



# „Global Compensation Audit“

Review and renewal of compensation system considering regulatory requirements and value oriented corporate strategy

HR Strategy

HR Operational  
Excellence

Talent & Performance  
Management

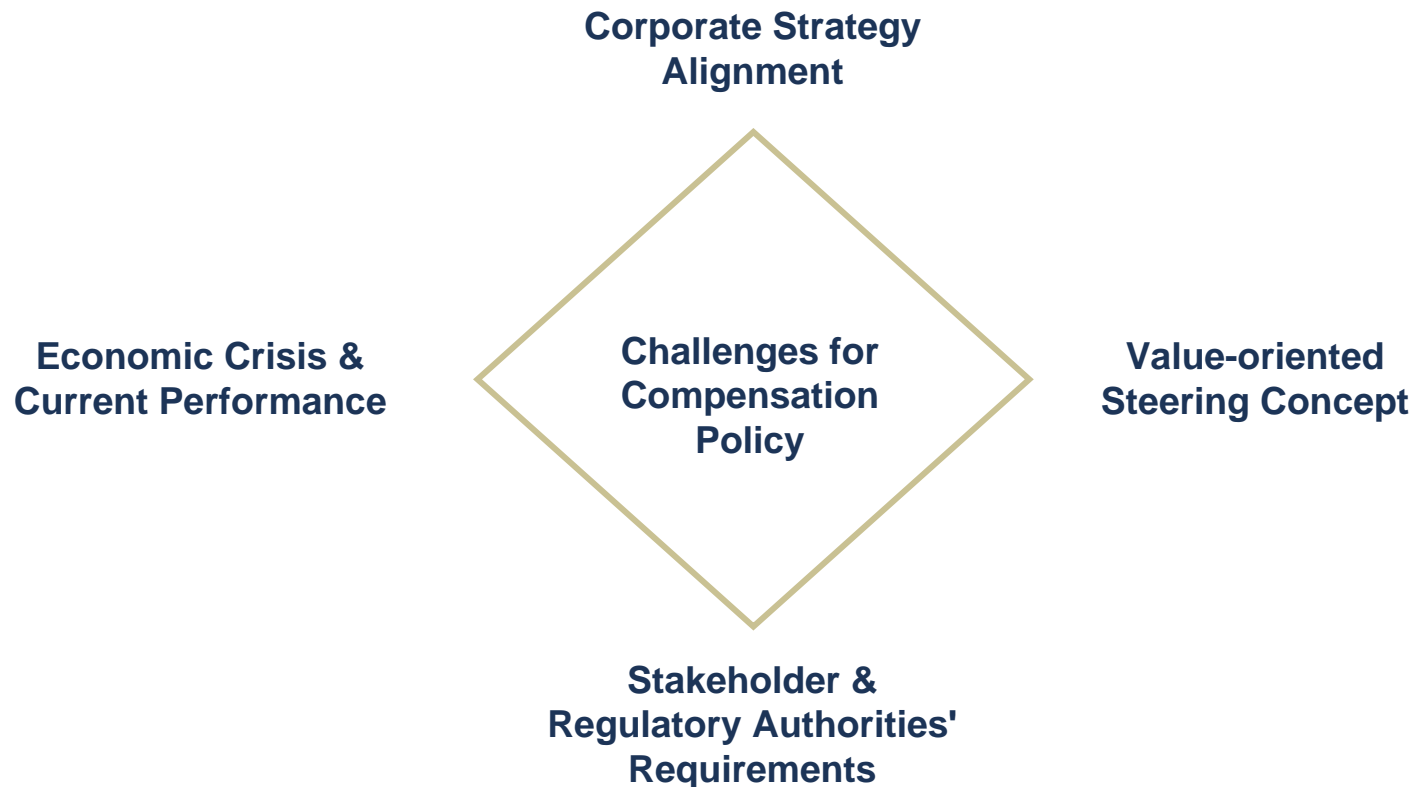
Compensation  
Management

Benchmarking

## Agenda

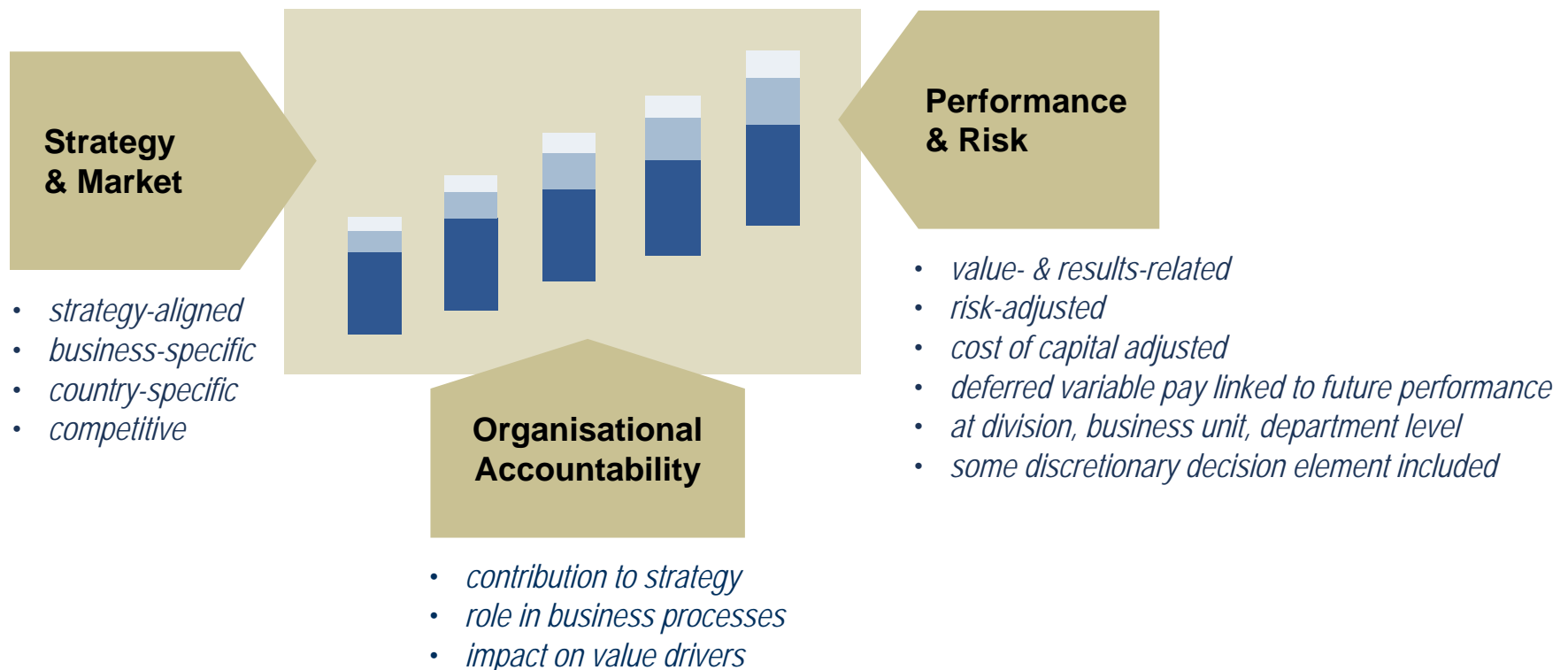
1. Key Project Drivers 3
2. Baumgartner Approach To Value-Based Pay Design 5
3. Project Outline: Global Compensation Audit 6
  - a. Business Requirements Analysis 7
  - b. Internal Job Evaluation 8
  - c. External Job Pricing 9
  - d. Pay System Design 10
  - e. Implementation 13
4. Project Organisation & Roles 14

