



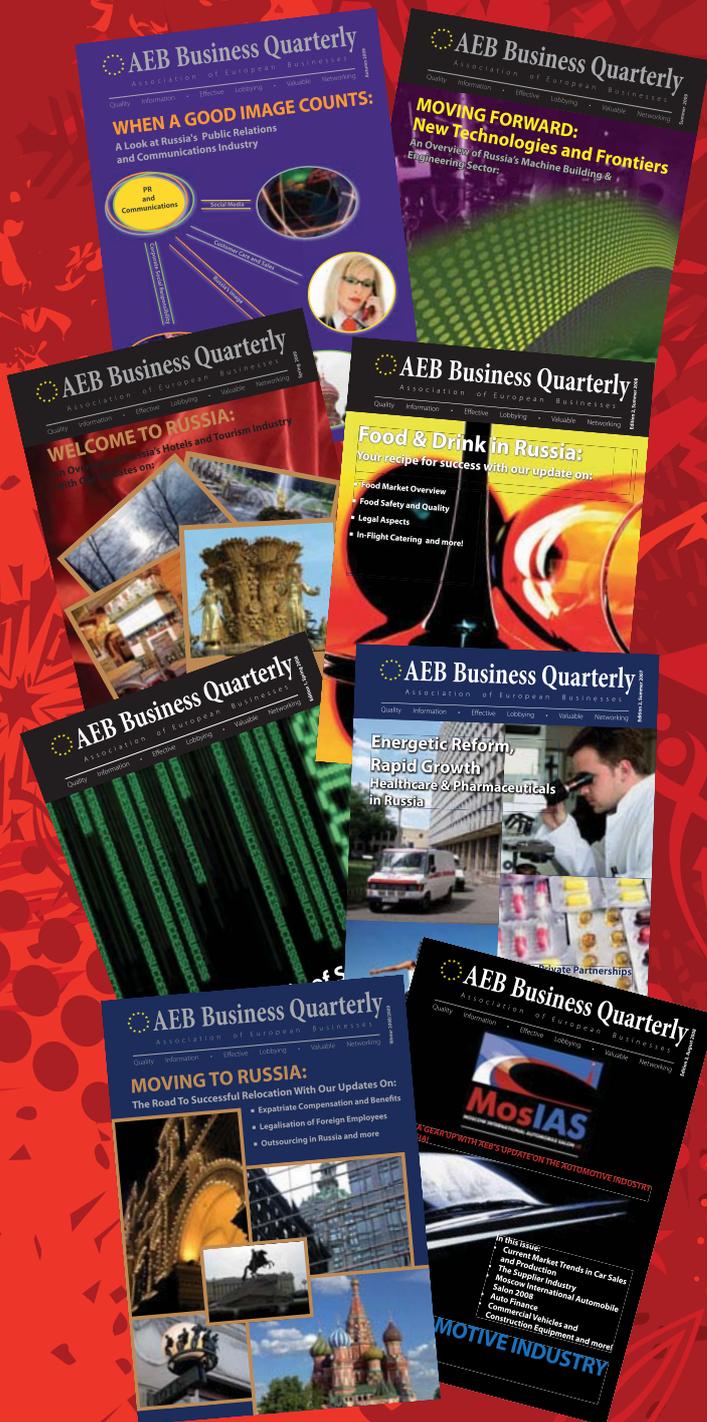
AEB Business Quarterly

Association of European Businesses

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Winter 2009/2010

OUR PLANET – OUR RESPONSIBILITY: A Look at Safety, Health, Environment and Security in Russia



2010!

The economic crisis and technical professions in Russia ❁ Accounting of Emission Reduction Units in Russia ❁ Environmental Aspects of Mergers and Acquisitions deals in Russia ❁ Strategic health management of large scale projects ❁ AEB Networking ... and more

КАЖДЫЙ МОЖЕТ ПРОИЗВЕСТИ ЭЛЕКТРОМОБИЛЬ. НО КТО СМОЖЕТ НАЛАДИТЬ ПРОИЗВОДСТВО ЭЛЕКТРОМОБИЛЕЙ ДЛЯ КАЖДОГО?



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К КОНЦУ 2012 ГОДА КОМПАНИЯ RENAULT ВЫВЕДЕТ НА РЫНОК 4 ЭКОЛОГИЧЕСКИ ЧИСТЫХ АВТОМОБИЛЯ, ОТВЕЧАЮЩИХ ПОТРЕБНОСТЯМ БОЛЬШИНСТВА СОВРЕМЕННЫХ АВТОВЛАДЕЛЬЦЕВ.** Влияние деятельности человека на глобальное потепление климата — факт, который невозможно игнорировать. И только значительный технологический прорыв, такой как крупномасштабное производство экологически чистых** транспортных средств, позволит сократить выбросы парниковых газов. Осознавая свою ответственность, компания Renault использует весь свой опыт и ресурсы в создании линейки электромобилей — надежных, практичных, безопасных и доступных всем. 4 изображенных здесь концепт-кара Renault ZE — предшественники будущей линейки электромобилей Renault.

*Управляй переменами. **Нулевые выбросы CO₂ во время эксплуатации транспортного средства. Реклама.

Dear Readers,



Safety, Health, Environment and Security is a cross disciplinary area that deals with occupational safety and health issues, business security, as well as environmental protection. It unites many otherwise unrelated areas such as public health, occupational medicine, health physics, industrial hygiene, toxicology, epidemiology, occupational health psychology, safety engineering, ergonomics, environmental health, industrial relations, public policy and sociology.

The world is in a state of constant change. Advancements are being made in business, science and technology and many other fields. With this change come certain challenges, these include ways of establishing a successful business, while taking into consideration employee welfare and or the safety of the surrounding environment. One now has to contend with issues such as travel and workplace safety; climate change; global warming; conflict, trade and development patterns, as well as the overall effect of a population on environmental and natural resources and vice versa. The International Organisation for Standardisation (ISO) has developed various standards on a variety of subjects; these have become an internationally accepted way of addressing some of these issues. Another quality system is the Good Manufacturing Practice (GMP), these standards are usually adhered to by companies, whose products and services lean towards the medical field. In this issue of the AEB Business Quarterly, you will have a chance to acquaint yourselves with Safety, Health, Environment and Security in the Russian Federation. The articles featured in this issue of the Business Quarterly include, strategic health management of large scale projects; the role of a general contractor in business security: objective necessity and Russian reality today; environmental aspects of Mergers and Acquisitions (M&A) deals in Russia; the economic crisis and technical professions in Russia ... and many more.

In this issue of the magazine, you will also get an update on some of the events organized by the Association and its committees, as well as details of our expansion into the regions — all evidence of the AEB's activity. Permit me to take this opportunity to welcome all the Association's new members.

The highly unpredictable 2009 is drawing to a close; as we get ready to face a new year, it is the Association's sincere hope that overall, the year 2010 brings a more stable world economy and success to all the players on the global market.

On a final note, permit me to wish each and every one of you a very Merry Christmas and a prosperous 2010!

Yours sincerely,

*Dr. Frank Schauff
Chief Executive Officer
The Association of European Businesses*

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SAFETY, HEALTH, ENVIRONMENT & SECURITY – THE YEAR 2009



Michael Balev, Chairman, AEB Safety, Health, Environment and Security committee

The year 2009 is drawing to a close. This was a difficult year; we had to live and work through some economic hardship. However, despite the economic crisis, life never stopped, and neither did most business processes. Naturally, development was considerably more sluggish, and there were fewer investments made in Russia. Many companies had to suspend their development projects, working instead on optimizing their internal expenses. However the same reasons, served as vehicles of more active work on various topics within the scope of the Safety, Health, Environment and Security (SHES) committee, as we looked for optimal ways and means to address issues and combine various methods to provide comprehensive solutions to these issues. Within the Committee, this challenge led us to some interesting discussions during our regular meetings, and a number of remarkable open events on various topics (SHES educational programs and staff efficiency: issues and solutions; Implementation of the Kyoto Protocol in Russia: Business Approaches (this event was co-organized with the Energy Efficiency Working Group); Business Travel Safety in Russia & CIS, which won praise from relevant professional communities.

