Trends on CIS markets

November 17, 2015

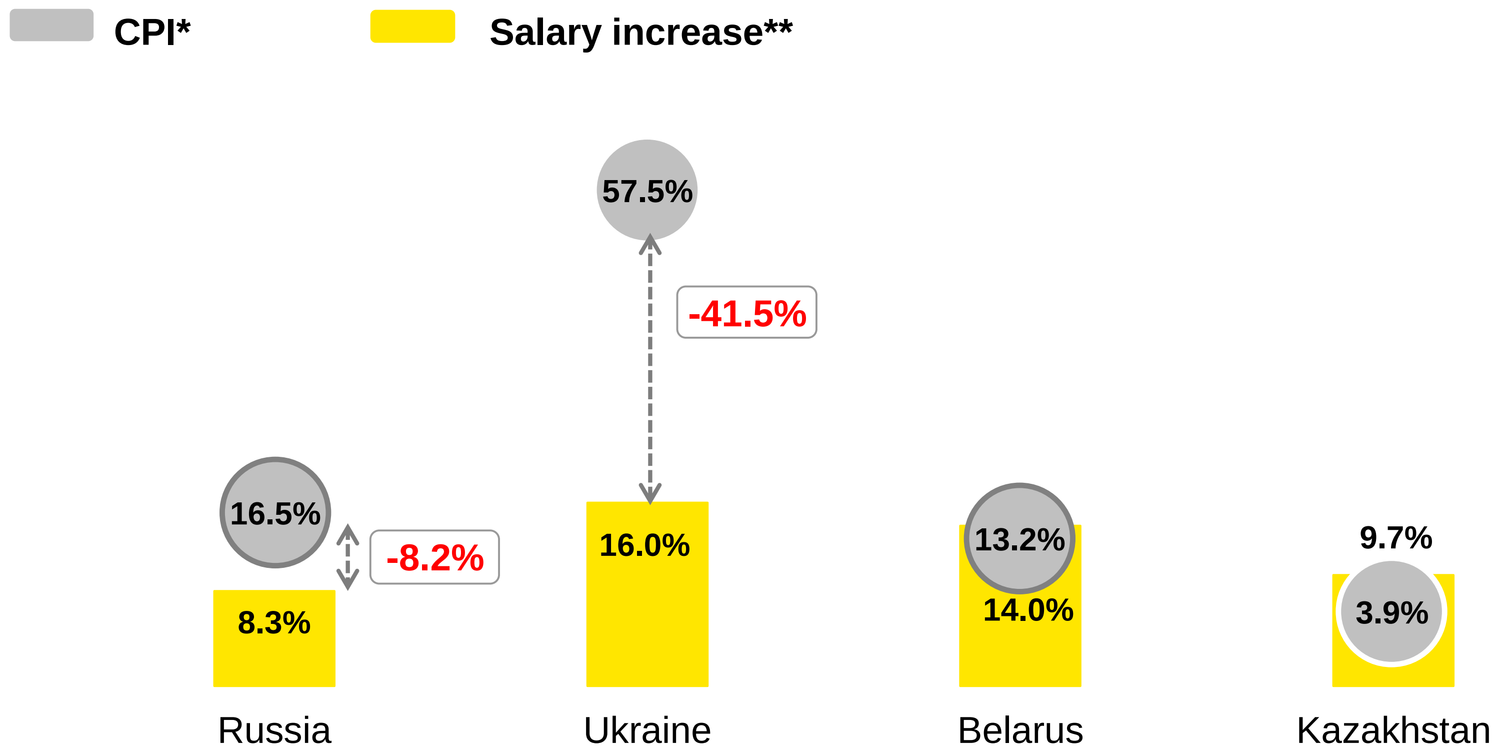
Olga Gracheva, Senior manager
Maria Romanova, Senior consultant

