1. Executive Summary

The 2007 Risk Talent Associates Professional Compensation Survey – Energy reveals that total compensation grew an average of 14% in 2006 over 2005 for risk professionals in the energy industry. This significantly outpaces the 5% average growth in total compensation experienced in 2005 over 2004. Salaries grew an average of 8% in 2006 over 2005 while bonuses for most job titles grew in the double-digits.

Bolstering these healthy compensation levels is a worldwide boom in energy demand and the resulting trading in financial markets. The 2008 Forbes Energy Outlook reports, “Economic growth around the globe in developed and developing economies alike has kept the world hungry for more energy. Supply has barely kept up…. and the demand shows no sign of abating.” Investment banks and hedge funds expanding into energy supply and trading put additional upward pressure on compensation. These organizations have a clear understanding of the value of managing risk and are willing to put money into building highly capable organizations.

Approximately 28% of survey respondents reported changing jobs within the last two years, while slightly less (24%) expect to change jobs in the next two years. These figures are consistent with the 20-30% range reported in compensation surveys across multiple industry segments by Risk Talent Associates. However, it is unusual that the projected percentage of job changers (24%) is lower than the 28% who say they have changed jobs in the last two years. This may indicate that it will be tougher to recruit energy risk professionals in the upcoming year, especially as demand for their skills expands to investment banks and hedge funds who seek to strengthen their energy capabilities. In this year’s survey, nearly two-thirds (65%) of respondents who changed jobs came from within the energy industry, 25% came from consultancies, and 10% from other segments including banking. In the future, there may be increased mobility in and out of the energy segment.

Risk Talent Associates projects continued robust growth in the energy job market and notes that 56% of survey respondents expect their risk group to grow during the next year. To fill additional risk management roles, 86% of respondents leverage internal recruiting/corporate staffing/human resources. Other methods of hiring include retained search (41%), contingency recruiting (25%) and job boards (37%).

2. Trends in Years of Experience and Title

The survey illustrates that both salaries and bonuses increase commensurate with additional years of experience and more senior titles. The average growth rate in total compensation of 14% is reasonably consistent across years of experience, at 14.8% for 0-6 years of experience, 13.5% for 7-15 years of experience and 12.8% for those with 16 or more years of experience.

Figure 1: Total Compensation, Salary and Bonus by Years of Experience (US Dollars)

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<tbody>
<tr>
<td>0-6 years</td>
<td>25%</td>
<td>$130,000</td>
<td>$149,000</td>
<td>$100,000</td>
<td>$110,000</td>
<td>$18,000</td>
<td>$22,000</td>
<td>$12,000</td>
<td>$17,000</td>
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<tr>
<td>7-15 years</td>
<td>50%</td>
<td>$217,000</td>
<td>$247,000</td>
<td>$127,000</td>
<td>$137,000</td>
<td>$38,000</td>
<td>$44,000</td>
<td>$52,000</td>
<td>$66,000</td>
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<tr>
<td>16+ years</td>
<td>25%</td>
<td>$384,000</td>
<td>$444,000</td>
<td>$182,000</td>
<td>$192,000</td>
<td>$114,000</td>
<td>$162,000</td>
<td>$88,000</td>
<td>$90,000</td>
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Cash bonuses as a percentage of overall compensation in 2006 are 11% for the Analyst/Associate level, 20-24% for Managers, Directors and Vice Presidents, and 38% for Managing Director/Chief Risk Officer.

**Figure 2: Total Compensation, Salary and Bonus by Title (US Dollars)**

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<tr>
<td>Analyst/Associate</td>
<td>12%</td>
<td>$116,000</td>
<td>$127,000</td>
<td>$95,000</td>
<td>$103,000</td>
<td>$11,000</td>
<td>$14,000</td>
<td>$10,000</td>
<td>$10,000</td>
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<tr>
<td>Sr Assoc/Manager</td>
<td>40%</td>
<td>$144,000</td>
<td>$166,000</td>
<td>$114,000</td>
<td>$126,000</td>
<td>$30,000</td>
<td>$40,000</td>
<td>$40,000</td>
<td>$45,000</td>
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<tr>
<td>Director</td>
<td>19%</td>
<td>$257,000</td>
<td>$309,000</td>
<td>$140,000</td>
<td>$155,000</td>
<td>$55,000</td>
<td>$62,000</td>
<td>$62,000</td>
<td>$92,000</td>
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<tr>
<td>Vice President</td>
<td>9%</td>
<td>$266,000</td>
<td>$286,000</td>
<td>$160,000</td>
<td>$165,000</td>
<td>$63,000</td>
<td>$68,000</td>
<td>$43,000</td>
<td>$53,000</td>
</tr>
<tr>
<td>MD/CRO</td>
<td>18%</td>
<td>$403,000</td>
<td>$478,000</td>
<td>$186,000</td>
<td>$198,000</td>
<td>$117,000</td>
<td>$180,000</td>
<td>$100,000</td>
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Source: Risk Talent Associates Salary Survey 2007. All figures in US Dollars and rounded to nearest thousand. Abbreviations: Managing Director (MD), Chief Risk Officer (CRO).

3. Trends in Geography, Company Size and Risk Type

Energy risk professionals from the northeastern United States report the highest total compensation in 2006, followed by those in the US Mid-Atlantic, US-MidWest and US-South/Southeast.

**Figure 3: 2006 Total Compensation, Salary and Bonus by Geography (US Dollars)**

The survey also demonstrates that those professionals who focus on enterprise risk receive the highest total compensation, followed by those who focus on credit risk and market risk respectively.

Figure 4: 2006 Total Compensation, Salary and Bonus by Risk Type (US Dollars)

Lastly, the survey shows that total compensation is highest for energy risk professionals at the largest risk organizations. While salaries are consistent across all different organization sizes, higher bonuses are rewarded to professionals employed by the largest risk groups. Total compensation peaks for those with risk groups staffing more than 50, and is lowest for risk groups with less than 5 risk professionals.

Figure 5: 2006 Total Compensation, Salary and Bonus by Organization Size (US Dollars)
4. Survey Methodology

The 2007 Risk Talent Associates Professional Compensation Survey – Energy was conducted during the summer of 2007 using Survey Monkey Internet survey software. E-mail invitations were sent to the Risk Talent Associates corporate database, with responses from 74 energy risk professionals. The survey collected 2006 and 2005 salary, cash and non-cash compensation (such as stock, options, and other non-cash compensation) levels. Survey respondents were asked to identify their years of experience, title, type of risk focus (market, credit, operational, risk technology and financial compliance), geographic location, and size (based on the number of risk professionals in their organization).

Risk Talent Associates, an executive search firm focused on risk management, is conducting a series of risk compensation surveys in 2007 across four market segments: capital markets, asset management, compliance and other fields (software, consulting, energy and corporate).

About Risk Talent Associates
Risk Talent Associates (www.risktalent.com) is the leading international executive search firm focused exclusively on positions in the fields of market, credit and operational risk, as well as financial compliance and risk technology. Risk Talent’s expertise, industry knowledge, proprietary network and dedicated focus shorten the recruiting process to deliver senior and mid-level risk managers in the capital markets, asset management, energy, consulting and software industries. Risk Talent has offices in New York, Chicago, Hong Kong and London.

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