The Safety, Health, Environment and Security committee is one of the youngest committees within the Association of European Businesses in Russia. The name of the Committee itself relays

the immense diversity of issues and problems discussed within the Committee. The committee members also come from a various spheres and are a true reflection of how diverse the international business environment actually is. On the one hand, this may pose a challenge with regard to coordination across the board; on the other hand, the Committee is able to have a very broad perspective on the market and various kinds of problems and issues in different sectors of the economy. This allows the committee take a comprehensive approach to optimizing the resources needed to solve current problems, work faster and more effectively on changing the situation and market conditions, and work towards counteracting the emerging risks.

This past year, we have seen the world economic crisis problems emerge side by side with other problems that are as important as business effectiveness issues. These problem areas include mitigating natural disasters (earthquakes, floods, typhoons, draught, and others), technogenic disasters, climate change, and epidemics. The Swine Flu (H1N1) virus became a critically important problem this year as it spread worldwide. Fighting this disease alone would be both ineffective and dangerous. A much better option is to work together to solve this problem, with contributions from the pro-

fessional community and through the use of all available and accurate information. In this situation, the Health, Safety, Environment and Security committee left its mark through the effective dissemination of all information concerning the swine flu, including the latest news on the spread of the H1N1 virus, steps taken to address the issue and recommendations on preventing the disease and curbing the number of new cases. We would like to thank our members, in particular, SOS International, for making H1N1-related information readily available to all on their web-site: www.internationalsos.com/pandemicpreparedness/.

I am sure that all of us place a lot of faith in the coming year 2010. The mass media carry reports on the end of the recession and economic recovery in leading countries of the world, with promises of improved investment figures. The business community, once again, is showing signs of activity. I too am optimistic about the future. Let me close this highly intellectual article with a holiday message. Merry Christmas and Happy New Year 2010! Let all your dreams come true this year and let you find many more reasons to celebrate than to sit around sulking. Let the new year bring happiness to you and your families.

Merry Christmas and Happy New Year 2010!



AEB Open event: Business Travel Safety in Russia & CIS, organised by the SHES committee

THE ECONOMIC CRISIS AND TECHNICAL PROFESSIONS IN RUSSIA



Christian Tegethoff, Director Russia & CIS, OOO "Kienbaum"

The consequences of the global financial crisis have been particularly severe in Russia. At the end of last year, the national economy was facing collapse and the outlook was bleak until well into the current year.

Although the most dramatic predictions have not materialised, and the Russian economy has now evidently started to climb out of the trough, some industries have been particularly badly shaken in the recent months.

In addition to the construction industry and the automobile sector, the crisis hit the manufacturing sector particularly severely. Some of our customers, for example, in the chemical sector, have had to battle against revenue losses of more than 60% compared to last year; in the engineering sector, some companies have had to dismiss up to 40% of the workforce. The markets in B2B business have in the meantime completely collapsed.

Accordingly, over the course of the year, the supply on the labour market has increased rapidly, while demand for staff has decreased dramatically. Here, in addition to other jobs, technical professions have also been severely affected. Against this background, it is no wonder that there has also been a reversal in the fate of salaries. It seems that the golden years for Russian workers are over for the time being. Whereas salaries increased significantly year after year between 2000 and 2008, they have decreased in real terms in 2009. In the current year, many technical specialists are having to cope with heavy losses in earnings of between 20% and 30%, with

the cancellation of bonuses and benefits and frequent instances of part time employment. In principle, all levels of employees are affected – from workers to plant and production managers.

Those people recruiting executives in Russia are encountering a new level of humility in interview situations. Up until summer 2008, it was the candidates who dictated their terms and conditions to their potential employers; now, the tables have turned. Once again, it is the employers' stability and image that are the important criteria when job hunting.

Reputable companies today have far fewer problems in finding suitable candidates for their vacancies. Anyone taking up a new post today in Russia must often be satisfied with a significantly lower starting salary than was the case before the crisis. The times where a change of job promised a rapid increase of up to 50% in salary are gone – until further notice – and this also applies to highly qualified executives. For it is not only Russian companies that are reducing the number of jobs available, temporarily putting a freeze on recruitment. Foreign companies in particular, those that have mostly had to contend with serious problems in their home markets, have been very cautious for long periods in 2009.

Thus, the crisis has at least from an employer's point of view, its good points. In the overheated phase before the slump, salaries and workers' productivity were often unequally yoked, and in the dogged attempts to retain staff, salaries were often driven off the scale – without performance levels keeping pace. According to frequently expressed opinions, current salary levels reflect staff productivity more accurately than the level of earnings before the start of the crisis.

Nevertheless, the prospects for technically qualified staff are not bad. Above all, people with a technical university education, experience with production methods at an international level and ideally, with language skills are as much in demand as they have always been. The reason is the existing need to modernise Russia's industrial sector.

Outdated machinery and equipment have to be replaced by modern means of production in order to maintain or achieve competitiveness in business. This modernisation process must be managed and implemented by qualified engineers – and it will only recommence when businesses have funding opportunities again.

Moreover, not all manufacturing companies have been equally affected by the crisis by a long stretch. For instance, things look good for employees in the food industry where there have been scarcely any reductions in technical staffing levels. Even employees in the oil & gas and defence industries have relatively secure jobs.

A third factor is the structural lack of well-trained technical personnel in Russia. This is where the lack of a competitive professional education at an internationally recognised standard is noticeable at the specialist and skilled worker level. In addition, because of the decline in the number of manufacturing companies in the 1990s, many engineers changed jobs and went into other specialties, for example, sales. As a result of grim career prospects, few young people studied technical subjects in the 1990s, a fact that has had a negative influence over the years of the resurgence of the industrial base. For these reasons as well, workers, technicians and engineers with professional experience generally have good conditions in the Russian labour market.

The recent economic turmoil has barely affected the area of Safety, Health, Environment and Security (SHESC). This largely statutory sector is a sealed-off part of the labour market, the respective job plans will be barely cut back by businesses even in times of crisis. Experts who know their way through the maze of Russian rules and regulations and who have the mandatory licenses are in demand and will not be affected even in difficult economic times.

In short, in spite of all the economic problems, technical professions have excellent prospects for the medium and long term in Russia.

ACCOUNTING OF EMISSION REDUCTION UNITS IN RUSSIA



The Kyoto Protocol to the UN Framework Convention on Climate Change of 11 December 1997, signed on behalf of the Russian Federation on 11 February 1999, ratified with the Federal Law of 04 November 2004, No. 128-FZ “On Ratification of the Kyoto Protocol to the UN Framework Convention on Climate Change” is aimed at reducing greenhouse gas emissions by creating a global system of energy management, sustainable management of forests and limitations of negative processes of large-scale human impact on ecosystems of the planet.

Under the Kyoto Protocol, during the period from 2008 to 2012, the member states that have ratified it, including all industrially developed countries and countries with transition economies, undertake quantified objectives to reduce total emissions of greenhouse gases, calculated in relation to the baseline as of 1990. For these purposes, the projects aimed at reducing emissions or enhancing removals by sinks of greenhouse gases in various sectors of the economy are being implemented.

To assist the states in meeting their commitments, the Kyoto Protocol makes provision for several so-called “flexibility mechanisms” of interaction between the member states: a clean development mechanism (Article 12, hereinafter – the “CDM”), a joint implementation mechanism (Article 6, hereinafter – the “JI”) and a mechanism of international emissions trading (Article 17). The latter provides for the immediate rearrangement of assigned amounts units (AAU) between the states, while in the cases of the CDM

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and JI, there appear certified emission reductions (CER) and emission reduction units (ERU), equivalent to the AAU, accordingly, the total number of AAU increases.

Under the Kyoto Protocol, the Russian Federation has been assigned to countries with transition economies and included into Annex B of the Protocol, together with industrially developed countries; therefore, the mechanism under Article 6 of the Kyoto Protocol can be implemented in Russia, namely the joint implementation of project activities, aimed at reducing greenhouse gases emissions (hereinafter – “GHG”) or removals of GHG. The Russian Federation has the right to participate in CDM and JI projects on the territory of other member states, to transmit and acquire from them emission reduction units (hereinafter – “ERU”) and other carbon units.

The JI mechanism allows the participants to receive emission allowance due to participation in projects that reduce and limit GHG emissions on territories of other industrially developing countries. The result of such JI projects is a reduction in GHG emissions, measured in ERU. One ERU is equal to one metric ton of carbon dioxide (CO₂). In other words, the ownership of 1 ERU implies a right to (legally protected possibility) emit 1 ton of CO₂ or other greenhouse gas equivalent to 1 ton of CO₂.