People Advisory Services

Building a better
working world

CIS markets

Salary adjustments vs CPI levels, 2015



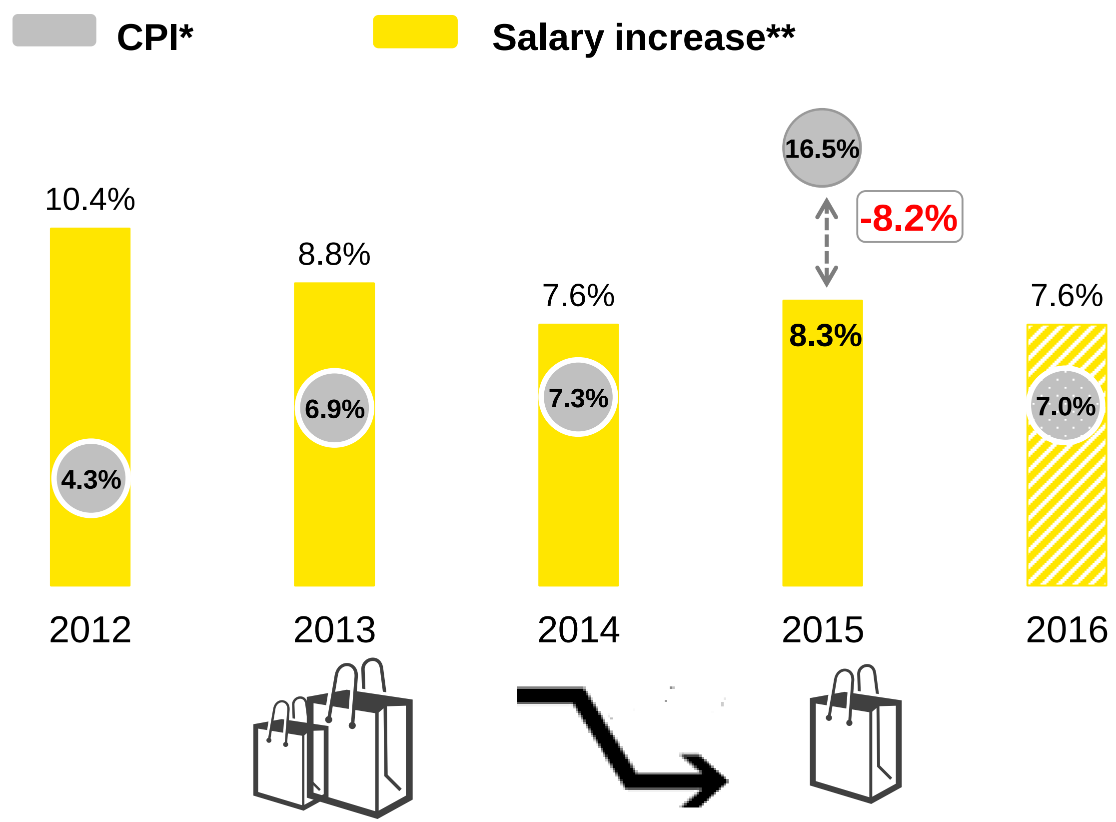
**CPI data is presented for the period covered within EY surveys.*

