At the end of this session, you will be able to:

- Discuss general SAP ERP localization topics in SAP in Russia
- Explain key Russian localization topics for SAP ERP Human Capital Management
Here is the agenda.

- First, we will introduce the Russian country version and give a general overview of SAP’s business in Russia and Russian legislation. This will give you some background to help you better understand Russian market complexity.

- Then we will focus on general questions, for example:
  - What is the delivery model for Russian localization?
  - How can you align the Russian country version with a company’s global template?

- Next, we will present the solution map of Russian localization for SAP ERP Human Capital Management.

- Lastly, we will give you some sources of information for Russian localization.
SAP has a well-established infrastructure and business in the countries of the former USSR, integrated into Commonwealth of Independent States (CIS): Russia, Ukraine, Belorussia, and Kazakhstan, not a startup but rather a stable business with very high potential.

In 1992, SAP appeared on the CIS market and was acting as a representative office until 2002. As of 2002, we have a fully operational local subsidiary in Moscow that acts as an operational basis of SAP for all CIS countries.

The CIS organization has always demonstrated good performance, being in the top 10 markets for the last several years and moving steadily towards the top 3.
- It is particularly remarkable that CIS has always shown excellent margin performance, comparable to top-performing SAP countries.
  - Present on the market for over **18 years**
  - Within the SAP world, SAP CIS became the **5th top market** in 2010 up from the 9th place in 2009
  - Customer network of over **1,100 companies**
  - Estimated number of SAP users in CIS: Approximately 450,000
  - Largest customers are RZD (about 160,000 users), Gazprom (60,000 users), and Rosatom
  - **600 employees**, distributed over **8 office locations**
  - 120 service partner companies; 5,000 to 6,000 SAP consultants
  - SAP has dominated with **over 50%** annual share in the **entire CIS ERP market segment**.
SAP has a well-established infrastructure in Russia. SAP has not only representative offices, located in five Russian cities, but also an established development and support infrastructure for Russian country versions.

The Russian country version is produced by SAP Globalization Services and is represented by a team of approximately 90 employees, most located in Moscow. SAP Active Global Support, production, and validation teams also have representative offices in Russia.

This helps SAP to ensure that all parts of the development and maintenance cycle are represented for Russian country versions in Russia, close to the customer base:

- Product/solution management
- Development
- Knowledge management
- Quality assurance
- Validation and Production
- Primary and second-level support and development support
Before we dive into the SAP ERP HCM solution map, let’s focus for a moment on the legend:

- **Standard delivery**: The country-specific functions are integrated directly into the software, and do not constitute separate applications. All standard functionality—including bug fixing and legal changes relevant for already delivered functionality—is maintained by SAP according to the maintenance contract with customers. Delivery of new legal requirements for new forms, functions, and taxes depends on data availability in the system, LC complexity, and relevance to already delivered country version functionality. For example, the new form 4-FSS was delivered only for SAP ECC 6.0, because data for the creation of such a form was absent in lower releases.

- **Best Practice**: Country-specific functions are available in SAP CIS consulting as consulting SAP Notes or as SAP CIS consulting services (paid by customers). These country-specific functions are provided as best practices due to high dependency from the customer’s business or the customer’s HCM policy, or due to unstable HCM legislation. Best practices are not supported within the maintenance contract framework. During continuous improvement of the Russian country version, SAP may add some best-practice solutions to the country-version roadmap. A good example of this is the form for state statistical reporting (3-F: data on exceeded wages debts).
- **Limitations** refer to absent functionality for separate country-specific legal requirements. In most cases, limitations can be classified as one of three types:

  - Requirements cannot be automated due to the absence of the corresponding data in the system.

  - Limitations can be solved outside the SAP system at much less cost to the customer. Mandatory employee appraisals are a good example. Of course, SAP could develop an automated solution, but it would be very complex and would have a high implementation cost for customers. This cost would be much higher than the cost of performing the required procedures manually. Therefore, SAP does not include an automated solution in the country version.

  - Some limitations are planned to be included in future releases according to country version portfolio planning, for example.