To achieve reductions in GHG emissions in industrial and power plants, without additional capital investment in the improvement of the existing fixed assets or construction of new facilities and equipment is indeed impossible. Recordings of these capital investments normally do not cause any major issues in terms of accounting. After putting into operation the equipment and other fixed assets produced or enhanced by companies to reduce emissions, they can be used for output (e.g. an oil plant engaged in the processing of an associated gas, producing electricity in addition to reducing gas emissions into the atmosphere) or non output (e.g. pollution control equipment) purposes. In both cases, the use of these assets will result in the appearance of an ERU.

Currently, the issues of accounting and taxation of ERU are not regulated in Russia; therefore, companies involved in the respective projects are faced with a number of practical problems. The purpose of this article is to examine the possible options for the accounting of costs for the production, evaluation and implementation of ERU.

Legal nature of ERU under the Russian legislation

The main problem in the legal interpretation of an ERU is that the law does not specify the terms “greenhouse gases” and

“ERU”, and the standards for GHG emissions have not yet been developed. The definition of an ERU, stipulated under the decision 16/COP.7 of the Conference of the Parties (the subsidiary body of the Convention), does not provide with a clear and unambiguous answer¹.

Accordingly, the existence of different approaches to the interpretation of the legal nature of the ERU and the absence of an official position tangles accounting of the ERU and respective profits.

Article 6 of the Kyoto Protocol defines ERU as a unit level, measuring the state's ability to meet its obligation to reduce GHG emissions. Thus, the belonging of an ERU to a particular country (its presence in the account in the national registry) confirms its compliance with the international commit-

¹ An “emission reduction unit” or “ERU” is a unit issued pursuant to the relevant provisions in the annex to decision -/CMP.1 (Modalities for the accounting of assigned amounts) and is equal to one metric ton of carbon dioxide equivalent, calculated using global warming potentials defined by decision 2/CP.3 or as subsequently revised in accordance with Article 5.

ment to reduce GHG emissions in the volume of 1 to 3. Article 6 provides that JI projects are accomplished by the states, which may authorize their legal entities to participate in JI projects. As a result of such “delegation”, national legal entities are entitled to undertake actions resulting in the obtaining, transfer or acquisition of ERU and the national law would apply to national legal entities.

In terms of Russian environmental legislation, greenhouse gases might be considered as “pollutants”² under the Federal Law of 10 January, 2002, No. 7-FZ “On Environmental Protection”, or “harmful substances”³ under the Federal Law of 04 May, 1999,

² A “pollutant” is a substance or a compound the quantity and/or concentration of which exceeds the rates set for chemical substances, in particular, radioactive ones, other substances and micro-organisms and exert a negative effect on the environment.

³ Harmful (polluting) substances – chemical or biological substances or mixtures thereof, emitted in atmospheric air and at certain density rendering harmful influence on human health and the environment.

No. 96-FZ “On the Protection of the Atmospheric Air”. However, “harmfulness” as a quality under these laws is defined not only by the negative impact of substances on the environment, but also by the availability of relevant standards of its allowable concentration. Therefore, 1 ERU cannot be treated as a permit / license to emit a metric ton of “harmful / polluting” substances; it is a violation of the limits of allowable concentrations. Moreover, in reality, there is a system of payments for the emission of harmful substances, both within the allowable limits, and beyond-limit emissions.

GHG emissions might be interpreted as a kind of “production and consumption waste”⁴ within the scope of the Federal Law of 24 June, 1998, No. 89-FZ “On Production and Consumption Wastes” and ERU – as a

⁴ Production and consumption wastes are the remnants of raw materials, intermediate products, other goods or products developed from the process of production or consumption as well as goods (products) that have lost their consumer properties.



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license / permit for the placement of hazardous waste. However, greenhouse gases do not belong to any of the adopted in the RF hazardous classes; therefore, a license is not required to carry out any activity involving them. Assuming that GHG emissions are waste, one can conclude that the title to GHG emissions may belong to the owner of the raw materials, equipment, enterprise-issuer that is the source of the emission.

The specifics of ERU are that some Russian legal acts define ERU as a result of an "investment project," "implementation of which is carried out by a foreign investor."

In terms of Russian civil law, an ERU can be classified as property rights to the particular object of the civil law. The title for 1 ERU includes the following:

- 1) the right to produce GHG emissions in the amount of 1 metric ton;
- 2) the possibility to assign the right of emission, i.e. there is no exclusivity;
- 3) compensatory alienation of ERU (e.g. for the transfer of rights, objects or the exemption from obligation, namely, providing investments in the form of better equipment; funds required for modernization of equipment).

Therefore, the result of abstaining from emissions becomes the object of law, which can be transferred in exchange for some consideration, where an ERU is a unit of measurement of this right; whereby, 1 ERU fixes rights in relation to 1 metric ton of GHG emissions.

The ERU are characterized by non-documentary forms, as already mentioned above, they exist only in electronic form on the national accounts of the Russian Federation. However, can one say that the ERU is a non-documentary security? Based on the analysis of the Civil Code (in particular, Articles 142–144), it is assumed that currently, there is no clear legal background to classify a document assigning the right to a certain number of ERU (the right to make an x-amount of GHG emissions respectively) to securities following the definition of Article 142 of the Civil Code establishing:

- its assigning to securities by law, i.e. the security, establishing property rights to ERU and other carbon units;
- laws providing the form and mandatory details of the security to transfer

ERU and related rights thereto by its presentation or law establishing a different procedure for the transfer of rights.

However, we believe that the legal nature of the ERU will be finally clarified in the future.

Accounting ERU in accordance with IAS

The IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance" defines the state as "state institutions and similar organizations at local, national or international level." Since the certified emission reductions are granted in the Kyoto Protocol, we assume the definition of a state to be applicable and they should be treated as government subsidies in accordance with IAS 20. The IAS 20 acknowledges the subsidy, if there is reasonable assurance that the company is able to meet the requirements necessary to obtain the grant, and certified emission reductions are to be obtained. Due to the strict requirements under the program, it usually occurs only after the actual reduction of emissions, and if there is reasonable assurance that reducing emissions are confirmed by an appropriate independent authority during the authentication process and certification. The process of obtaining the evidence under the "clean development mechanism" is a complex one and depends on several criteria, which vary depending on the type of a project. Company management should ensure that the subsidy is accepted only when there is reasonable assurance that the certified emission reductions are obtained.

In most cases, the grant is accepted as an intangible asset under IAS 38 "Intangible assets"; although, some companies accept these subsidies as inventories under IAS 2 "Inventories"; whereby, the IAS do not prohibit recording of ERU as other current assets due to their specific nature as described above.

The IAS 20 allows evaluating a grant at nominal or at fair value at initial acceptance. Since projects under the "clean development mechanism" have been approved as only complying with additional criteria, in most cases, the project would not be economically

viable without the motivators being certified emission reductions.

If the subsidy is estimated at nominal value, the benefit could be accepted only under the sale or disposal of certified emission reductions that could potentially lead to a discrepancy in accounting for revenue acceptance and corresponding costs hereto. Therefore, we assume that the certified emission reductions should be accepted at fair value, and the related revenue should be registered in the profit and loss statement in the same period as the related costs, offset by a subsidy.

To establish the nature and timing of the related costs, the management should apply an estimation. In a case where some project related costs have been already incurred, these and can be registered as expenditures during the assembly and installation of equipment. This situation requires the immediate acceptance of revenue. If the related costs were not incurred or were incurred but not yet included into the costs, the subsidy must be registered to a future period as deferred income or in case of application to assets, be deducted from the balance sheet asset value.

In case of acceptance of an intangible asset, it is subsequently evaluated under IAS 38, applying either the cost model or revaluation model, allowed if the strict requirements of the standard are met. Since the certified emission reductions are implemented either by repayment liabilities on emissions or by sale, they are generally not subject to depreciation, but may be subject to impairment.

Accounting ERU under RAS

The main problem of ERU accounting is associated with the classification of ERU as a particular type of asset. Due to the fact that ERU cannot be used by company in the production of goods, implementing works, rendering services or for administrative purposes, they cannot be registered as intangible assets, or any other type of non-current assets. At the same time, the ERU are either produced by company and intended for sale or are acquired by the company and their further sale is not anticipated, which indicates that ERU accounting as goods is impos-

sible. From our point of view, the most logical way is to register ERU either as finished goods or as a separate type of current assets of the company.