## Key Drivers For The Review & Renewal Of The Compensation System

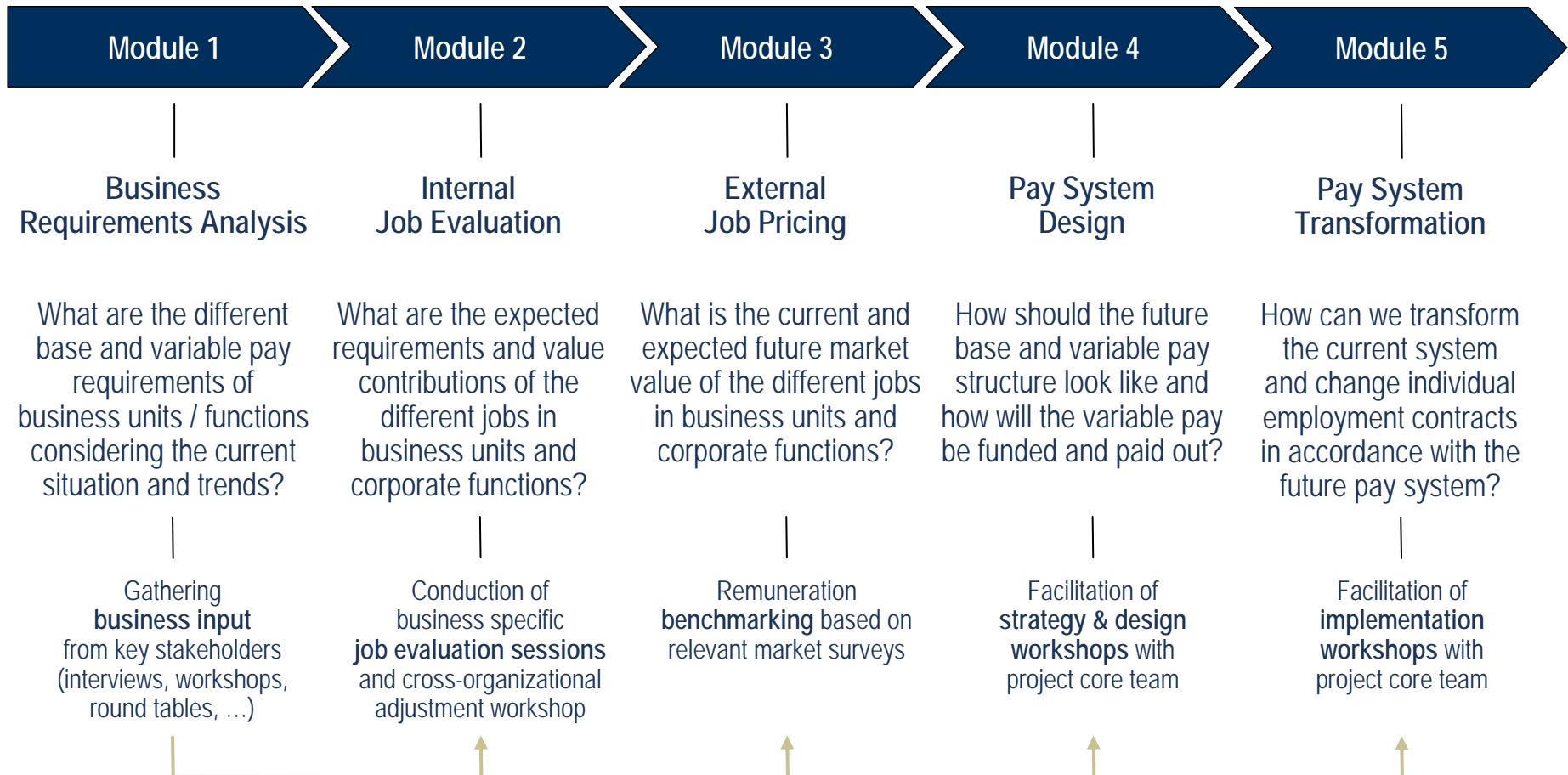


## Baumgartner Approach To Value-Based Pay Design

*Common grading structure and pay guidelines build the transparent and sustainable framework for flexible business- & country-specific solutions*



## Project Outline: Global Compensation Audit



## Module 1: Business Requirements Analysis

### Module 1

#### Business Requirements Analysis

Gathering  
**business input**  
from key stakeholders  
(data analysis,  
interviews, workshops,  
round tables, ...)

