

Towers Watson 2013-14 General Industry Survey Russia - Overview

**AEB HR Committee Business Meeting: “Overview of Salary Surveys
in Russia”**

October 25, 2013

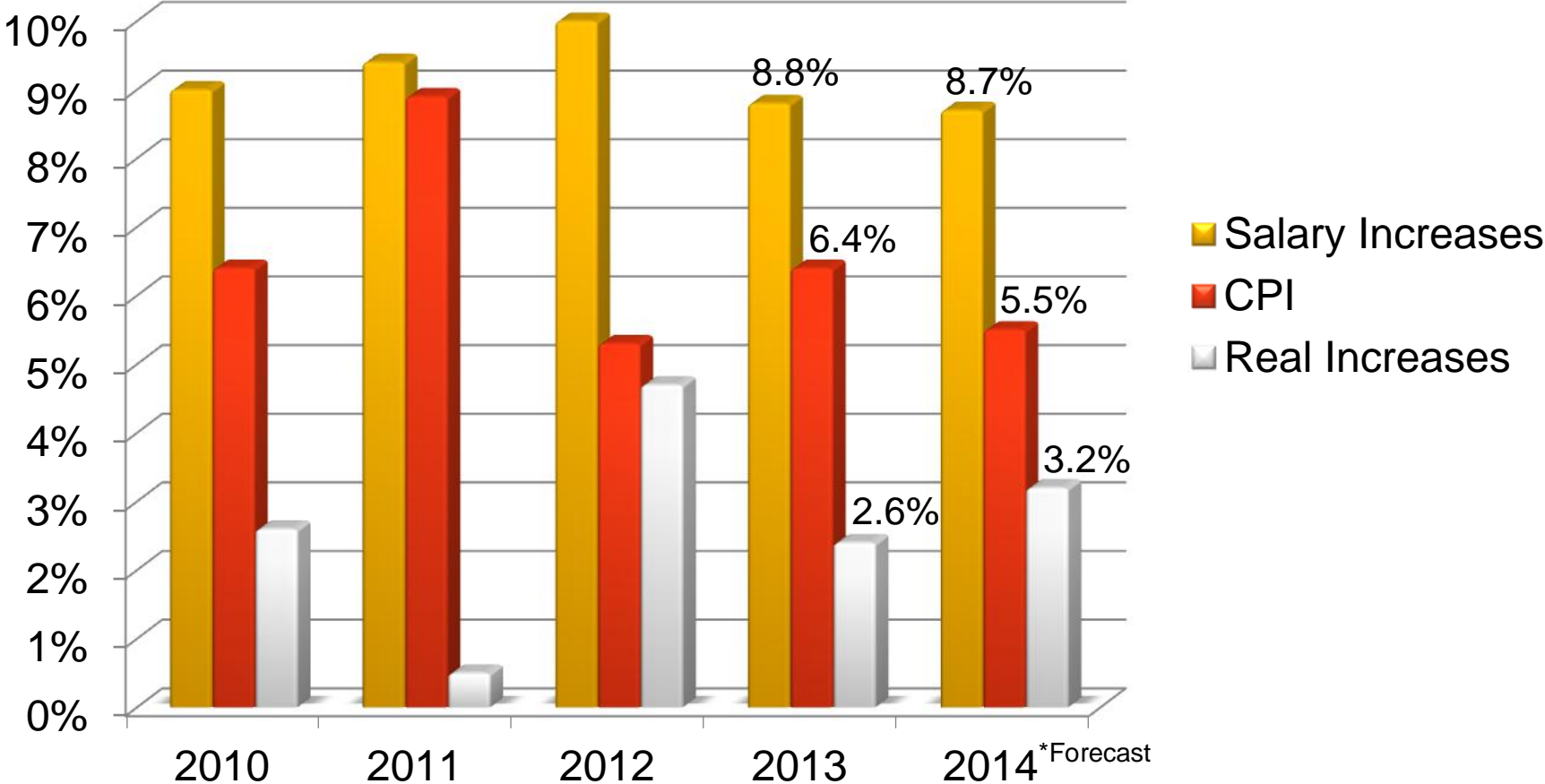
Overview of compensation practices in Russia

- Similar to the US and Western Europe, a typical Russian compensation package includes base salary, variable compensation and benefits/perquisites
- However in Russia, the pay mix is more short-term focused - cash still remains the “king” and the dominant vehicle for Russian rewards
- Variable pay levels are quite varied between companies with significant wealth opportunities for fast-growing companies and more limited opportunities in more mature organizations
- Retirement benefit plans are not very common in Russia (provided by about 20% of companies). The plans are typically defined contribution plans and usually require employee contributions
- Private medical insurance and company car remain the most prevalent type of benefits/perquisites for executives in Russia (provided by 98% and 84% of companies respectively)