In our opinion, the following options for ERU evaluation at initial recognition in the company can be established:

- **The direct costs associated with the production of ERU:** herewith, the cost of ERU can be formed as the sum of costs for depreciation and maintenance of equipment directly used for the production of ERU and the costs for certification and registration aimed at verifying the existence of ERU.
- **The fair value of ERU on the recognition date:** this method has 2 aspects:
 - **The indirect method:** the ERU price on the recognition date includes the costs of certification and registration as well as expenses for depreciation and maintenance of equipment used for the production of ERU, but only to the extent that does not exceed the fair value of ERU on the recognition date;
 - **At fair value:** the fair value of ERU on the recognition date, excluding the costs of certification and registration is credited as other income of the company.
- **At zero cost.**

The choice of an ERU evaluation method at initial recognition depends on the extent of usage of fixed assets of the company to produce ERU and complexity of calculating the actual costs of their production compared to the definition of ERU market value.

After the initial recognition of ERU recorded as current assets or final products of the company, they are subject to review for impairment. The income and expenses received from the sale of ERU are to be accepted as other income and expenses of the company because these transactions cannot be deemed as the main activity of the company.

The ERU accounting method should be developed by the company itself and approved in the Order on the Accounting Policy in accordance with RAS. Under any chosen accounting method, ERU should be represented in financial statements as other current assets at

cost defined, initial recognition net of the provision for impairment.

Tax issues

We have to admit that the tax legislation does not contain any provisions on the possible tax consequences of transactions associated with the production and sale of ERU. Taking into account the ambiguity of the legislation, it seems appropriate to outline the scope of the main problems of the tax nature that must be resolved by the taxpayer in the process of the project on the acquisition and implementation of ERU, including problems of interpretation of the transactions conducted within the framework of JI projects. These problems comprise tax consequences on income tax and VAT upon obtaining and sale of ERU, in obtaining financial support from a foreign investor in the form of funds and/or property in the form of equipment used to reduce greenhouse gas emissions, tax accounting for depreciation of fixed assets constructed, installed and implemented due to funds obtained as a result of the sale of

ERU and / or by transfer of fixed assets by an investor; tax implications associated with the payment of professional services in support of projects of the Kyoto Protocol.

It should also be noted that the sale of ERU cannot result in direct tax implications under the Russian legislation, and also in tax implications related to international taxation and taxation of countries, where foreign investors are registered. In this context, the list of issues to be covered by the Russian taxpayer shall embrace Russian and foreign ones.

Conclusion

Since companies have been carrying out more projects that provide certified emission reductions, the appropriate accounting policy should be assessed more carefully, and taking into consideration the strict eligibility criteria provided by these programs, the time when a company has reasonable assurance to obtain certified emission reductions should be taken into account so that they can be accepted.



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ENVIRONMENTAL ASPECTS OF MERGERS AND ACQUISITIONS (M&A) DEALS IN RUSSIA



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Issue

The results of multiple M&A deals conducted in the last 15 years show that transactions undertaken by international and domestic companies in Russia have resulted in a number of environmental and social liabilities, mainly due to the fact that companies contemplating mergers & acquisitions tend to ignore environmental problems at their own risk. In addition, the Russian Federation has a complex Environmental and Health and Safety regulatory system, with constantly changing approval processes. There are also certain contradictions within the existing laws and regulations.

This article focuses on typical environmental challenges, which may represent a risk to the M&A value or even torpedo a deal in Russia.

Such assessments were originally developed in the US to evaluate liability under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), commonly referred to as the "Superfund law" (1980). Later on, demand for such type of studies significantly increased throughout the rest of the world, and was imported to Russia and the CIS by international investors in 1990s.

Challenges

Key challenges in the course of Environmental Due Diligence are:

- Specific permitting issues,
- Requirement of Sanitary Protection Zones around industrial facilities,
- Historical soil & groundwater contamination,
- Use of asbestos-containing materials.

Permitting issues

All production facilities in Russia are subject to environmental permitting and authorization/licenses, regardless of their size or their nature. However, there are no integrated environmen-

tal permitting regulations in Russia. When setting permit conditions for different environmental media/components, each medium is considered separately and each type of impact to environmental media (air; water; soil) is reviewed separately. Individual impact limits for each substance are calculated on the basis of the carrying capacity of the relevant environmental medium. In case of any process or engineering alterations, the permits and supporting documentation shall be revised by the authorized bodies, taking into account modifications made. Non-compliance with permit conditions' modifications may result in administrative fines and a shut-down of the plant for up to 90 days, which may represent unfavorable material costs for the business.

It should be also noted that Russian sanitary and hygienic requirements to the quality of the environment (emissions, discharges, noise levels, etc.) are, in many cases, more stringent than standards applied by the World Health Organization.

Sanitary-Protection Zones

Sanitary protection zones (SPZ) are set for facilities, which emit pollutants into the atmosphere or have other environmental impacts. An SPZ is a physical barrier between an operation site (a plant) and residential areas to protect the population from industrial hazards



(noise, dust, emissions). An SPZ size depends on the type of operation and is identified on the basis of the above mentioned guidelines. The main condition in emission rating within the Russian Federation is the compliance with air quality and noise levels requirements at the boundary of SPZ. The accommodation of residential areas, recreational zones, schools, hospitals or food production facilities within the boundaries of an SPZ of industrial enterprises is prohibited. Based on extensive experience, if an industrial site is acquired with a significant number of sensitive receptors within the SPZ, there is a risk that the future owner may be liable for the resettlement of residents from within the SPZ area.

Historical soil & groundwater contamination

According to term 14 of the Land Code of the Russian Federation, liabilities for soil contamination fall to the polluter, who should make the necessary compensation payments. At the moment, there is a gap in the legislation concern-

ing transfer of environmental liabilities during land purchase, and in case of any legal actions, it could be hard for the new owner to prove that soil contamination wasn't caused by him ("caveat emptor"). It should also be noted that according to Russian Law "On mineral resources," groundwater underneath any site is state property, so there is a risk that fines and prescriptions for groundwater clean-up could be imposed upon a site owner for the deterioration of state property.

All production facilities in Russia are subject to environmental permitting and authorization/licenses, regardless of their size or their nature. However, there are no integrated environmental permitting regulations in Russia.

Asbestos-containing materials

The use of asbestos-containing materials (ACMs) is not prohibited in Russia. The ACM should be adequately handled as hazardous waste (ACMs are a

Class 4 Hazard, with Class 1 being the most hazardous), during dismantling operations. There are no legal requirements which obligate one to undertake asbestos surveys, keep records of ACMs or remove them from the site.

According to international environmental law and corporate standards of multinational companies, the use of asbestos in construction materials and/or equipment is restricted; for a business, this may result in additional expenditures associated with the removal of asbestos or even disassembly of asbestos-containing estates.

Recommendations

The cost of mitigating the aforementioned environmental and social risks may significantly impact the deal value. Luckily, this can be timely identified and handled as a result of Environmental Due Diligence (EDD).

Based on the results of an EDD, the future owner of a property may create a "safe harbor" by agreeing with the liability thresholds in the purchase/rental agreement.

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INVESTMENTS VS ENVIRONMENT



Roman Volynsky, Head of Environment, Health & Safety Russia MANNHEIMER SWARTLING RYSSLAND ADVOKATAKTIEBOLAG

- (iii) illegal disposal of production and consumption waste;
- (iv) non-compliance with the minimum size of sanitary protection zone;
- (v) heritage soil pollutions, etc.

Authorities and Environment

On 30 January 2008, at the Russian Security Council meeting devoted to environmental safety and main directions of environmental legislative and administrative reform chaired by Vladimir Putin, Dmitry Medvedev was the lead speaker. In addition, on 1 August 2009, Vladimir Putin chaired the conference on Maintenance of Environmental Safety where he pointed to *inter alia*, the importance of environmental safety and implementation of environmentally friendly technologies. Without going into details, it should be mentioned that the discussion of such issues at the highest level is generally perceived by Russian supervising authorities as an indication that there is a need for action.

The above clearly demonstrates the necessity to revise the existing investment algorithm and to change from 'minimum costs' tactics to a 'long-term partnership' strategy. A forthcoming increase in the state's control and supervision in this area, as well as a revision of environmental requirements will significantly shift the focus in the investment process.

Below, we consider some basic aspects of environmental safety to be taken into account by potential investors to avoid or prevent violation of environmental requirements.

