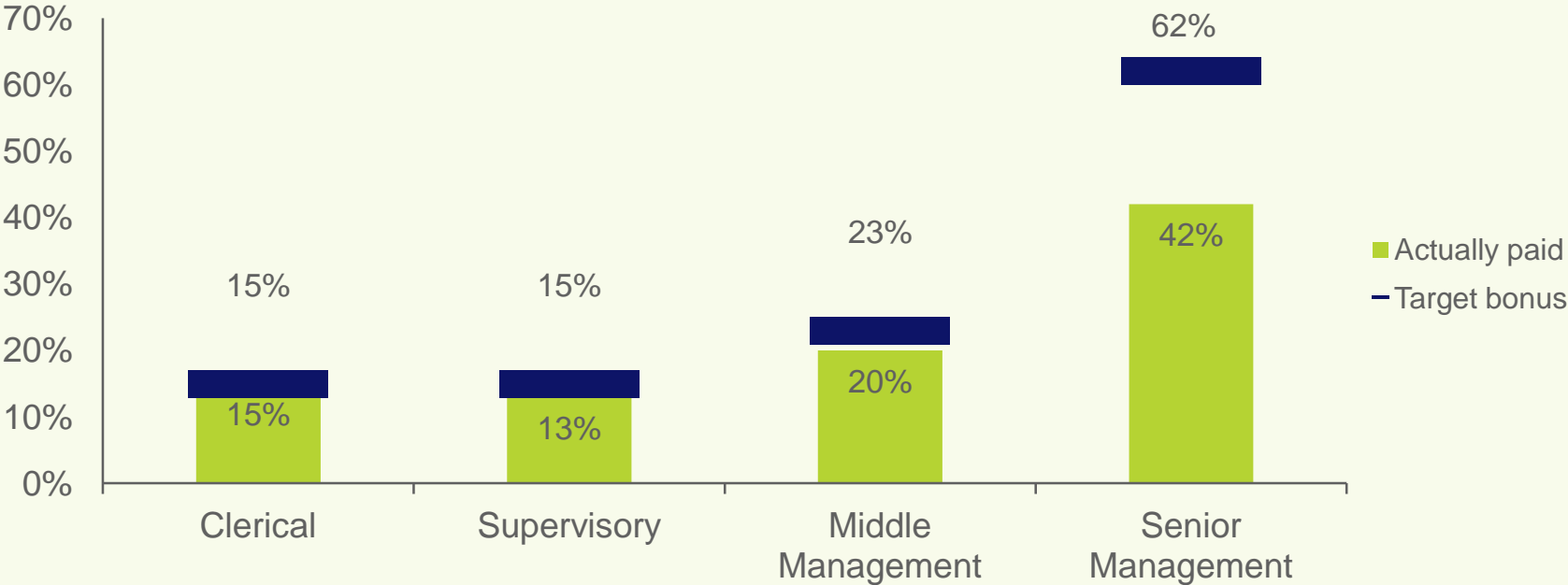
2013



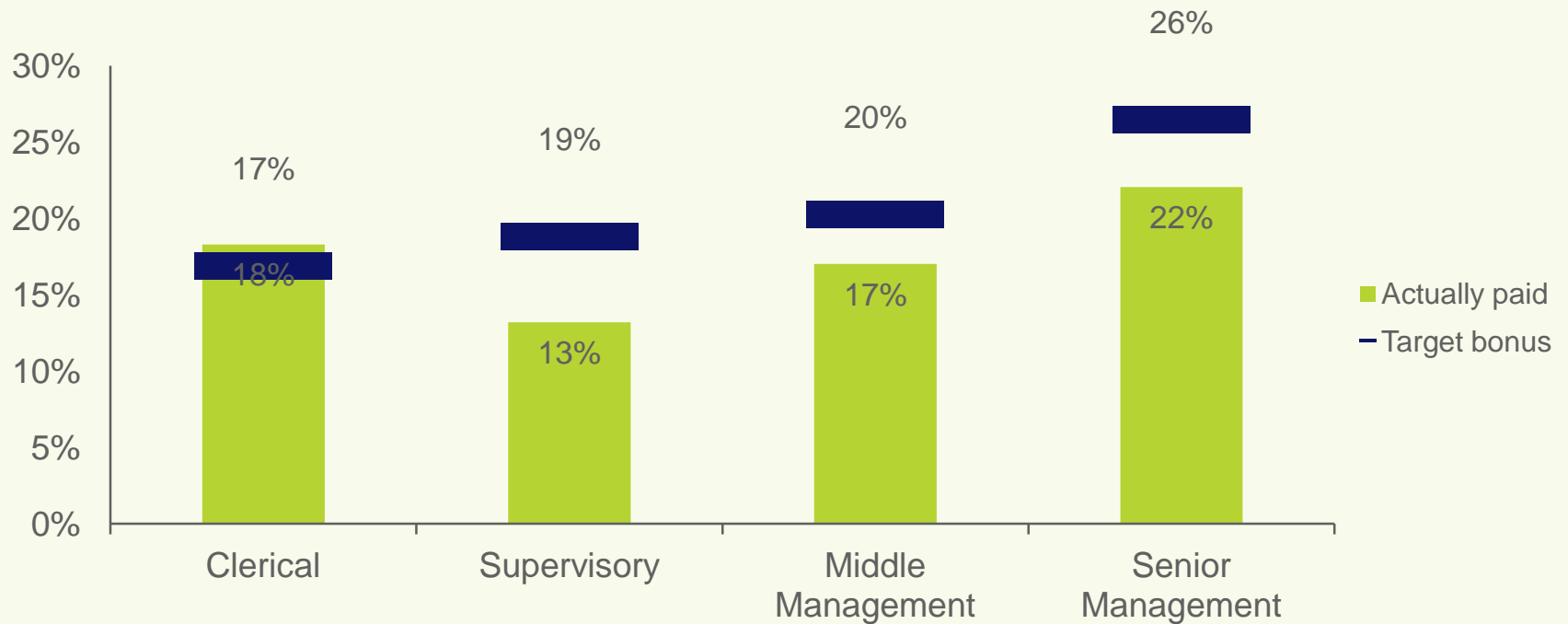
On target and actually-paid bonus as a % of base salary – non sales jobs 2009



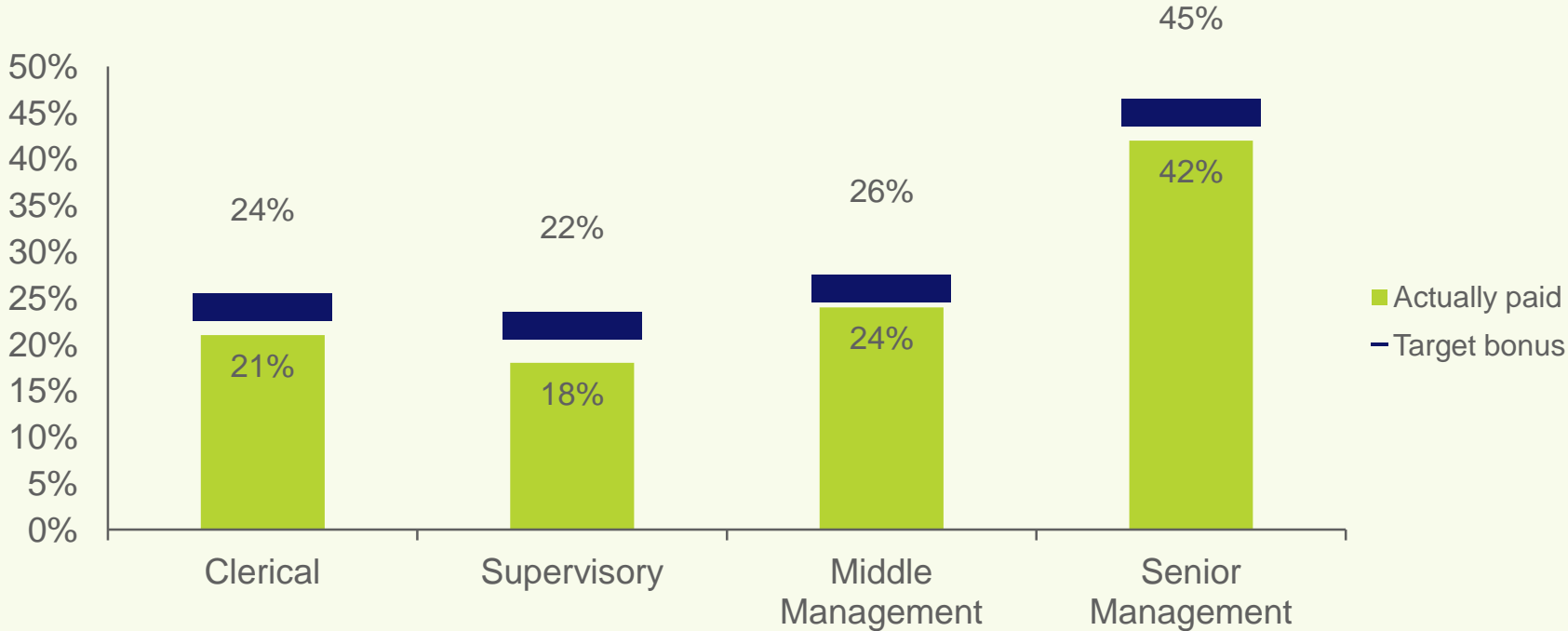
On target and actually-paid bonus as a % of base salary – non sales jobs 2013