Market for top talent remains difficult

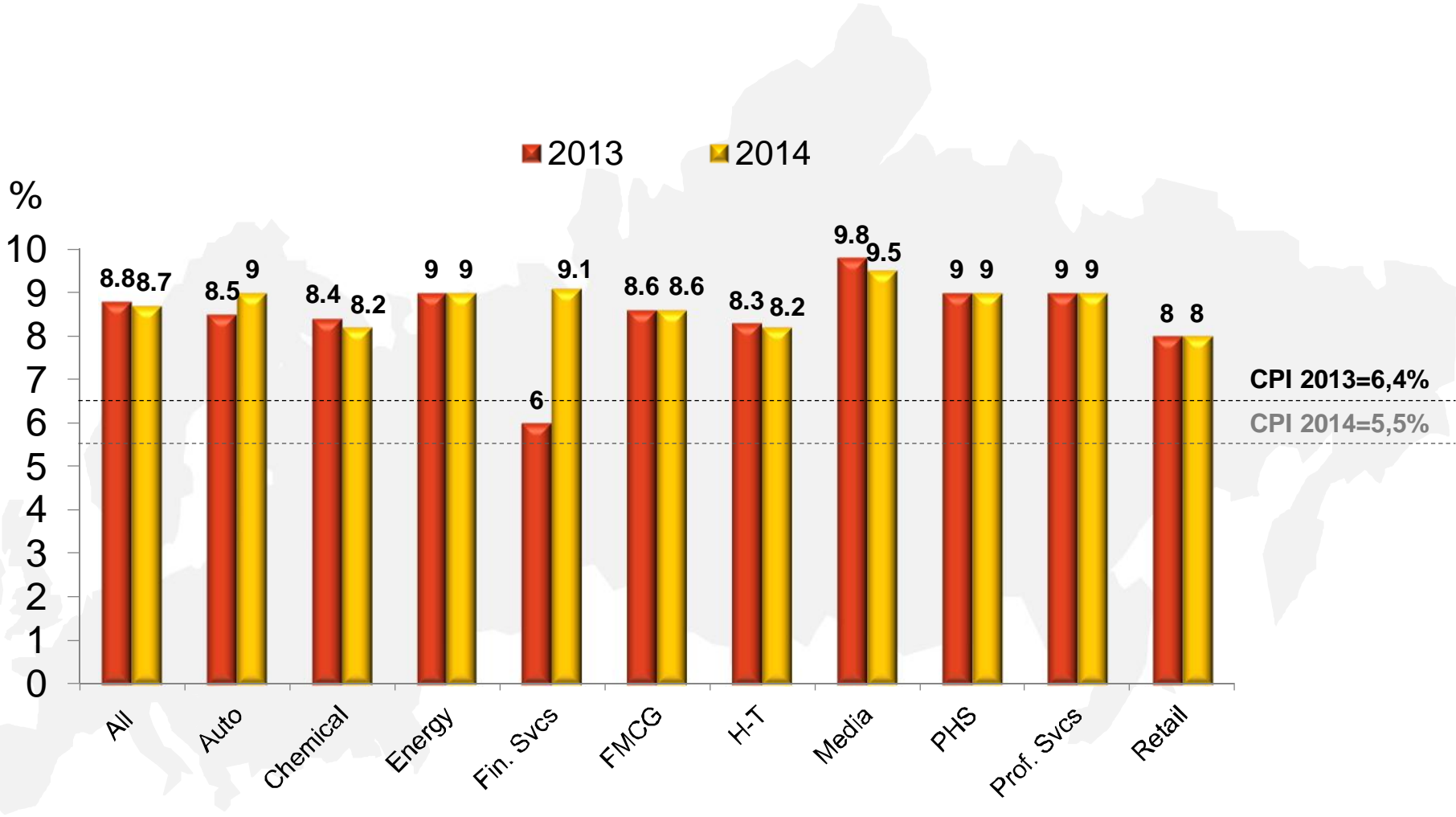
- Despite the economic slowdown, attracting and retaining top talent remains difficult – especially those who combine international experience with a local network and command of the Russian language
- As a result, pay packages can vary significantly, even within companies as a result of individual negotiations and lack of formal reward policy or governance
- Pay at (large) Russian companies can be higher than at foreign companies based in Russia – to the extent such comparisons are fair – but challenges are often more significant (lack of structure, corruption, less secure position, less clear career path, etc.)
- Employee turnover – both voluntary and involuntary - remains high (one year tenure is considered a respectable period and a time to consider moving on)
- Salary increase expectations remain high, with employees expecting a min 20-30% increase due to promotion or when changing employers (even for the same position)