Emissions

First of all, one needs to identify sources of polluting emissions on the territory of a target production facility:

- (i) boilers;
- (ii) heating stoves;
- (iii) chemical laboratories;
- (iv) metal melting and coloring shops, and;
- (v) dust-generating and food production facilities.

If these objects are found, it is a sure sign that the enterprise emits pollutants.

Such an enterprise must at the very least:

- (i) have a valid emission permit,
- (ii) annually submit a report on the invariability of production processes,
- (iii) submit environmental statistics reports according to form 2-TP (air), etc.

Discharges

A lot of production facilities in the Russian Federation do not have access to sewage networks. Hence, wastewaters are generally discharged directly into water objects or an adjacent surface.

To discharge waste waters into water objects and/or an adjacent surface an enterprise must

- (i) receive a water body use permit;
- (ii) have a valid discharge permit;
- (iii) submit environmental statistic reports according to form 2-TP (vodkhoz), etc.

Waste

It is fair to say that **all types of activities** lead to generation of waste. Thus, all enterprises, including those that are not engaged in production, must comply with the applicable waste disposal requirements.

To dispose waste an enterprise must

- (i) obtain passports as regards each type of generated waste,
- (ii) obtain limits and permits for generation and disposal of waste,
- (iii) submit environmental statistics reports according to form 2-TP (otkhody),
- (iv) appoint a person responsible for handling of waste,
- (v) comply with waste disposal requirements,
- (vi) obtain hazardous waste management license (if applicable), etc.

In summary, any legal entity whose activity results in negative environmental consequences must pay the obligatory

The recent green and brown field investment projects are evidence of the growing significance of risks related to a violation of Russia's environment, health and safety (EHS) requirements.

Latent Trend

Practice shows that in two of each three pre-sale M&A due diligences, EHS specialists reveal violations of environmental requirements, which lead to either

- (i) refusal to proceed with the acquisition or;
- (ii) substantial adjustment of purchase price and revision of transaction structuring.

Media

Violations of environmental requirements committed by major international investors have already come to the public domain and led to hot debates about inefficient cooperation of business and governmental bodies in the field of EHS. A wide range of the revealed violations indicates the high importance of the issue:

- (i) emissions of pollutants into the atmosphere in the absence of permits;
- (ii) discharges into water objects with a significant excess of maximum permissible concentrations of polluting substances;



environmental charges for air pollution, water pollution and disposal of waste.

Heritage Soil Pollution

Russian environmental legislation provides that a person that caused damage to the environment must compensate such damage by means of

- (i) special compensation payments according to the statutory calculation methods, or
- (ii) rehabilitation of the environment.

Meanwhile, Russian land legislation stipulates that owners, users, and tenants of land plots are responsible, inter alia, for

- (i) clean-ups operations,
- (ii) soil rehabilitation, and
- (iii) restoration of soil fertility.

In practice, it might be difficult to identify the actual soil contaminator. Moreover, some soil contaminations could have existed from the Soviet times. Thus, in case of heritage soil contamination, there is a risk that Russian environmental authorities may force an actual user of the land plot (e.g., a lessee), to make clean-up works or to compensate the environmental authorities for clean-up costs.

Hence, it is very important to investigate the land plot's history and to identify potential polluting sources such as fuel storage, open waste storage sites or cattle burial sites before the transaction.

Sanitary Protection Zone

As a matter of Russian law, every production site has to be surrounded by a sanitary protection zone (SPZ) to decrease the negative environmental effect caused by the production site. Sanitary regulations set forth mandatory requirements as to the size of sanitary protection zones, depending on the level of negative effect caused. Inside the SPZ, it is prohibited to locate

residential premises, recreational zones, health resorts, collective and individual country houses, etc. When acquiring a production facility, it is necessary to verify its compliance with the requirements of the minimum size of an SPZ, especially when expansion of production is planned.

Non-compliance with the applicable SPZ requirements may lead to (i) resettlement of inhabitants and relocation of facilities located inside the SPZ, (ii) necessity to prove the decreased size of applicable SPZ or (iii) suspension of production activity.

There are other aspects of environmental safety, which should also be taken into consideration when implementing investment projects. Unfortunately, the above risks are rarely considered by investors and their counsel. Violations described above may lead to civil, administrative and criminal liability of investors and their employees, as well as a blurred reputation of an enterprise and/or an investor. Moreover, Russian legislation provides that if operation of a production site entails adverse environmental consequences or may cause personal injury, the court may force the owner of the production site to suspend its production activities.

The described risks can be identified during a pre-sale environmental, due diligences generally consisting of the following steps:

- (i) Phase I (*legal environmental health check*) and
- (ii) Phase II (*technical environmental audit*).

There are no doubts that early identification of said risks must become a part of investments risk management.

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REDUCING RISKS THROUGH CORPORATE MANAGEMENT SYSTEMS – A Q&A SESSION WITH KONSTANTIN TIMOSHECHKIN, HEAD OF SYSTEMS & SERVICES CERTIFICATION OF SGS VOSTOK LIMITED (THE SGS GROUP)



The current economic situation has raised business environment uncertainty, which has been volatile in any case. According to Konstantin Timoshechkin, Head of Systems & Services Certification of SGS Vostok Limited – corporate management systems are an instrument that can ensure the viability of an organization in the long run. Read more about subtleties of ‘playing’ the instrument in our interview below.

Konstantin, you say that a systematic approach to enterprise management makes business more secure. What do you mean when you say ‘more secure’?

First and foremost, I mean such organizational characteristics as sustainability i.e. when a business has a kind of immune protection against a series of threatening dangers, under conditions of market uncertainty. It is the systematic approach that well in advance allows identification of risks that a company is subject to, in order to have control over them, take preventive measures at an early stage and minimize the consequences of their impact on the work via corrective actions.

Certainly, every organization has its own identity, and threats may differ depending on the nature of its activities, organization size, market structure and product positioning, as also because of many other factors.

For example, consumer health shall be of prime importance in food production: microbiological contamination may cause a compromised state of well-being and in some cases, this may lead to fatalities, which will inevitably affect company profits, activities and may lead to the company shutting down. The presence of a food safety control system within company helps avoid such a situation. Another example is the unauthorized access to information. This is a critical risk to companies that process huge amounts of confidential data (in banking, insurance or telecommunication business). In this case, the organization’s sustainability depends on the functional effectiveness of its information system security and control.

Mention may be made of the risks that are practically universal among all types of organizations, such as customer loss risk due to quality problems or risk of negative impact on environment (because even small offices consume electric energy and use paper media; thus, utilizing natural resources in their work).

Obviously, any company has a management system, which takes into account the sector’s particular characteristics. But these companies may not necessarily be ‘sustainable’...

Of course, a company without management cannot function at all. But the question is not about just simple functioning and survival, rather, it is about effectiveness and sustainability. With this regard, the role of a management system is fundamental. Viability or, if you prefer, safety of a business will depend upon how intelligently such a system will be built up and how it will be used. Also, certain international standards that may be considered as prototypes because they generalize the experience and practices of companies throughout the world, may be of help.

Currently, the most known and popular are ISO standards, the two most widely spread among them being the ISO 9001:2000 standard (its latest

version – ISO 9001:2008 is currently being developed), which describes requirements for quality management systems, and the ISO 14001:2004 standard, which describes requirements for environmental management systems. According to ISO statistics, these two standards are used by more than one million organizations in 175 countries in the world; mainly, due to their universality. They are applicable to any organization, whether it consists of a couple of employees or is a global corporation involved in the field of servicing or heavy industry; moreover, these standards may be used by both commercial companies and governmental institutions.

Does this mean that the standards bring all organizations to a common denominator; thus, practically eliminating individual characteristics and neutralizing competitive advantages?

If it were so, ISO standards would have hardly acquired so many users under the market conditions. In fact, international standards relating to management systems standardize just the approach towards management, i.e. they stipulate the requirements a system must comply with, but they do not include clear instructions on how a certain company must do it. Thus, to ensure quality, ISO 9001:2008 is based on eight key principles. If a company complies with these principles, it will most likely be manufacturing the product that meets consumer expectations. However, the standard does not include recommendations with regard to the exact quality of the product! ISO 14001:2004, while it describes the approach which would allow an organization to steadily reduce the harmful impact of its activities on the environment, does not provide any exact instructions either, relating to, say, waste recycling.

It is clear that loss of a client is a real threat, which may have financial implications, so a company ‘hedges its bets’ by implementing a quality management system. In the case of the environmental

management system, are merely social objectives pursued?