- Analysis of relevant **business context** and **regulatory environment**
  - Regulatory authorities' requirements for different businesses, countries etc.
  - Corporate strategy and organisation structure in light of current business environment
  - Goals and market activities of the business lines
  - Risk assessments of market activities
- Assessment of **current compensation system**
  - Compensation governance structures and philosophy
  - Agreements with unions and works council
  - Salary bands and pay levels by business lines, functions and countries
  - Bonus pool sizing and funding
  - Bonus pool allocation: payout ratios by business lines, functions etc.
  - Determination of individual bonus
  - Payout mechanisms and time horizon
  - Key performance & risk indicators underlying the funding, distribution and payout decisions

## Module 2: Internal Job Evaluation (JE)

### Module 2

#### Internal Job Evaluation

Conduction of  
business specific  
job evaluation  
sessions and  
cross-organizational  
review workshops

- Requirments and benefits
  - Regulatory Authorities require a **transparent and sustainable framework** for pay decisions
  - Supervisory Board, Accountants and Auditors require a transparent system
    - resulting in internally accepted global cross-organisational **grading structures**
    - providing a transparent framework for **flexible business- & country-specific solutions**
    - for **total compensation** and career systems
- Effective, smooth and **business-driven JE process** in three steps
  - Step 1: Job evaluation sessions within individual organization units:
    - Step 1-1: Each member of the Managing Board evaluates jobs of BU Heads
    - Step 1-2: Each BU Head evaluates direct reporting management and specialist jobs
  - Step 2: Definition of job grades and assigning evaluated jobs to defined grades
  - Step 3: Cross-organizational review and adjustment of job assignments to grades (some high-level workshops at division and business unit level)

## Module 3: External Job Pricing

### Module 3

#### External Job Pricing

Remuneration  
benchmarking based  
on relevant market  
surveys

- Due to the current economic situation compensation systems are under review and will change. **Benchmarking** therefore aims to shoot on a moving target.
- This process is regularly executed by HR / compensation & benefits department
- Steps in compensation market analysis for different businesses and functions at country level:
  - Identification of current remuneration market data sources / surveys
  - Define peer companies for compensation comparisons
  - Identification of benchmark jobs in those surveys
  - Participation in those remuneration club surveys
  - Receive and analyze market data for benchmark jobs
  - Define adequate market pricing for benchmark jobs
- Linkage of internal pay data and external market data with internal job values
- Comparison of **internal and external market pay** structures



