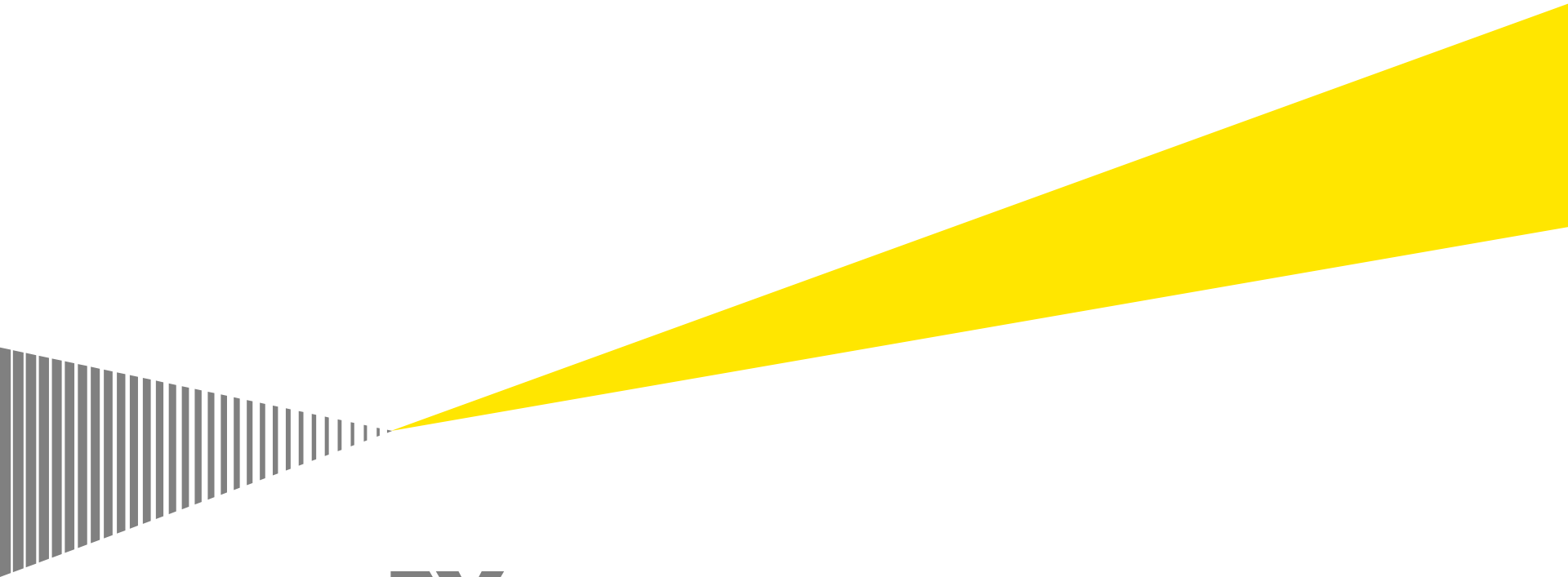


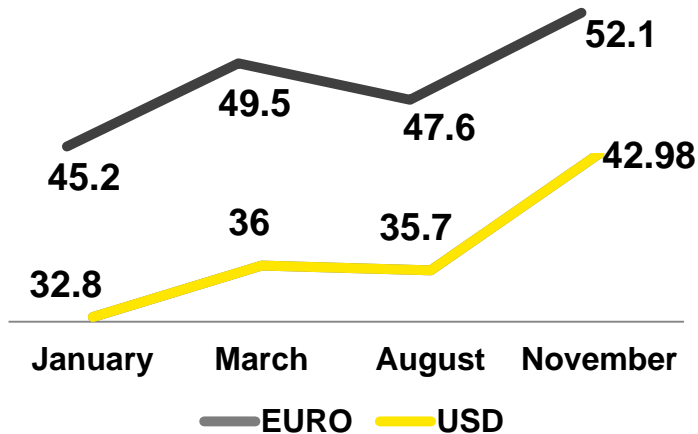
Salary review trends

November 13, 2014



Salary Currency

Exchange Rate fluctuation (USD/RUB) and (EURO/RUB) starting from January, 2014*



Main events:

1. Accession of Crimea to Russia
2. Imposed economic sanctions by the US and EU, responses of Russia

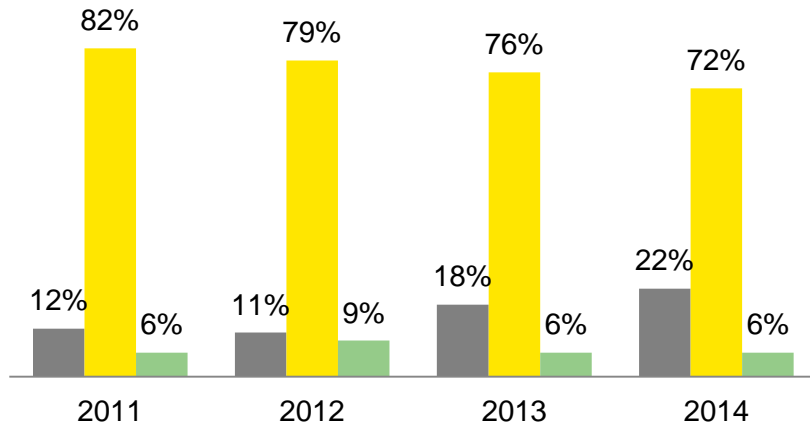
* - the data is presented as of the 1st of each month

- ▶ The majority of employers (98%) set salary in Rubles in Russia
- ▶ Only few companies set compensation in foreign currency for expatriates in Russia and pay in Rubles due to labor law requirements
- ▶ There is no background for salary currency changes as employers' income is largely Ruble denominated in Russia

Salary review policy (1)

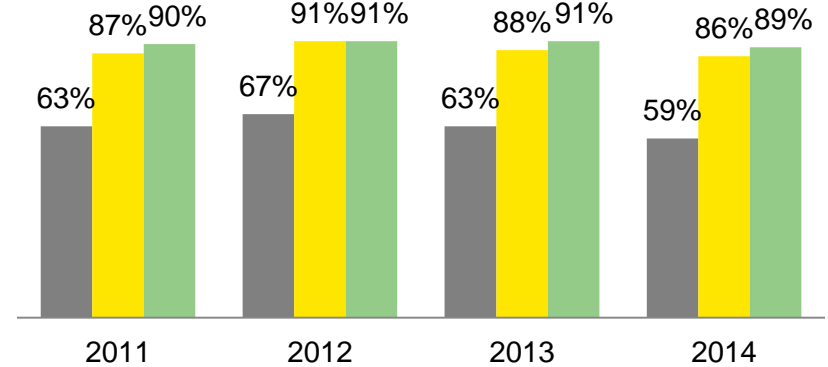
Frequency of salary review, % of companies