***Source: EY General Industry Compensation and Benefits Surveys. Analyzed period: May 2014 - June 2015*

EY

Russia, salary changes

Salary adjustments vs CPI levels



76% of companies paid out bonuses for 2014

21% of companies plan to increase headcount

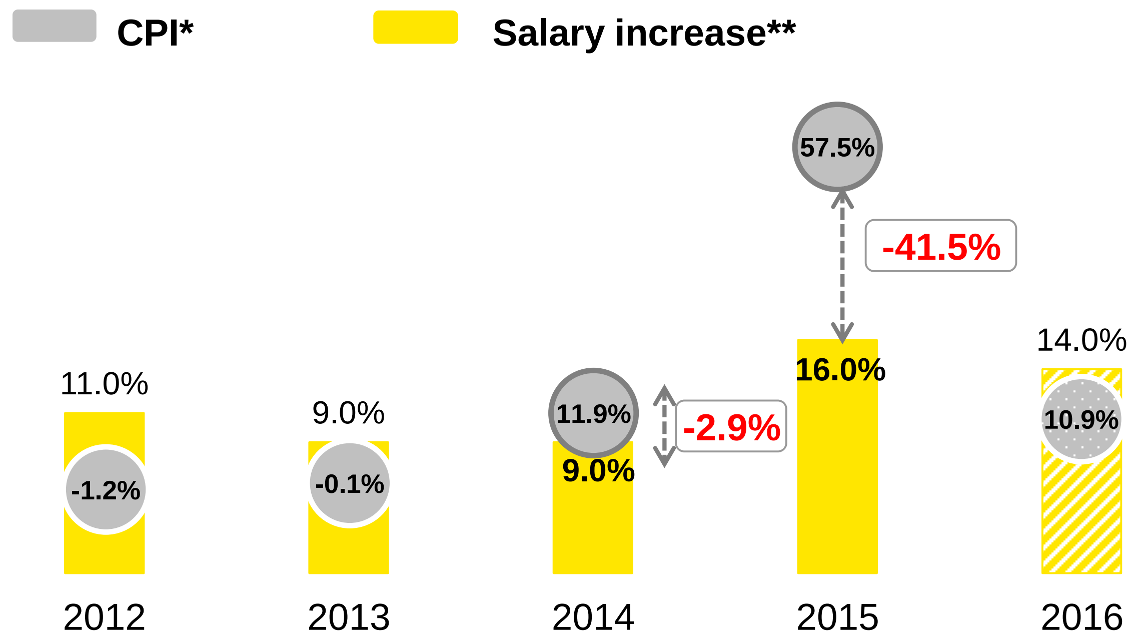
18% of companies plan to reduce headcount

*Source: Rosstat. CPI data is presented for the period covered within EY surveys. 2016 - forecast by the Ministry of Economic Development

**Source: EY General Industry Compensation and Benefits Surveys. Analyzed period: May 2014 - June 2015

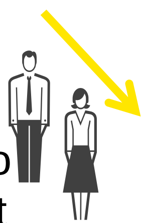
Ukraine, salary changes

Salary adjustments vs CPI levels



16% of companies plan to increase headcount

25% of companies plan to reduce headcount



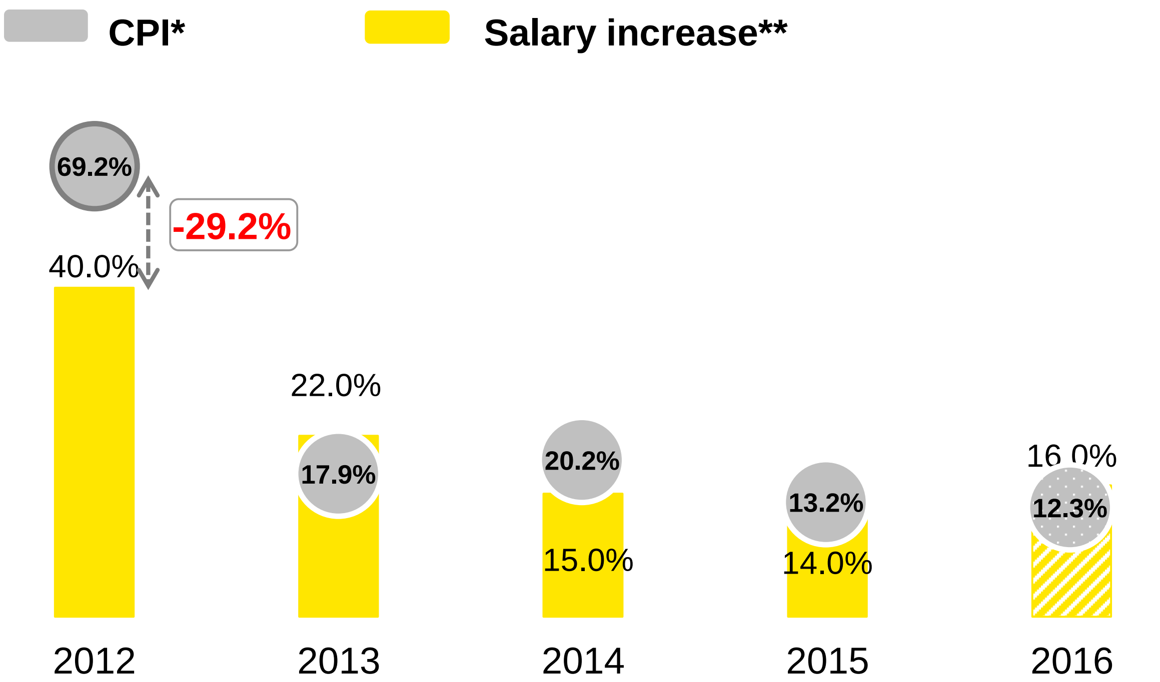
**Source: 2012-2015 – State statistical Service of Ukraine. 2016 – Forecast by the Economist Intelligence Unit*