Salary increase trends in Russia 2010 - 2014



Source: Towers Watson Salary Budget Planning Report EMEA 2010-2014
towerswatson.com

Comparative salary increases across industries and CPI



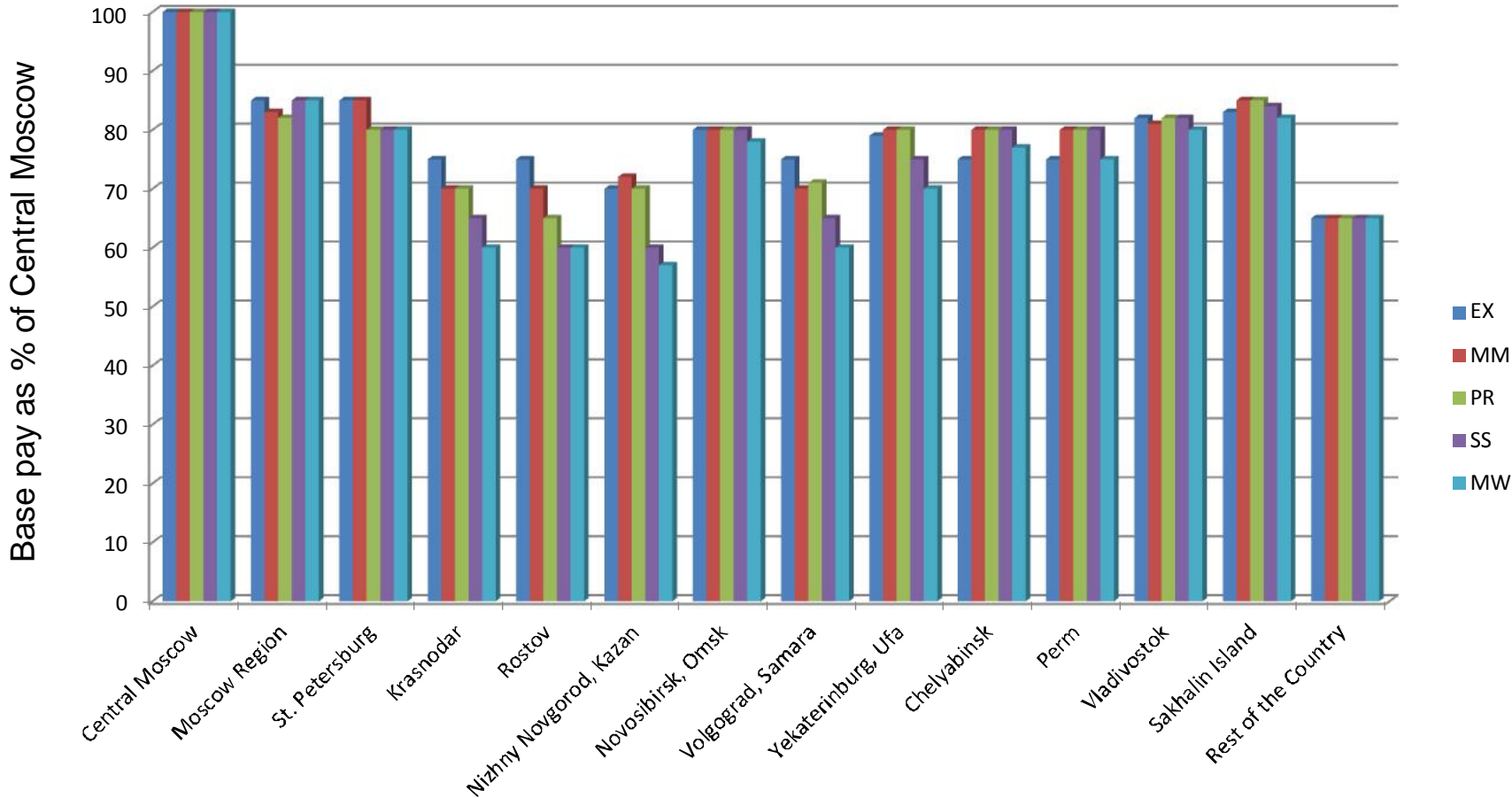
Source: Towers Watson Salary Budget Planning Report EMEA 2013-2014