■ Less frequently than annually ■ Annually ■ Twice a year



Criteria for salary review, % of companies

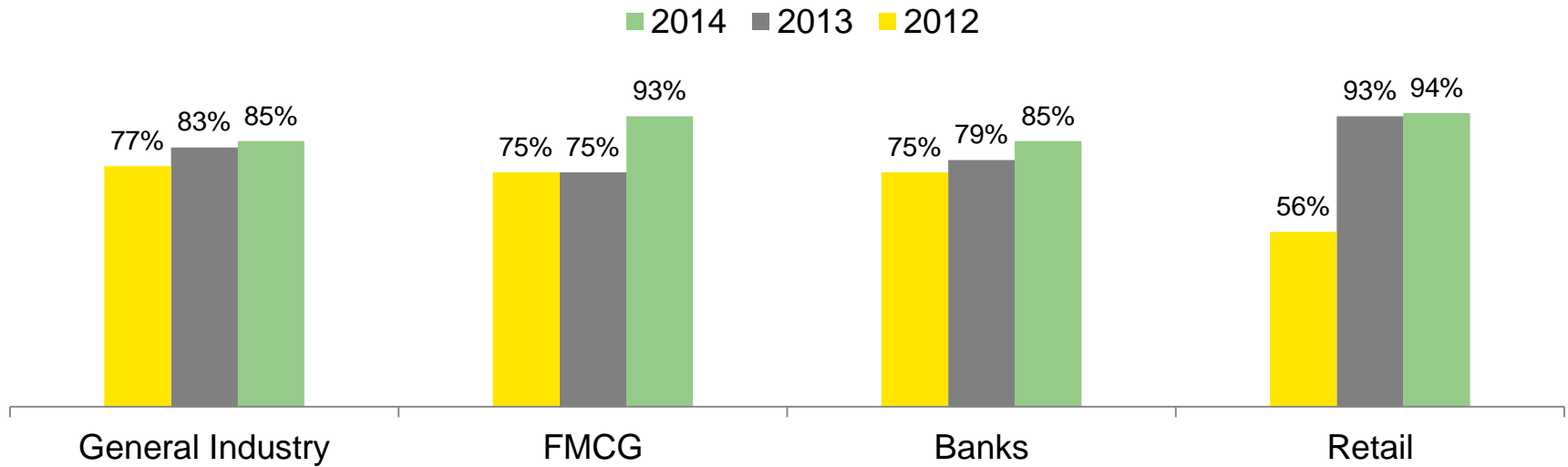
■ Inflation rate
■ Labor market data (benchmarking)
■ Performance appraisal results



- ▶ The majority of companies (72%) review salary levels on annual basis as in previous years
- ▶ However, the number of companies which review salary levels less frequently than annually is constantly increasing
- ▶ The labor market and employee performance evaluation results remain the key factors for salary review

Salary review policy (2)

Percentage of companies that apply individual approach to salary review by industries