It is true that ISO 14001:2004 is the most socially oriented standard; so, by complying with its requirements, an organization makes its strong contribution to the prevention of an ecological catastrophe on our planet. However, this does not minimize the importance of this standard from an economic point of view. I'd like to point out that in almost every country in the world, including Russia, there are applicable environmental laws that set forth a series of sanctions that may be imposed upon law-breakers: from penalties up to a company's suspension of operations. The environmental management system assists a company in acting within the framework of the law; thereby, avoiding undesirable outcomes arising from visits by the supervising authorities. With this regard, the company can yield significant economic gains through cost reduction.

The same can be said in relation to OHSAS 18001:2007 – a standard which includes requirements for an occupational health and safety management system. Complying with this standard's requirements, i.e. managing the risks of emergency situations and employee personal injury shall improve a company's corporate image in the eyes of its personnel and its partners and may even reduce the organization's expenditures (for mitigation of emergencies, medical treatment of and compensatory payments to employees), while simultaneously improving production efficiency due to a reduction of equipment idle hours and staff rotation.

It is commonly said that a standard describes an ideal model, which has little in common with business reality because it has been developed by theorists.

The answer is definitely in the negative. The management systems standardization process has been perfected year by year in the world practice. Technical Committees for Standardization involve professionals in the most diverse fields of knowledge, such as representatives of national standards bodies, test laboratories, consumer associations, environmental professionals etc. But what is more important is that generally, the initiative to develop a particular

standard comes from a business and it is mandatory that its representatives participate in the preparation of that standard. In the end, it is the world's best practice in the relevant business field, which is reflected in the developed standard. The effect achieved by a business due to the adoption of ISO 9001 and ISO 14001 – the first system standards in chronology – triggered the development of other ISO standards that help cope with industry risks and highly specialized types of risks. For example, the above is true of ISO 22000:2005 – food safety management standard, ISO/TS 16949:2002, which includes automotive industry quality management system requirements, and ISO/IEC 27001:2005 – information security management standard.

However, ISO is not the only organization for standardization in the field of management systems and risk management. Thus, GMP principles (Good Manufacturing Practice), applicable to quality and safety management systems for pharmaceuticals have been developed by the World Health Organization (WHO). Freight Security Requirements (FSR), relating to security of logistics operations have been established by the Technology Asset Protection Association (TAPA), which unites manufacturers and logistics companies. The Equator Principles (EP) are the standards for financial institutions to manage environmental and social risks in their project finance transactions; they have been established by a group of financial institutions, with intensive assistance from the International Finance Corporation (IFC), a member of the World Bank Group. All these standards are based on an intimate knowledge of particular features of a business.

Would it be possible to simultaneously apply the requirements of more than one standard within an organization or would it be necessary to make a choice in favor of the most applicable one?

In view of the fact that different standards are developed for different purposes, the implementation of more than one management system within an organization has been widely practiced in Russia and abroad. With this regard, the problem of overmanning and proliferation of a corporate management system may arise in the event that its

subsystems represent just a pile of archival files on the shelf instead of being an integral part of the organizational life.

The existence of a standardized approach must have advantages. A management system must not be a burden which weights down business processes; vice versa, it must facilitate company work. Several systems may be integrated using common elements (e.g. with regard to the implementation of the continuous improvement principle, conduct of internal audits, management of documentation and records etc.); by doing so, many companies avoid duplication of functions and optimize their cost and time efficiency.

In order for a management system to be more efficient, is it necessary to undergo certification?

As a business manager dealing with certification I should have said, "Certainly, yes"! However, a certificate is not as significant as the availability of a robust operating system, which makes business predictable and capable of sustainable development under any fluctuation, which may arise as a result of the impact of an organization's internal and external environments on its activities. Unconditionally, a company has the right to choose to use the principles of the chosen standards over compliance with principles based on the recommendation of internal audits. However, the involvement of an independent third party in the examination of a management system's efficacy will give additional advantages. First and foremost, it will be a look from outside: the third party in the form of a Auditing Company has a sound experience and the professional skills required for the verification of management systems; therefore, the audit findings report may be of a great help to any company which makes continuous efforts to enhance its performance.

So, you mean that there is an option of conducting an audit without obtaining a certificate?

Yes, and some of our customers in fact ask us for only the auditing services without the certification component. It is intended just for the accomplishment of their internal objectives, whilst certification introduces a publicity component, since an international certificate can obviously be used for Public Relations purposes.

THE ROLE OF A GENERAL CONTRACTOR IN BUSINESS SECURITY: OBJECTIVE NECESSITY AND RUSSIAN REALITY TODAY



Michael Balev, Director for Strategic Development,
MIG Security Services

of managers being less) who are able to manage these offers professionally to deal with the aforesaid key aspects. In other words, there are many people who know “what to do,” and “how to do it,” but not too many who know “why” something should be done. An answer to the “why” question is needed before we go on to solving the issues of “what” and “how.”

Outsourcing is usual business, when a company has no desire or motivation to get engaged into something other than its major field of activity. But if business security services are outsourced, the company must guide this process, and build a productive relationship with the independent service provider. Avoiding problems in these management processes is especially important during the crisis period, when a business is especially vulnerable to wrongful actions, particularly, when cutting costs, a process which often takes the form of an avalanche. Management and planning in security services may also be outsourced, which is not only possible, but also necessary in modern Russian conditions. Below, we will try to explain why it is necessary.

Business safety is a rather complex and multifaceted process. However, to define the main laws in the management of this process, we do not have to describe it in detail. We may choose, instead, to consider simple examples, which will demonstrate all common problems, and show how these problems can be attended to.

A range of business security services usually includes:

- Security guard services: guarding premises/territories and property, including transportation service, staff bodyguard services, etc.;
- Engineering safety services: fire alarm, access to premises, video monitoring, etc.;
- Gathering, classifying and analyzing information, compilation of infor-

mation-related reports in various aspects of business, including procedures of due diligence and background checks for new employees;

- Investigating cases of incurred damages; counteracting commercial espionage.

Therefore, the main processes of business security include:

1. Designing the strategy of business security, defining priorities of solving various problems;
2. Carrying out an expert assessment of business security; planning events to solve these problems;
3. Development methods of business security operations, or adapting the existing methods to new conditions of their application in each concrete project;
4. Developing standards for service providers, and adapting these standards to conditions of their application in various countries and regions;
5. Compilation of tender terms for selection of contractors in various aspects of business security;
6. Competitive selection of service providers from among security companies, information collection agencies, detective agencies, law firms, transport and service companies, etc., in accordance with their ability to deliver the services as required;
7. Settling contracts with service providers, settling financial issues;
8. Standardizing performance criteria, preparing the necessary service documents;
9. Maintaining on-going control over performance standards;
10. Maintaining document flow;
11. Maintaining on-going financial reporting;
12. Resolving emerging problems in business security, with access to additional ways and means;
13. Organizing seminars, workshops and training sessions, in-service

Using general contractor services is an ordinary approach to business in various branches of the economy, for example, in the construction, mining and mechanical engineering industries – to mention but a few. The main advantage of using general contractor services lies in the optimization of business management and working processes. Key aspects within this process are:

- Expediency
- Efficiency
- Controllability
- Profitability
- Convenience
- Quality

Safety issues are among the top priorities for any business. Any company must attend to these issues at some point in time. The larger the company, the more important and numerous the risks of wrongful actions (risks involving material assets, intellectual property, lower efficiency of business, general criminal threats, etc.) are. To minimize these risks, companies develop and implement comprehensive preventive programs. These programs are directed by either company’s own staff or external service providers. However, using general contractors for security services has not yet become a common occurrence on the Russian market due to a number of reasons, including geographical and political realities of modern Russia. There is also a considerable imbalance between the offer and the number of managers (the number

training programs for various categories of company staff.

Business security processes are managed in three ways:

- Independently - with own administrative infrastructure, capable of providing effective and comprehensive control over all business security processes;
- Mostly independently - with the use of a specialized consulting company, taking care of points 2 to 5 of the above-stated functions;
- With use of general contractor services, providing service items 2 to 13 of the above list.

This process is in many ways analogous to a construction business, where a company can build a house on its own, hire a consultant (a neighbor, for instance), or hire a construction company to do the job after selecting a project and approving the expenses of a turnkey project.