On target and actually-paid bonus as a % of base salary – sales jobs 2009

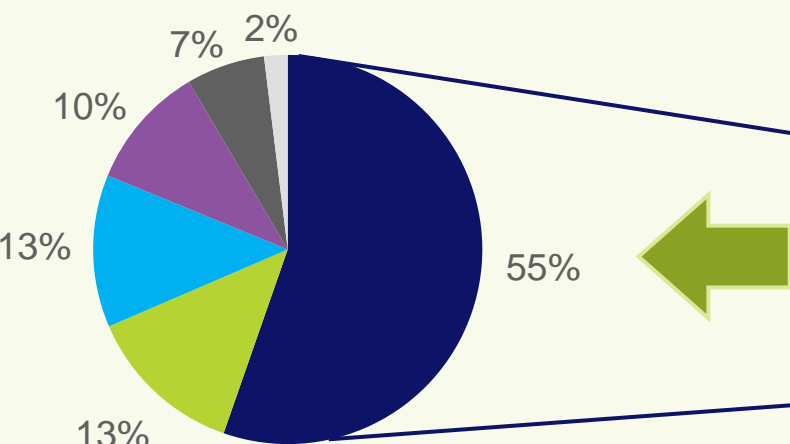


On target and actually-paid bonus as a % of base salary – sales jobs 2013

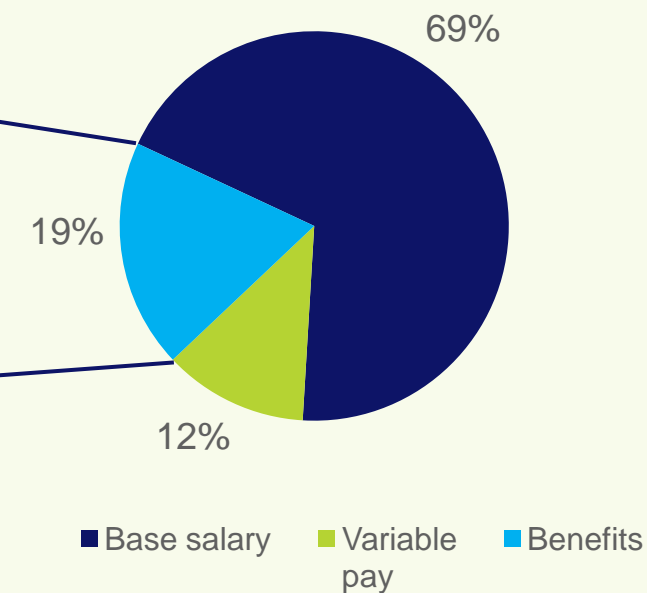


Total remuneration package structure – Russia

Value share of benefits in the whole package*



Total remuneration structure

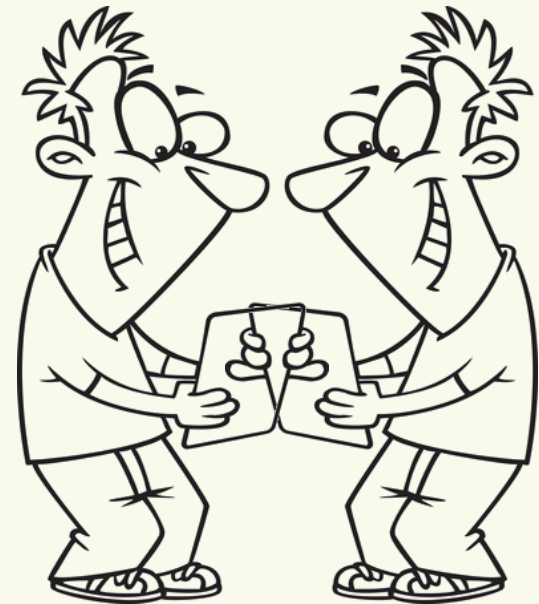


- Cars
- Retirement
- Other Benefits
- Health Care
- Disability
- Death

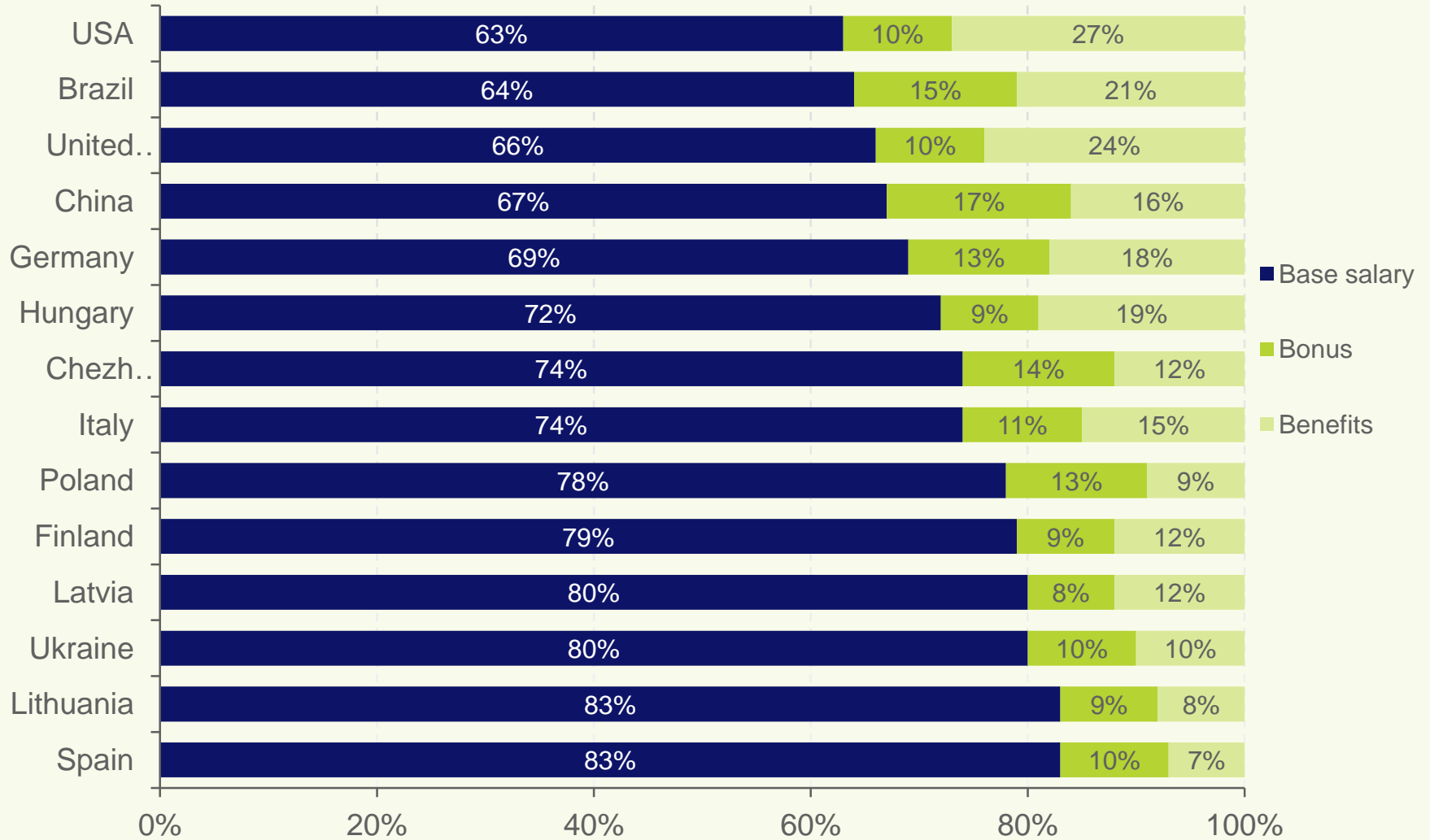
- Base salary
- Variable pay
- Benefits