In this session, we will pay attention to how customers can identify limitations in their own business and close such limitations during the implementation project.
SAP established a solid country version development infrastructure because of the complexity of Russian legislation in the HR area.

The key difference between Russia and other countries is the depth of legal regulations. All steps in HR processes are regulated by the legislation and require that SAP provide the corresponding functionality in the country version to help customers to be legally compliant. In Russia, we now have hundreds of active legal acts and authorities’ statements that are relevant to HCM processes.

Russian labor laws have high complexity and a high frequency of changes. Government reporting and calculation algorithms are challenging, complex, and constantly changing, with low predictability and very short deadlines.

The central process unifying all HCM activities is payroll. Legal compliance is necessary at all steps of this process, from source data to official reports. Some legal requirements affect maintenance of master data about employees, especially their personal data, which is protected by specific federal laws. The law defines forms of some related documents, for example labor book of employee. Reporting templates are also fixed for time management.

HCM for Russia has **high** complexity and **high** frequency of changes

Legal changes frequency:

- **Up to 10 per week:** Relevant for different areas of HCM processes; can be solved by customizing changes or changes in HCM processes.
- **Up to 3 per month:** Legal changes require corresponding changes in the country version functionality.
- **Up to 5 per year:** Dramatic legal changes require a lot of development effort for the country version.
Data from primary sources of information is processed according to complex mathematical and logical formula during the payroll process. Payroll consists of two parts: calculation of payments (gross) and deductions (net). Non-regular payments are realized with off-cycle functionality. Payments to different recipients are the next step after gross and net calculation. All of these activities are strongly regulated by law. Different cases require different tax rates, different additional payments, and so on.

Many state reports and other documents serve to check the consistency and correctness of all calculations. Complex reporting templates accumulate data from previous stages of the process. Keep in mind that legal templates change frequently.

Such complex legislation structure supposes a high frequency of legal changes:

- Up to 10 per week: Relevant for different areas of HCM processes; can be solved by customizing changes or changes to HCM processes.
- Up to 3 per month: Legal changes require corresponding changes in the country version functionality.
- Up to 5 per year: Dramatic legal changes require a lot of development effort for the country version.
Prior to SAP ECC 6.0, the Russian country version was delivered as an add-on that was developed on top of the standard SAP software, and was delivered separately from the standard CD/DVD. Taking into account Russian market complexity, importance, and potential, SAP decided to deliver the Russian country version as a standard application as of SAP ERP 6.0. The country-specific functions are integrated directly in the software and do not constitute separate applications.

Since all of the country-specific functions are supplied as part of the standard SAP software, all of the standard country versions are mutually compatible and can be used simultaneously, which is important for multinational companies. With SAP ERP 6.0, you do not need to install any additional software to use country-specific features delivered by SAP in the Human Capital Management area. Just activate country RU for the new company code, install SAP Library Russia, and use the country-specific functionality.
The life cycle of the Russian country version is similar to other standard localizations delivered by SAP:

- SAP delivers legal changes, as a first-priority task, through SAP Notes available for download from the SAP Support Portal.
- Legal changes per country are shipped via CLC (Country Legal Changes) Packages.
- Accumulated legal changes and minor functional improvements are delivered via Support Packages (for SAP_APPL package).
- New functionality, which improves both the scope and flexibility of the country version, is added through enhancement packages.
In addition to the international processes that apply to all countries, Russian HCM localization covers the specific functions related to the local legal environment. This solution map does not cover the generic functions of SAP software, but focuses on local market requirements only.

The complexity of this solution map correlates with the complexity of Russian legislation. This affects almost all components of financials and logistics. The most important areas for managing the daily business are already delivered by SAP; however, SAP expands the Russian country version from release to release to provide tailored (localized) functionality for more specific business areas in Russia.

The SAP ERP HCM country version includes specific functionality in different components: Personnel Administration with Time Management, Organizational Management, and Travel Management. From a process point of view, the Payroll component is the liaison between all parts of SAP HCM because it gathers data from each component and transforms the data into results for both legal reporting and activities such as payments.