## Module 4: Pay System Design (Pay Bands)

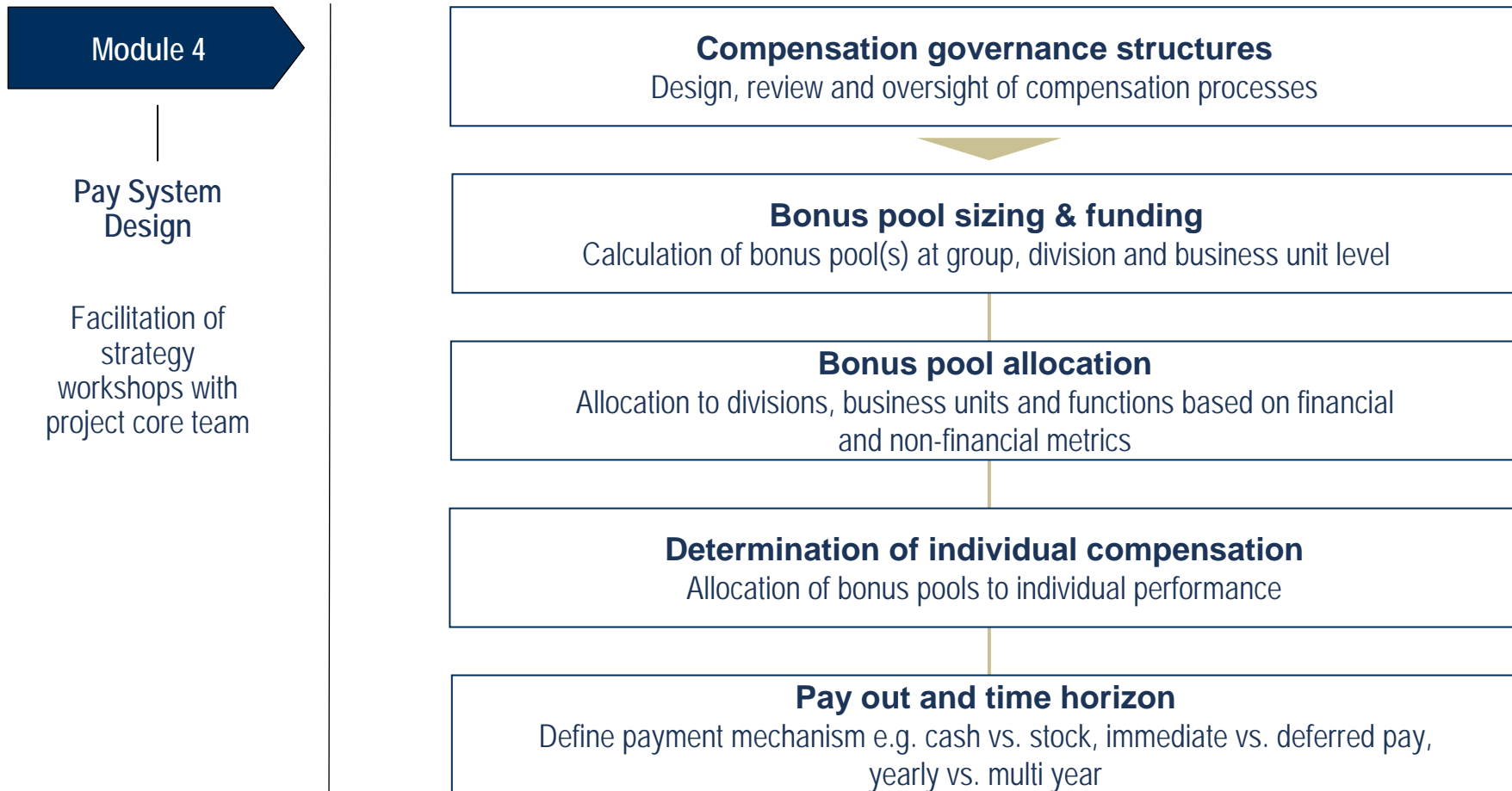
### Module 4

#### Pay System Design

Facilitation of strategy workshops with project core team

- Start with a review of **base pay structures**
  - Base pay budget requires systematic review and transparent allocation
  - Potential attempts to shift portions of variable pay into base pay requires structural framework
  - Organisational changes and their impact on job values require review of base pay structure
- Review **base & variable pay bands**
  - Analyze current base and variable pay structures by job grades, business units and countries
  - Simulate and define appropriate base pay ranges by job grades and countries
  - Simulate and define appropriate variable pay bands by job grades, business units, etc.
- Review and renew the **variable pay process**
  - Define bonus governance process
  - Option: Revised intermediate bonus plan for 2009 with pay out in 2010
  - Conceptually renewed bonus plan for 2010 and following years

## Module 4: Pay System Design (Bonus Process)



## Module 5: Pay System Transformation

### Module 5

#### Pay System Transformation

Facilitation of implementation workshops with project core team

- Define principles for introduction, communication and maintenance of grades and individual job assignments to grades
- Define principles for movement from one grade and it's related pay band to another
- Define principles for individual pay development within a pay band
- Define principles for general / collective pay adjustments
- Define principles for transformation from the current to the future pay system
  - base pay system
  - bonus system
- Identification of individual pay deviations from proposed pay bands (outliers above band and below band) and propose appropriate individual solutions

## Project Organisation And Processes

- Presentation and discussions with management board
    - Provide direction
    - Decide on renewed compensation system
  - Round table discussions with business leaders
    - Advisory input
    - Communication
  - Interviews with business leaders
    - Job evaluation
    - Pay processes
  - Project team workshops
    - Context analyses
    - Data analyses
    - Plan design
  - Workshops with subject matter experts
    - Finance, Risk Management, ...
    - Comp & Ben
- 