* Assuming that an employee receives all of the above benefits

How much
compensation
package of
specialist in
Russia is **different**
from the one in
other countries?



Total remuneration structure – average



What employees think about their reward? Did their mind change during the last years?



Companies changed compensation package and put more on short-term incentives but there is still a long way in making it work for employees.



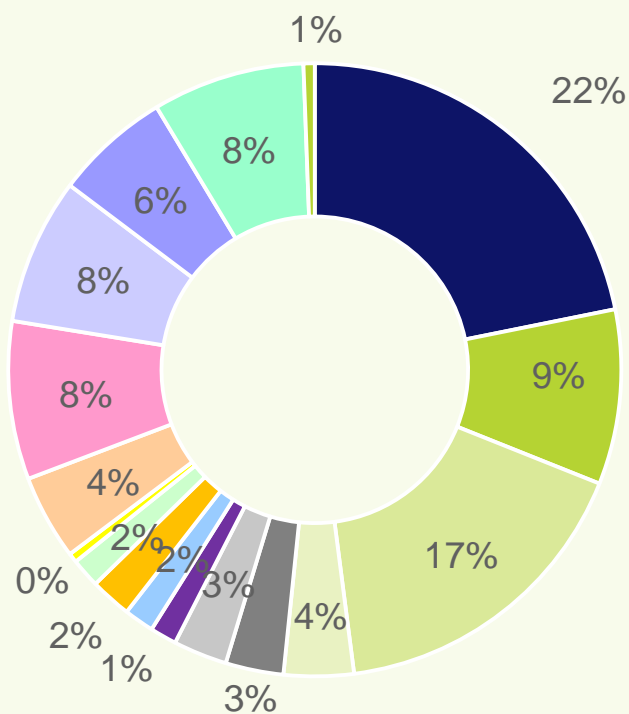
Companies became more flexible in how they set pay scales especially for scarce specialists in the regions

Salary increase is more of a nominal and companies are differentiating salary increase budget by employee groups

Hay Group PayNet Russia

462 companies, 915 000 salary data points
16 market segments

Regional coverage



- Moscow
- St. Petersburg
- Central region
- Central-Blacksoil region
- East-Siberian region
- Far-Eastern region
- Khanty-Mansi Autonomous District
- North-Caucasian region
- Northern region
- North-Western region
- Sakhalin
- Southern region
- The Urals region
- Volga region
- Volgo-Vyatskiy region
- West-Siberian region
- Yamalo-Nenetsky Autonomous District