

Russian market top-management compensation trends overview 2008

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PwC Surveys – General Information

Annual Surveys

Autumn 2008

Russian Top Management Compensation Survey

- ➔ 14% - energy;
12% - mining;
10% - managing companies;
7% - engineering;
6% - metallurgy;
5% - telecommunications; FMCG, chemical and others
- ➔ 6 job levels / 109 functions / 288 managers jobs
- ➔ 7 federal districts and 14 constituent territory of the federation – data on affiliates

Financial Sector Compensation Survey

- ➔ 53% - foreign-owned companies;
38% - Russian-owned companies;
9% - mixed ownership
- ➔ 30 job families and 291 jobs in Moscow
18 job families and 78 jobs in Russian regions
- ➔ 48 Russian cities (in addition to Moscow)

General Industry Compensation Survey

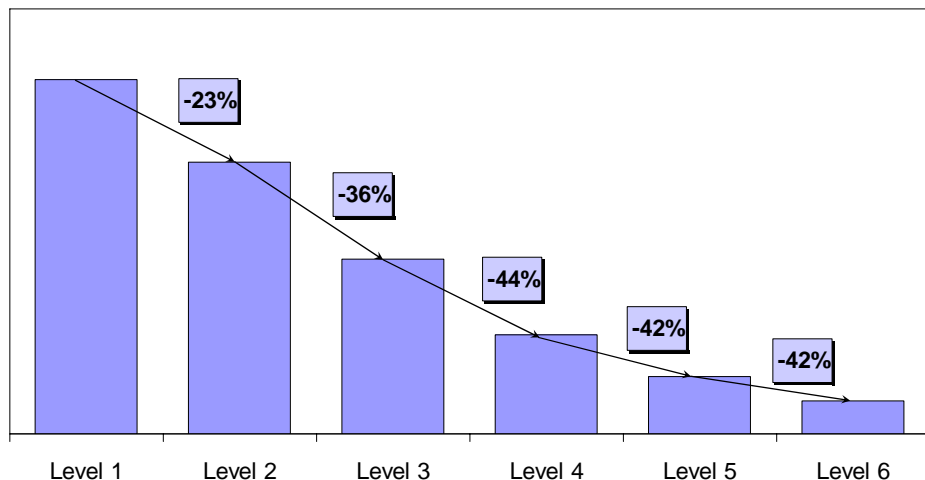
- ➔ 64% - Russian companies;
32% - international companies;
4% - mixed ownership
- ➔ 26% - trade and distribution;
14% - consumer goods;
10% - telecommunications;
10% - manufacturing;
8% - construction and development;
8% - automotive;
pharmaceuticals, utilities, chemicals and others.
- ➔ 9 job families and 109 jobs in Moscow
7 federal districts and 74 Russian cities

Global financial instability Survey

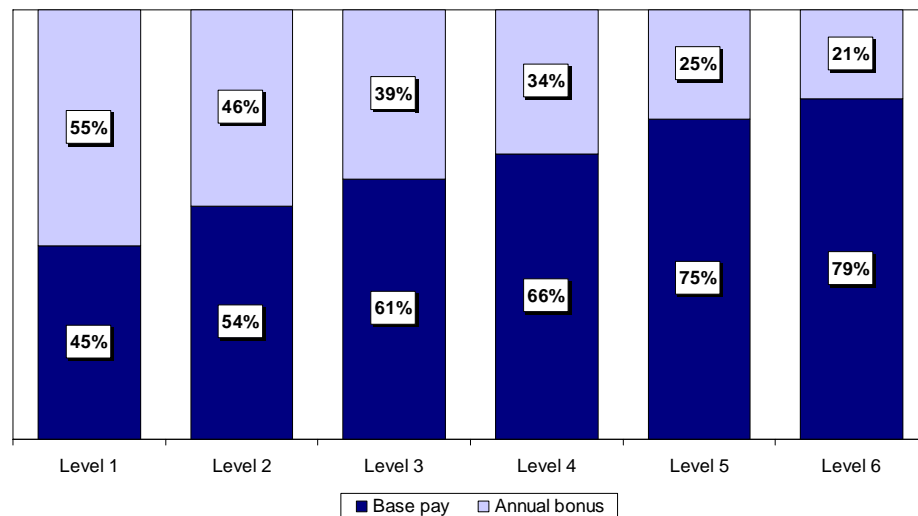
- is at the stage of enrolment and completing questionnaires**
- ➔ large Russian companies
financial institutions
foreign companies operating in Russia
- ➔ **initial findings will be provided by the end of November 2008**