Employee self-service is an effective toolset by which employees can manage their own labor processes.
Concurrent employment has its own master data, new payroll scheme, and reporting. It is also supported with ESS.

The reporting component is used to prepare regulatory and tax reports required by the authorities. It allows you to evaluate payroll data as well to ensure legal compliance.

The standard system comprises reports in the following areas:

- Organizational Management
- Personnel Administration
- Payroll
- Pension Insurance
- Time Management

Toolset and main templates of state statistical reporting are shipped as the standard delivery, but some concrete reports are shipped as the best practice.
The purpose of Payroll is to calculate the remuneration for work done for each employee.

However, Payroll does not just involve the calculation of remuneration; it also consists of a variety of processes that are becoming increasingly important due to the employer’s increased obligation to supply benefits and medical welfare. These benefits are products of labor laws, tax laws, civil laws, reporting laws, and information laws.

This component allows you to perform the following functions:

- Generate and evaluate an employee’s net pay.
- Calculate contributions and taxes.
- Create reports for different Russian funds.
- Process garnishment payments and corresponding reports.
- Create remuneration statements.
- Prepare data for the State Committee for Statistics (Goskomstat).
In addition to regular gross and net payroll, you can use off-cycle payroll for irregular activities such as:

- Vacations
- Termination of labor contract
- Pension
- Bonuses (for example, Women's Day or new year)
- Correction calculation (for example, in the case of incorrect payments for the previous month, recalculation for previous month without changing calculation of current month)

The system calculates the gross and net pay, which comprises the individual payments and deductions that are calculated during a payroll period and are received by an employee. These payments and deductions are included in the calculation of the remuneration using different wage types.

After the remuneration payroll, you can carry out various subsequent activities. For example, you can see to remuneration payment or the creation of various lists, and make evaluations.

The payroll results contain information that is relevant for accounting, so Payroll Russia is integrated with the Financial Accounting and Controlling components. This allows you to pay your employees and evaluate payroll results.

Country-specific master data customizing of Payroll includes, for example, additional payments rates for work in extreme northern regions.

* Different reports are created on the basis of payroll. Only tax ledger is not supported. There is no single legal form of the tax ledger document.
Russian personnel administration is the subject of legal regulation on all levels, including master data and customizing, business logic, and, of course, reporting. In terms of system architecture, that means many specific settings, tables, fields, infotypes, and report templates.

Some differences from the international version are caused by simple facts of Russian business culture, for example, use of patronymic names, local education degrees, and titles. However, most of specific objects are a direct consequences of legal requirements and common business practices.

Country-specific personnel actions are used to meet requirements for storing employee data in Russia. Since Russian legislation stipulates that you store (orders have to be stored for 75 years) and print a special document to record personnel actions, you must add the Personnel Orders infotype (0298) to all personnel actions.

To enable the system to correctly process personnel actions for hiring, leaving, and rehiring, you must specify the reason behind a particular personnel action type.
The international Addresses infotype has been enhanced to allow you to enter address data from the KLADR database. You can use this program to find regions, cities, and streets in Russia. You can also find the postal code for any street in Russia, and if a street is assigned to more than one postal code, you can find the postal code for every building in every street in Russia. When you transfer address data to official organizations—for example, the Russian Pension Fund—the data must match the format of addresses in the KLADR database.

You can load parts of the KLADR database into your system in Customizing for Personnel Administration. Some of the reports that you submit to the authorities contain employee address data. To reduce the possibility of errors in these forms, you can check the address against KLADR.

The employment book contains information about an employee’s work places and seniority. It is used to document when an employee changes position within a department, moves to a different department or organization, or moves to a different company. The data in the employment book also forms the basis for calculating seniority.

The Russian Pension Fund uses the data in this infotype to determine the level of an employee’s pension.

Time Management tools allow you to structure working times for your enterprise. You can define work schedules with flex-time models or rotating shifts for particular organizational units. You can also set up legislative regulations, collective agreements, and internal company policies that stipulate employee working time in your system.