***Source: EY General Industry Compensation and Benefits Surveys. Analyzed period: May 2014 - June 2015*

EY

Belarus, salary changes

Salary adjustments vs CPI levels



2% of companies plan to increase headcount

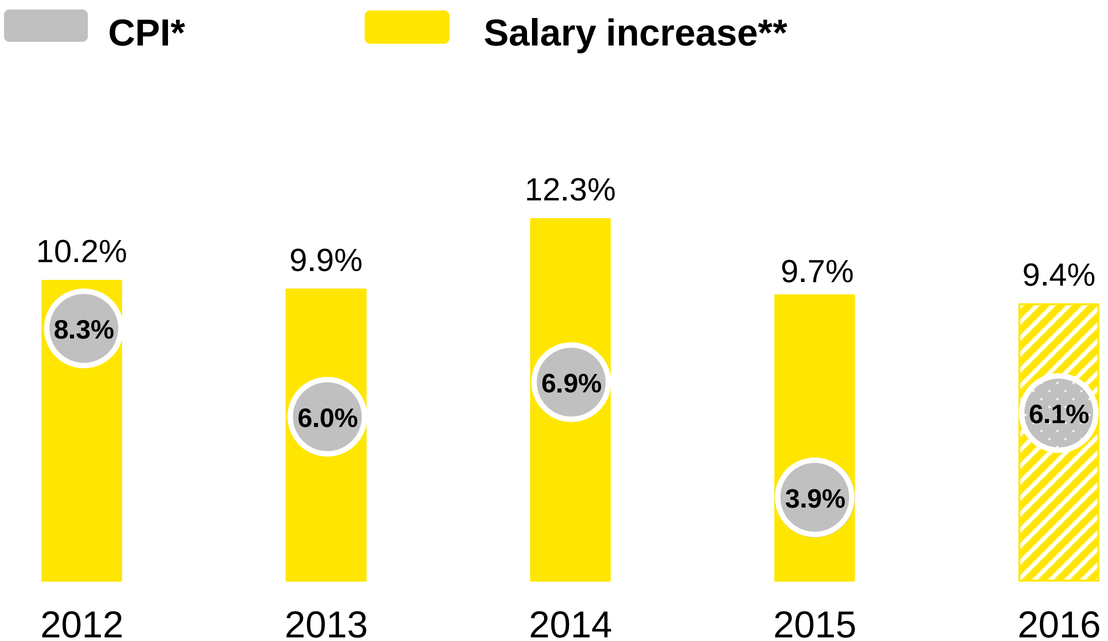
15% of companies plan to reduce headcount

Source: 2012-2015 – BelStat. 2016 – forecast by the International Monetary Fund (IMF)

***Source: EY General Industry Compensation and Benefits Surveys, EY Express survey. Analyzed period: May 2014 - June 2015*

Kazakhstan, salary changes

Salary adjustments vs CPI levels



25% of companies plan to increase headcount

14% of companies plan to reduce headcount

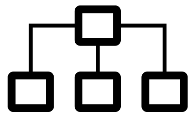
**Source: Agency of Statistics of the Republic of Kazakhstan. CPI data is presented for the period covered within EY surveys. 2016 - forecast by the Economist Intelligence Unit*