- ▶ Salary review process doesn't cover all employees,

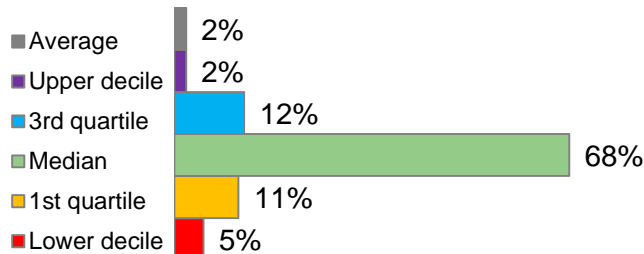


- ▶ companies focus on individual approach to the salary review

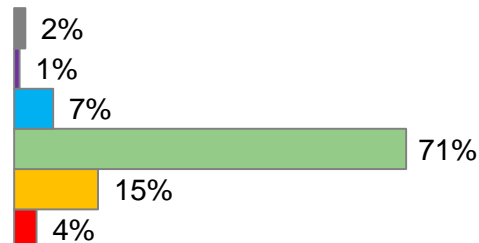
Market data benchmarking policy

Target range: the lower boundary

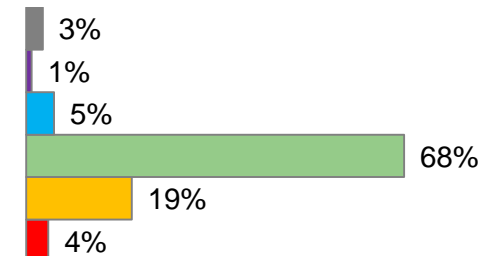
Senior Management



Middle Management

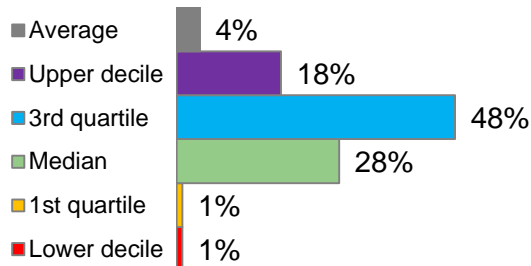


Specialists

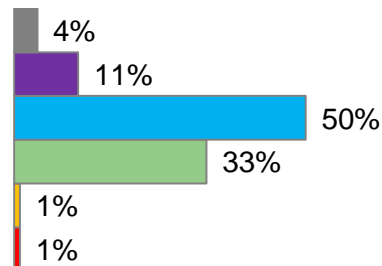


Target range: the upper boundary

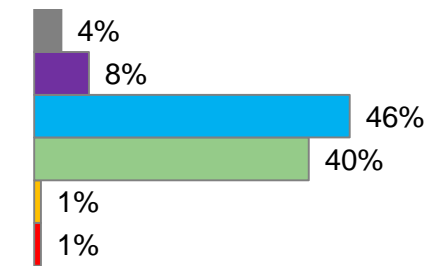
Senior Management



Middle Management



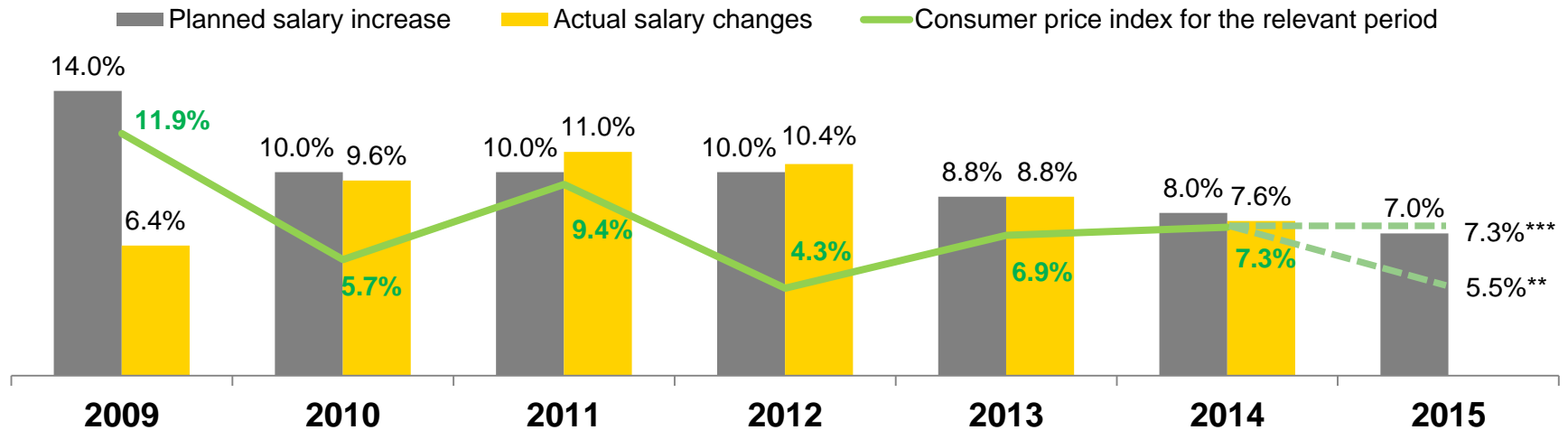
Specialists



- ▶ Along with performance appraisal results, employers also take into consideration labor market salary data
- ▶ Most of the companies use applicable market median as the benchmark lower boundary and the 3rd quartile – as the benchmark upper boundary

Salary changes (1)

Salary adjustments vs CPI levels *



* the data is presented as of July of the corresponding year, except for 2014, where the data is presented as of April 2014