We can assess the relative effectiveness of these options by studying a simplified abstract example. For instance, say a company in Novosibirsk needs to provide security for a new office of a Moscow-based bank with branch offices across Russia. To do this, the following events will take place:

- Installation of fire alarms and burglar alarms connected to the firefighter and police alarm switchboards;
- Installation of access monitoring systems;
- Installation of video monitoring systems;
- Organizing security service in the new office: a guard on duty or an alarm button, or both;
- Organizing maintenance of all technical safety equipment in the office;
- Organizing monitoring of safety requirements and security service quality;
- Organizing periodical inspections of staff loyalty, assessing risks and minimizing losses in crisis situations, etc.

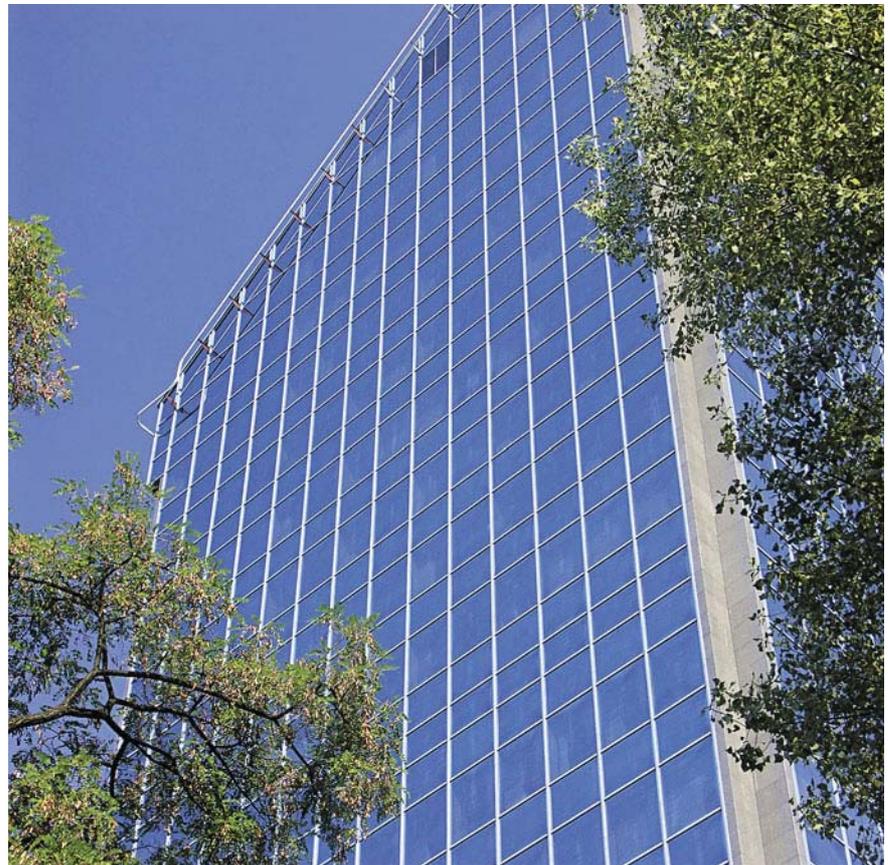
Actions:

Stage 1: Examine the office premises to define further action and determine the amount of works; search for a supplier of technical safety equipment, able to deliver and install the required technical safety equipment; choose a design and assembly company, discuss

and develop the technical project; conclusion of the design contract.

Stage 2: Coordinate and sign the technical project; assess the expenses; settle the necessary contracts; organize assembly operations; develop the physical security and internal procedure concepts in accordance with the technical security systems; find security companies to provide security services; conclusion of the necessary contracts.

Stage 3: Accept the installed technical security systems after control testing; choose a contractor for maintenance services; conclusion of the necessary contracts; organize the work of the security company on site.



Stage 4: The new office opens. Staff are instructed regarding operation of security equipment, internal security rules as applicable to general bank security procedures. Setting up the monitoring and reporting system. Coordinating the work of security service providers and office personnel of the bank.

Should the bank choose to carry out all these operations independently, then a security officer (security manager, access manager or any other official responsible for providing security ser-

vices), would have to move to Novosibirsk for at least a month or travel to Novosibirsk at least four times, two or three days at a time, in accordance with the stages of operations as shown above.

The experience of MIG-Center company, which specializes in security service operations, shows that all the above technical systems would cost around \$15,000–20,000, of which the equipment and installation would cost around \$12,000, and outsourcing services would cost some \$5,000 to 8,000.

Interestingly, a month-long business trip of a manager to Novosibirsk, or four three-day trips in accordance

with the plan as shown above, would cost much more than \$5,000–8,000, to say nothing of the fact that the manager would have to abandon all his or her other projects for a time-being.

Certainly, charges may be optimized, and the bank could do it independently, but this could end up leading to lower efficiency. An optimal correlation of efficiency and expenses is achieved only when the coordinating manager is familiar with local realities, including living conditions and the business environment. Each region

has its own government, laws, culture, traditions, and mentality. This necessitates availability of independent local managers, capable of solving these problems. Hiring local managers would help bring down the cumulative expenses, and improve the effectiveness of all operations.

As a side note: there's usually no sense in using local service providers; often it is more practical to hire companies from other regions to deal with certain problem areas. In particular, this applies to choosing security companies for industrial enterprises. According to practical experience, hiring security companies from other regions renders a fairly positive effect on the cost and effectiveness of security operations, which is due to several aspects. Firstly, staff security officers would be paid less money, transport expenses and overcharges will be reduced due to shift method of service, security officers would be more reliable due to limited contact with the local population and company staff. All these positive effects, however, may be achieved only

if the management is adequate, and working schemes are adaptable to various conditions across different regions.

Therefore, companies with nationwide presence would do better in terms of functional and economic efficiency if they hire external service providers for their security needs, choosing from companies with many regional divisions, since they can help optimize the following expenses:

- Minimizing overhead charges (including business trip charges);
- Optimal adaptation to local conditions;
- Optimal selection of service providers.

The experience of MIG-Center Company shows that the best option for companies working in Russia is to use affiliated companies in all federal districts and large cities, in close contact with local companies with experience in project management and security operations. This approach allows one to take into consideration all the local issues, optimize overhead charges and provide centralized control over all

the processes while retaining a general focus for the entire project.

In conclusion, we would like to summarize the benefits of outsourcing security services:

- Decrease of cumulative expenses related to security due to optimization of overhead charges and minimization of latent costs;
- Improved efficiency of the entire business security system of the client's company, and improved efficiency of separate actions;
- Optimized adaptability of the client's business to local conditions in all the regions.

In other words, such an approach to business results not only in charges, but in revenue generation as well, which is more pleasant and motivating, since maintaining business safety is an important component to the overall success of a business. I believe that in the future this rational approach to providing for security of their business will dominate over other approaches for companies who plan to continue increasing their presence in Russia.

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WATER, A SOURCE OF LIFE!



Bruno Loyer, Executive Director,
Degrémont (Suez Environnement), Russia

Water is a precious natural resource the shortage of which is becoming more evident around the world. This is in part, due to the rising demand of industrially developed nations, agricultural needs and natural disasters such as drought.

In order to ensure the health of people all around the world, drinking water treatment plants are designed, built and operated every year.

The city of Moscow, for instance, has 5 major water treatment plants (Severnaya, Vostotchnaya, Roublevskaya, Zapadnaya and Yugo-Zapadnaya) and about 10,000 kilometers of water pipes that bring drinking water to an estimated 11 billion consumers. This represents a volume of 5,000,000 cubic meters per day.

Ground water, surface water, brackish water or seawater: wherever it comes from and whatever the initial quality of the resource, it can be converted to drinking water. To do that, technologies are necessary to produce and meet the ever more demanding health standards.

Modern Purification Methods

1. Reverse Osmosis Desalination

Among the technologies developed by companies (such as the French Degrémont, a subsidiary of the French group GDF SUEZ that has specialized in water treatment plants for 70 years) over the past decades is the reverse osmosis desalination. The principle

involves passing seawater or brackish water through a membrane, which is impermeable to dissolved salts, after purification. After an appropriate water treatment of that sort, water can be used for human consumption and agricultural or industrial purposes.