Top managers' remuneration: Russian companies

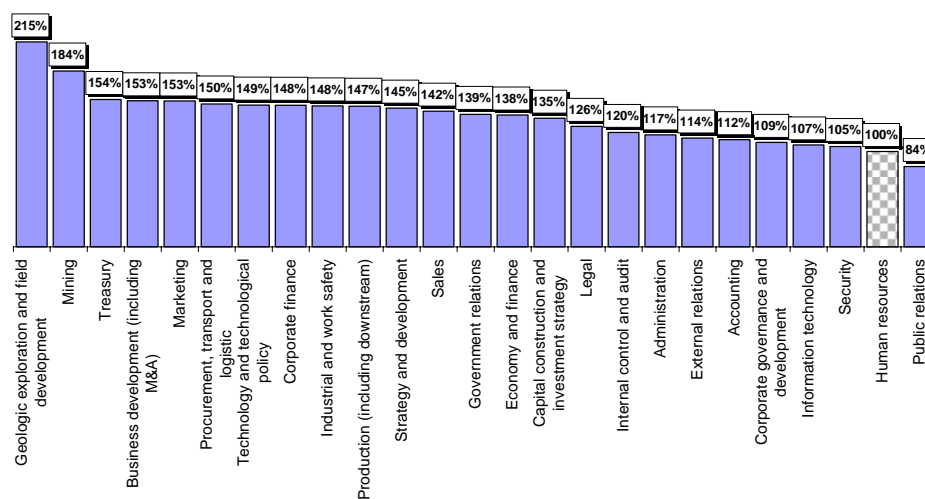
Base-pay difference by job level (%)



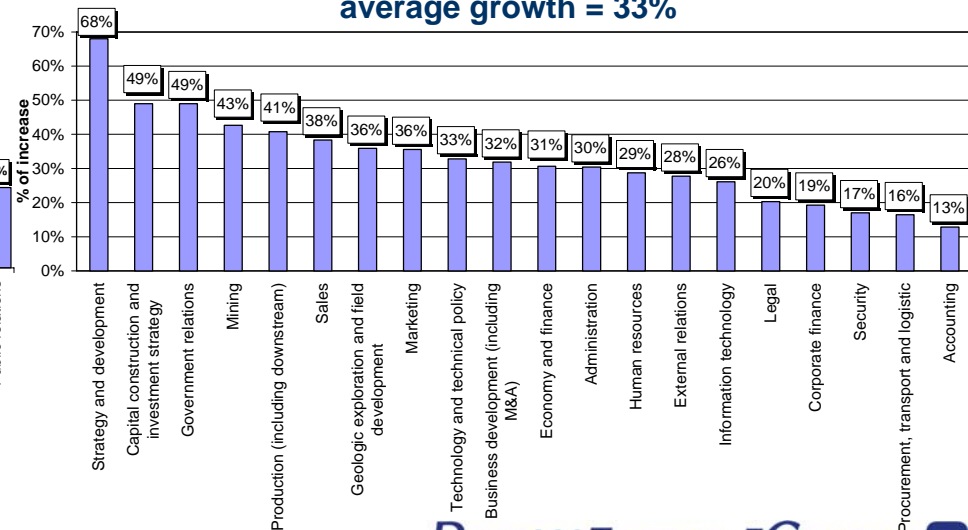
Actual compensation mix by job level (%)



Base-pay difference by function (%)