** Ministry of Economic Development of the Russian Federation, 3 year forecasts, December 2014/December 2015

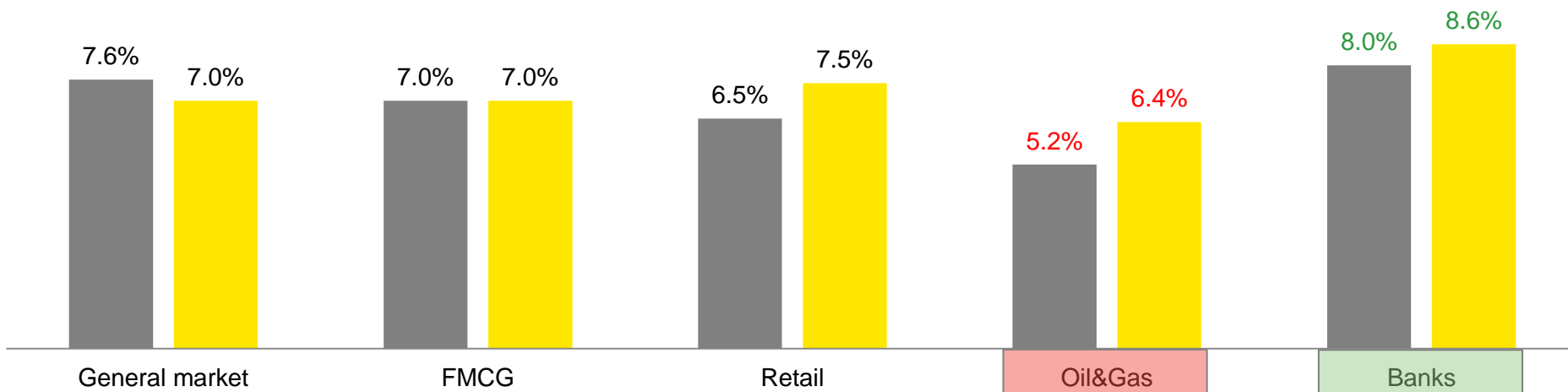
*** Oxford economics, economic and industry forecasts, Forecast for Russia, 2015

- ▶ Salary growth rates have declined over the last three years
- ▶ In 2014 salary increase is approximately at official CPI level

Salary changes (2)

Average salary increases by industries

■ May 2013 – April 2014 (actual) ■ May 2014 – April 2015 (planned)



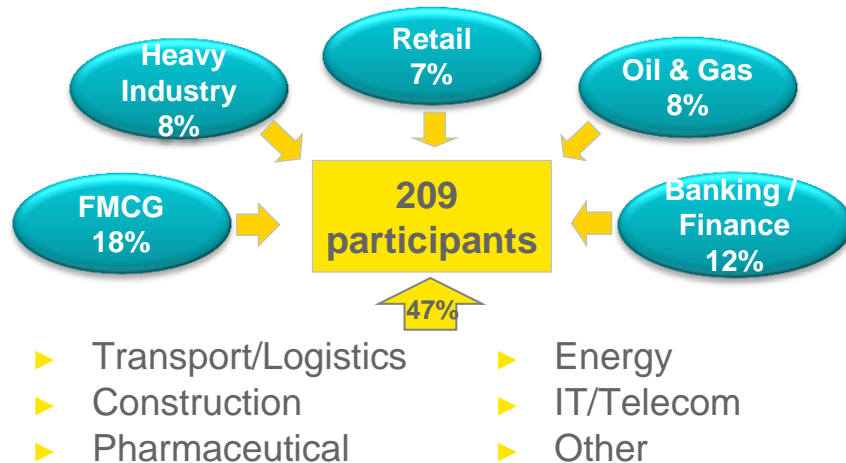
Performance-related bonuses

93% of companies paid out performance-related bonus for 2013 financial year (General market)

- ▶ The majority of companies paid performance-related bonuses for 2013 financial year
- ▶ Actual size of performance-related bonuses for 2013 was below the target level for 2014 – on average by 4% (which is approximately half of employees' monthly income)

EY salary surveys

1. EY General Industry Compensation and Benefits Survey



2. Industrial Compensation and Benefits surveys

- ▶ Oil&Gas industry
- ▶ Pharmaceutical industry
- ▶ Banking and financial industry
- ▶ FMCG
- ▶ IT/ Telecom
- ▶ Retail industry
- ▶ Development industry

3. Detailed Regional Salary Surveys (23 Russian regions)

EY salary surveys

- ▶ More than 12 years in Russia (since 2001)
- ▶ Unique expertise in conducting surveys among Oil and Gas companies, state corporations, as well as companies with state participation
- ▶ Database containing information for 2014 from more than 800 organizations



Questions