In Russia, companies are obliged to maintain and periodically provide to authorities many reporting forms on personnel-related activities. Most of these forms are defined with the Decision of Goskomstat RF from 5 January 2004 №1 (about confirmation of primary unified forms on personnel accounting and payments). The forms can be divided into groups, for example, time management reports (T-3, T-13, and so on) and incentive and disciplines orders (T-11 and T-11a).

Local employment contracts and additional agreements for employment contracts are realized in specific printing forms.
Insurance payments are divided into three main groups:

- Insurance contributions for statutory social insurance by temporary incapacity to work and in connection with motherhood (recipient - FSS RF)
- Statutory health insurance (recipients - FFOMS, TFOMS)
- Statutory pension insurance (recipient - PF RF)

The main data provided to the pension fund is related to insurance certificates, seniority, earnings, income, and insurance contributions. Because this data is individual and collective, you can use Package Manager for data aggregation. Package Manager is the main instrument for processing documents created by system reports. Technically, it is integrated with the system using a specific control entry.

Infotype 0291 contains data related to the tax and social insurance deductions for an employee.

If an employee is subject to taxes that are not part of the standard tax schema, you use this infotype to determine which taxes the system deducts from an employee during the payroll run. As part of this process, you can add taxes to the common tax schema or remove taxes from the common tax schema.

Data about residence status also influences the level and kind of social insurance payments that must be deducted for an employee.
When calculating payroll processes, you can define specific tax schemas, or you can process data manually on a case-by-case basis.

For example, you have selected a tax schema according to your organizational assignment. The tax schema contains a list of taxes that are to be deducted from employees’ gross salaries. According to Russian tax law, one of your employees qualifies as a nonresident, which means a different tax rate is deducted during the payroll run. To depict this scenario in the system, you exclude tax class 13 from the payroll run and, instead, include tax class 30. The change applies only to the current employee, and can therefore not be defined in the tax schema. You define tax class 13 in the Tax and Social Insurance Payments infotype and set the *Exclude from Tax Schema* indicator. To ensure that the employee pays tax in a different tax class, you also create a new infotype record for tax class 30.

If your company has a lot of employees with a certain status, such as nonresidents, you can define a special tax schema for these employees.

Data verification and correction reporting for PF are very important as solid local business practices, but stand as open issues in Russian localization. There is no solution for data verification and correction reporting in the Russian country version.
Some important functions are not included in the scope of basic payroll and personnel administration processes and deserve individual attention:

- employee self-service,
- Travel Management,
- state statistical reporting,
- and Organizational Management.

“Detached structural divisions,” defined in the Tax Code, are a specific feature of Russian Organizational Management. T-3 is the required legal form for the company organizational structure. The State Committee for Statistics (Goskomstat) requires every company to prepare the form and store it for inspections.
- Russian localization of employee self-service is available from enhancement package 3.
- Employee self-service (ESS) allows employees to maintain their own personnel information. Office procedures, time management, payment review, personal data, events, assessments, and talent management are available in the Russian version.
- ESS enables employees to submit their savings details and other income tax declarations online through a browser. The system reads and processes these details for payroll processing.
- ESS also enables employees to create leave encashment requests. It also enables employees to display absence quotas and edit existing leave encashment requests.
- Approvers can display, reject, or approve leave encashment requests and display employee absence quotas.
- Employees can use this service to display and edit data about their family members and dependents.
- This means that they can continually update their data, and thereby relieve the HR department of time-consuming, cost-intensive activities.

- The functions discussed here are only examples of ESS localization.
Travel Management (FI-TV) is used to record and process business trips. It is integrated with Personnel Administration as of EHP5, but is not yet integrated with Payroll.

You have to ensure that the data for business trips that employees enter in Travel Management matches the data in employees’ master data records in Personnel Administration. To do this, you register business trips in Personnel Administration infotypes, for example, in subtypes of the Russia-specific Personnel Orders (0298) infotype and in the Absences (2001) infotype.

To meet legal requirements, you can also use the Personnel Order Creation for Business Trips (HRUUTRV0) report. It prepares data for printing forms T-9, T-9a, T-10, and T-10a.