Base-pay dynamic in 2007-2008 average growth = 33%



Long-term incentive plans

Key parameters	Major Russian companies		Financial companies and banks (executives and top-managers)
	Executives	Top-managers	
% of companies	35% - provide LTIPs, 24% - plan to introduce LTIPs next year	33% - provide LTIPs, 24% - plan to introduce LTIPs next year	27% - provide LTIPs, 4% - plan to introduce LTIPs next year
types	38% - phantom option / appreciation rights 38% - performance units 13% - stock option	35% - performance units 29% - phantom option / appreciation rights 24% - stock option	48% - stock option 38% - phantom option / appreciation rights 33% -restricted stock
price for which shares are provided	50% - market price with a discount 33% - token price / free 17% - market price		54% - market price with a discount 38% - token price / free 31% - market price
average number of participants (1 June 2008)	2 employees	7 employees	11 employees
typical structure	64% - several cycles (on annual basis) 36% - one cycle vesting period - 3 years		86% - several cycles (on annual basis) 14% - one cycle vesting period - 3 years

2008 Trends

Major Russian companies (47 participants)

Financial companies and banks (80 participants)

Base pay

- Tremendous spread (up to 20 times) between base salaries in different companies
- This year 26% of participants introduced 0% increase for executives (11% of participants - for top-managers)

- This year average growth of base salary for Board members is less than last year (7% against 12%)
- Russian banks pays for Board members on average 10% more than foreign banks

Annual incentives

- High bonuses for top positions (on average 120% - for executives, 85% - for top-managers)
- Bonuses amounts are now more depend on KPIs than calculated on discretionary basis

- Annual bonuses paid for 2007 results declined compared to those paid for 2006 results what resulted in 24% decrease of total compensation

Long-term incentives

- LTIPs become more popular among companies (in 2008 3 more Russian companies and 3 financial institutions implemented plans for certain groups of top-managers)
- Only a few companies have already made payments on LTIPs so there is lack of valid information on actual amount of this element in top-managers' total compensation package

Benefits

- Status benefits (mobile phones – up to 100% participants, cars with personal driver - up to 90% and 75% participants, life insurance - up to 50% and 40% participants, additional days for annual leave - 46% and 36% participants among major Russian companies and financial institutions respectively)
- Private pension / saving plans are still not so popular as abroad (26% participants among major Russian companies and 18% participants among financial institutions, mostly defined-contribution scheme).

Current situation in the market

Based on approximately 30% of questionnaires received the following intermediate results could be observed:

- ➔ Up to 85% of respondents plan or have already implemented a range of measures for minimization of the negative influence of the global financial instability on the company, including reducing / freezing of corporate events costs (74%), L&D costs (67%), total remuneration costs (63%), recruitment costs (63%), travel costs (56%), other modification of the HR policies (44%).
- ➔ 26% of respondents plan to reduce staff headcount (5-30%), 67% all of them plan to dismiss the particular % of the employees of each department at the agreement of parties or based on headcount reduction in accordance with the labor legislation
- ➔ 30% of respondents as a formal mean for dismissal use termination of employment at the agreement of parties, 22% - headcount reduction in accordance with the labour legislation
- ➔ 63% of respondents froze or plan to freeze recruitment
- ➔ 37% of respondents plan 0%-increase of base salary, 11% plan to decrease salaries
- ➔ 37% of respondents plan to freeze / decrease annual incentives budget
- ➔ None of respondents do not plan to modify LTIPs

PricewaterhouseCoopers services and contacts

Remuneration design

- Remuneration strategy design and development
- Development of compensation packages for executive and non-executive directors
- Job evaluation and grading
- Base pay structure design
- Development of short-term incentive programs
- Long-term incentive program design
- Annual surveys
- Industry / region specific surveys
- Customized surveys

HR Management

- HR strategy
- HR audit
- HR processes analysis and improvement
- Design of performance management system
- Performance appraisal system
- Employee satisfaction surveys
- HR Due Diligence
- Post-deal integration
- Customised HR benchmarking

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Global financial instability Survey

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Thank you for attention!
Your questions.