***Source: EY General Industry Compensation and Benefits Surveys. Analyzed period: May 2014 - June 2015*

EY

Key approaches:
Long-term HR strategies

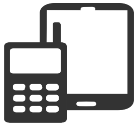
Organization structure optimization



Business processes optimization

Outsourcing of non-core business functions

Social networks and smartphone applications as HR tools and employers’ brand



Identification, engagement and retention of HiPo employees

Inter-mingling of personal/social life and work due to 24/7 connection thought new technologies

Key approaches:
HR short-term solutions

A wait-and-see attitude adopted by employers

Recruitment slow-down

Focus on staff efficiency

Working time arrangements

Rationalizing corporate learning and development system directly to business needs

Headcount analysis and optimization

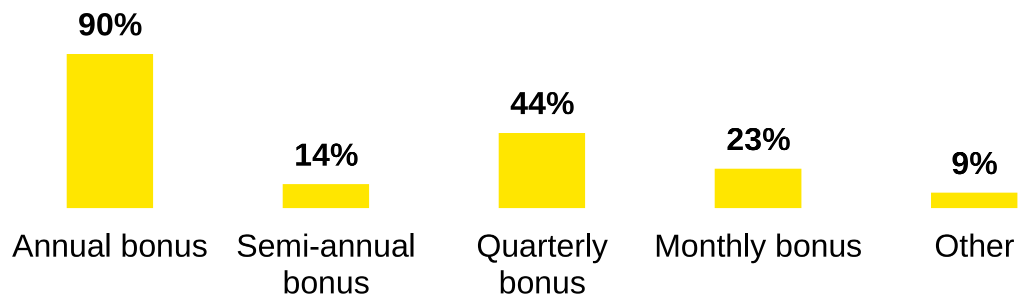
Amendment to C&B to adhere to “pay-for performance” principle

(STI, LTI programs)

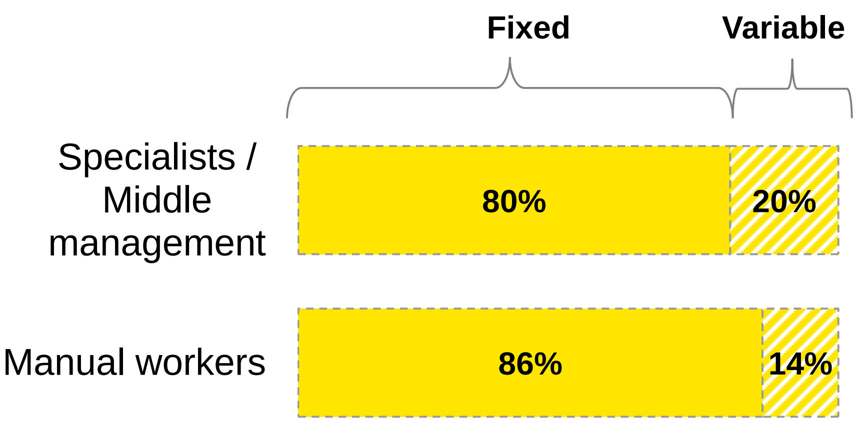
Short-term incentive plans (STIP): Russia

76%
of companies paid out bonuses for 2014

Periodicity of bonus payments



Target remuneration structure



Target bonus size (as % of annual fixed pay)

28% Middle management

21% Specialists

16% Manual workers

Long-term incentive plans (LTIP): Russia

29% of companies use LTIPs:

- **45%** Equity-based plans
- **55%** Cash-based plans

LTIP cycle / time of validity

- > 5 years: 5% of companies
- 5 years: 19% of companies
- 4 years: 7% of companies
- 3 years: **59% of companies**
- 2 years: 10% of companies

Basis for bonus payments:
KPIs and discretionary bonuses

Bonus systems are generally based on **KPIs**

Financial
(Company's profit, EBITDA, etc.)

Non-financial
(production volume, HSSE, etc.)

Specific
(client satisfaction level, brand awareness, etc.)

GAP of KPIs based bonus systems : *No ability to reward people for individual achievements which are non-measure within the bonus system*

Discretionary bonuses

Solution:

Additional fund allocated to managers, who can distribute it among their employees at their discretion

Additional pay for high-performers
No target size

The size of the additional fund is
0.5%-1.5%
of remuneration fund

EY