The aim of the Travel Management process is to fulfill legal reporting requirements in Russia by preparing forms for employee business trips. The State Committee for Statistics (Goskomstat) requires all companies to keep records of their employees' business trips in special forms.
HR Forms is query editor that provides possibilities for creating and changing reports on the client side.

A form often functions as an enterprise's business card, which means it requires an attractive graphical design. The HR Forms Workplace enables you to create flexible reports with an attractive layout for HR master data, payroll results, and time evaluation data. It is therefore a central human resources tool that enables you to select data from various sources in a uniform manner. You can then design, create, check, print, send, or archive the form using graphics tools (Form Builder or SAP Smart Forms).

With HR Forms:

- You can execute standard reporting on data that can originate from different sources within human resources. Data from the different application components is available for data selection using the HR Forms Workplace.
- You can standardize the appearance of all HR forms.
- The data selection is intuitive and user-friendly. The tool has a graphical interface that provides you with an overview of data to be selected. The data is organized and presented in the HR Forms Workplace according to business, not technical criteria. You no longer require detailed technical knowledge of table fields containing information to be printed, because the HR Forms Workplace provides you with all the information you need in a directory. You select and retrieve data just once at a central point within the system, irrespective of the form to be printed later.
You can make changes to the layout without changing the data selection because data selection and form design do not occur at the same time.

- The forms are designed with a graphical tool, separately from data selection with the HR Forms Workplace. This means you can adjust and enhance forms at any time. It also means you do not have to design forms at the same time as data selection.
- You can also carry out changes to the layout without any detailed technical knowledge.

The graphics tools, which are integrated with the HR Forms Workplace, enable you to create modern form designs. For example, you can use different formats (styles, fonts, font sizes, paragraph formats, character formats, lines, borders, and so on) or graphical elements (such as company logos) to design your forms.

You can ensure that the evaluation data is consistent and complete using the extensive checks available in the HR Forms Workplace.

You can trigger integrated form printing in the HR Forms Workplace.

HR Forms are localized with all country-specific parameters and corresponding infotypes.

However, in some implementation projects, customized report creation may be preferable to using HR Forms. The SAP CIS best-practice portfolio contains, for example, state statistical report № 3-F.
For more information on the topics discussed in this lesson, see the following references:

- Country information on Localization country-page
- Russian HCM localization scope: Russian specific objects in SAP ERP HCM
- Legal changes: Legal changes reports (filter by country and CSS-component)
- Available documentation:
  - SAP Library SAP Help Library
  - SAP Library Russia SAP Library Russia
  - SAP Service Marketplace HCM Documentation for Russian Federation
- SAP Best Practices: Link to Best Practices
- Literature (Implementation of Country Versions for SAP ERP Systems):

For more information on the topics discussed in this lesson, see the links listed here.
We recommend that your implementation team subscribe to the Support Spotlight News for the CIS region to be informed about significant changes in the country version, such as urgent legal change delivery, announcements about workshops, or knowledge transfer sessions for Russian localization.

To see the CIS news on the portal, you need to check your portal’s profile settings. If CIS is not displayed in the Countries according to my installation section, expand the Additional countries selection and select the CIS region check box.
Information Resources
Russian HCM Localization Forum at SAP Jam

To establish a direct connection with our customers, Globalization Product Management has created a collaboration workspace at SAP Jam. Here, you can share your experience with Russian localization usage, discuss local requirements, or get the latest information about new functionality.

How to register:

Please send us you name, role, company and e-mail via Russian GPM team mailbox: pm.cis@sap.com.

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- Methodology documents, best-practice solutions, and announcements from the Spotlight newsletter are published here.
- You may register for the collaboration room in one simple step:
  - Please send us you name, role, company and e-mail via Russian GPM team mailbox: pm.cis@sap.com.
You should now be able to

- Discuss general SAP ERP localization topics in SAP in Russia
- Explain key Russian localization topics for SAP ERP Human Capital Management

You should now be able to understand general information about SAP country version Russia and be able to explain the key localization issues for SAP ERP.
Thank You!

Contact information

SAP Globalization Services:
globalization@sap.com