Salary increases by industry and employee category

Industry Sector	2013 Actual Salary Increases (%)					2014 Projected Salary Increases (%)				
	EX	MM	PR	SS	MW	EX	MM	PR	SS	MW
All	8.8%	8.9%	8.9%	8.7%	8.7%	8.7%	8.7%	8.8%	8.7%	8.6%
Financial Services	6.3%	6.4%	6.2%	7.7%	--	9.5%	9.2%	9.2%	9.5%	--
FMCG	8.4%	8.6%	8.6%	8.6%	9.0%	8.2%	8.4%	8.4%	8.4%	8.7%
High-Tech	8.6%	8.2%	8.0%	8.4%	8.4%	8.2%	8.2%	8.3%	8.0%	8.0%
PHS	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%

Source: Towers Watson Salary Budget Planning Report EMEA 2013-2014

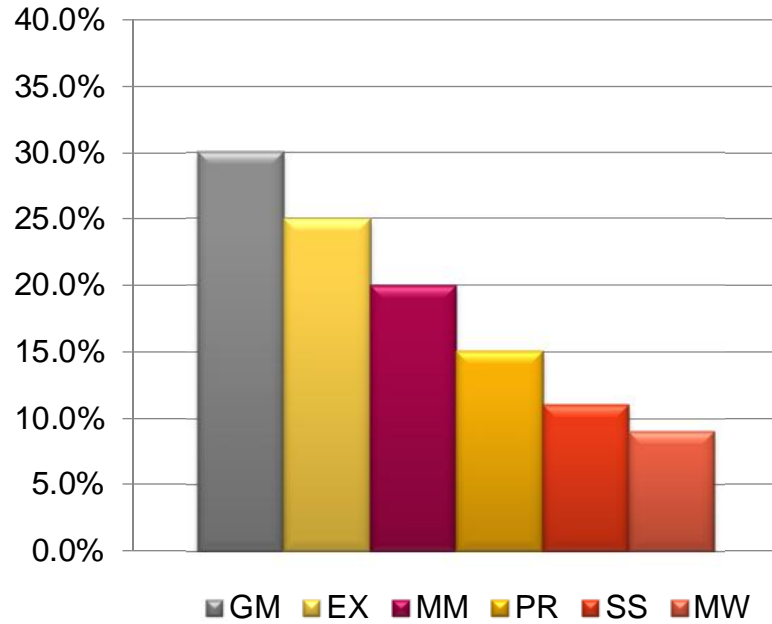
Regional pay differentials



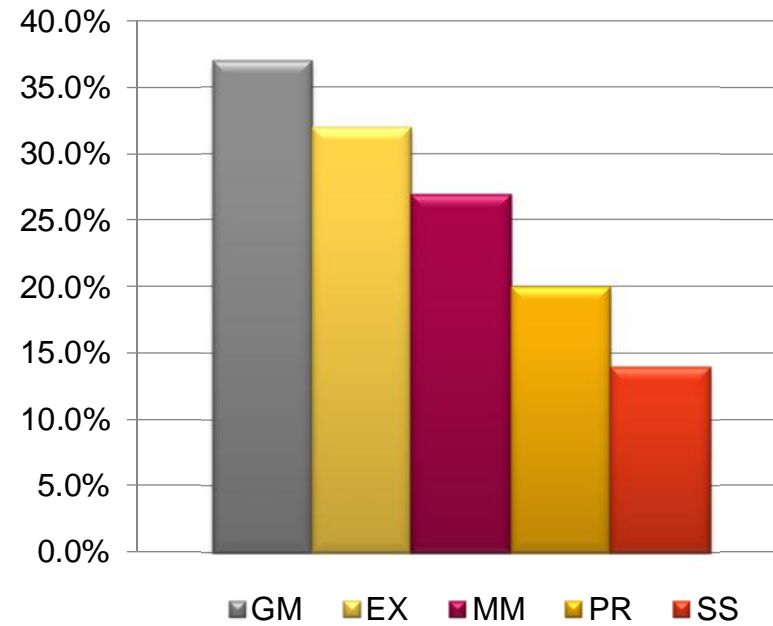
Source: Towers Watson Russia General Industry Survey 2013-2014

Target variable compensation

Performance bonus



Sales incentive



Source: Towers Watson Russia General Industry Survey 2013-2014

Prevalence of non-statutory benefits

- Company-sponsored healthcare is the most popular benefit in Russia
- Mobile phones and company cars /transportation quite prevalent too
- Flexible benefits are gaining popularity in Russia; the number of companies operating such plans is increasing