2. Membrane Ultrafiltration

The use of membrane ultrafiltration solutions is another example. The membrane, while acting as a barrier to unwanted elements (bacteria, viruses, etc...), preserves the natural salinity of the water by letting the dissolved salts go through. When used along with activated carbon, it also has the advantage of trapping micro-pollutants and unwanted odours: this is called the "cristal process." In addition, membrane ultrafiltration is environmentally friendly and cost effective, as it does not employ the use of chemicals. All these virtues encourage the use of membrane ultrafiltration. For instance, in Russia, one of the world's largest drinking water production plants (Yugo-Zapadnaya drinking water facility) using ultrafiltration membranes, has been operating in Moscow since November 2006, with an output of 250,000 cubic meters per day.

Health and Safety in Water Treatment

From the design phase of water treatment plants, through all the stages of the water treatment process, health and safety policies are a concern to the companies. These include policies that apply to people, equipment, processes and facilities.

To anticipate possible risks, companies comply with the Russian regulatory framework and European standards, and implement action plan follow-ups, safety visits and audits in the field.

Companies' social and environmental responsibilities are nowadays more and more assessed. The development of such practices in Russia would contribute to the securisation of sewage disposal services for a significant portion of the population. In combina-

tion with advanced technologies that comply with water quality standards and requirements, these practices would also ensure a reliable supply of drinking water with a minimized associated environmental impact, as well as the reduction of the costs for Vodokanal (water utilities) in the cities.

Water treatment projects take into account population growth, increasing shortage of the resource, as well as environmental issues.

A seawater desalination plant can, for instance, run entirely on wind or solar power; the use of green energy can enable the reduction of greenhouse gas emissions by several thousand tonnes per year.

Faced with the increasing scarcity of water resources and risk of pollution, water enterprises constantly improve their process. They support Research and Development in a large range of topics – to save fossil energy by producing renewable energy during water treatment; to optimise health security; to safeguard aquatic environments; to reduce, process and reprocess waste and to upgrade the effluent quality, which – after several treatments – is released into the environment.

Whether it is drinking water production plants or wastewater treatment plants, advanced technologies and expertise are a key to help improve sanitary conditions, to prolong water usages and preserve natural resources.

The very nature of water treatment activities make water companies key players in protecting the environment today.



Yugo-Zapadnaya drinking water plant's purification membranes (Aquasource)

STRATEGIC HEALTH MANAGEMENT OF LARGE SCALE PROJECTS SHOULD TAKE INTO CONSIDERATION BOTH WORKERS AND COMMUNITY



Ana Mensua, International SOS Public Health Specialist
Francesca Viliani, International SOS Director of Public Health Services

Large scale extractive industries projects and developments play a significant role in the national economy growth of many countries and can have a strong influence on the health of the population. The extractive industries' sector is committed to perform their operations according to the highest possible standards, and health and safety are the most crucial components. The International Finance Corporation (IFC) has developed "Performance Standards on Social and Environmental Sustainability" and three of these standards relate to health and safety of workers and communities (IFC 2007). The main rationale behind the support for worker and community health standards is the interdependence between the project, the community and the workforce.

Financial institutions such as the IFC and other banks are working with the private sector to ensure that sustainability is enshrined within the project since the early design phase. This is mutually beneficial as the nature of large development projects envisages a long-term presence of a company in a region. Furthermore, the financial crisis has altered the financial support to these projects and banks and financial institutions are required to provide loans for longer terms. To ensure the sustainability of these large scale projects, health of workers and communities should be taken into consideration and properly addressed as soon as possible.

The achievement of health – health understood as the "complete physical, mental, social and spiritual well-being of a person" – is a paramount objective for responsible managers. To ensure a proper occupational health and safety system, companies carry out Health Risk Assessments (HRA) to identify major areas of risks and specific classes of hazards within the work environment.

Such practice is very well established in most multinational companies. But this is the point where large-scale development projects differ from other businesses. Health management plans to achieve sustainability of a project can

not rely solely on occupational health and safety practices to guarantee the health of the workforce, but also need to consider the impacts that a development project is going to have on the health of the surrounding communities. In large projects, the workforce comes – to a great extent – from the surrounding community; therefore, the fence between employees and community is not simple to draw. The best health and safety standards implemented within the work environment will not be fully beneficial if employees are not guaranteed a continuation of such standards outside the working environment. A complete strategic health management system should pursue the fulfillment of an HRA as well as that of a Health Impact assessment (HIA) as shown in Figure 1.

A Health Impact Assessment is defined as a combination of procedures,

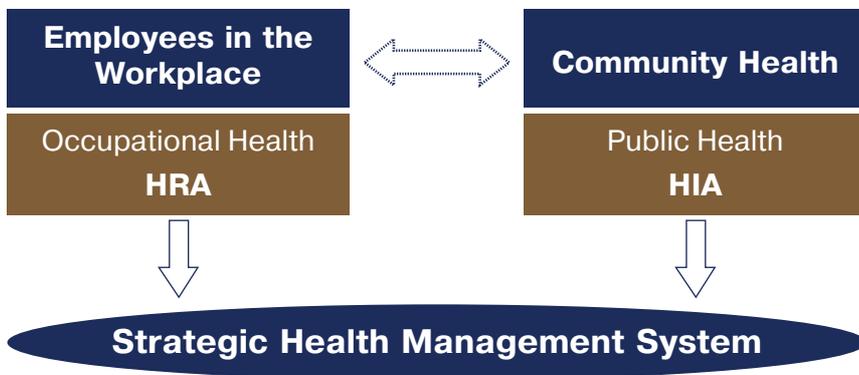


methods and tools that systematically judge the potential and sometimes unintended effects of a project on the health of a population and the distribution of those effects within the population. An HIA identifies appropriate actions to manage those effects (IAIA 2006).

There is no legal requirement within the Russian Federation for HIA, even though there are laws that protect the well-being of the public and the rights of the natives. Nevertheless, companies recognize the importance of carrying out HRA and HIA in order to develop Strategic Health Management Systems. In 2007, a joint venture operating at an



Figure 1. Strategic Health Management System



oil field in the Irkutsk region in eastern Siberia, agreed to embark on both of these assessments at the initial stages of the construction work. These assessments gave them the opportunity to develop a strategic health management process to manage the health and safety conditions at the workplace, as well as to protect the health status of both the project workforce and host community by developing focused health action plans. Mitigating negative impacts on the community and enhancing the positive impacts during the project lifespan can guarantee a healthy community, which will positively translate into a healthy workforce.

The combination of the two assessments is increasingly adopted by many companies globally. This approach has been recognized as the standard in the oil and gas industry, where HIA and HRA are two of the Health Performance Indicators (IPIECA/OGP 2007). Also, the mining and mineral sector is supporting a strategic approach to health management and

The International Finance Corporation (IFC) has developed “Performance Standards on Social and Environmental Sustainability” and three of these standards relate to health and safety of workers and communities (IFC 2007).

guidelines on HIA and HRA are currently been developed (ICMM 2009). The Russian Federation enjoys a wealth of natural resources and as a consequence, the number of planned and active development project puts the business community in a remarkable position to benefit from the valuable use of the combination of HRA and HIA. However, assessments are just tools for strategic management, leadership is the key to ensure health, safety, and finally sustainable productivity.

Acronyms: Health Impact assessment (HIA). Health Risk Assessments (HRA); International Association Impact Assessment (IAIA); International Finance Corporation (IFC); International Council of Mining and Minerals (ICMM); International Petroleum Industry Environmental Conservation Association (IPIECA); International Association of Oil & Gas producers (OGP).



COUNTRYSIDE HOUSES – A ROAD TO HEALTHY LIVING



Marina Markarova, Managing Partner of the real estate company MAYFAIR Properties

though the traffic situation is becoming more and more problematic. The main reason for this is the ecological problem – Moscow, alongside other European capitals is one of the most polluted cities in Europe. So, the recent development of countryside real estate depends a lot on that new tendency.

The countryside real estate turned out to be the most affected segment of the real estate market during the acute phase of the economic crisis. While during the year 2008 (from January to September), supply increased by more than 20%, a similar period in 2009 was characterized by a considerable decrease in supply. The reasons are obvious: a change in conditions for mortgage, rapid reduction in the number of new constructions, freezing of many new projects and the withdrawal of a number of offers from the market.

At the end of 2009, average price of a countryside house in cottage settlements in the Moscow region ranged between 1.5 mln USD and 5 mln USD in the elite segment and between 800,000 USD and 1,5 mln USD in the business sector. Most commonly requested cottage size was around 350–550 sq. m.

From an ecological point of view, the most environmentally safe direction is in the Western sections of Moscow's regions. Consequently, the prices there are much higher than in other regions. The western regions are located around the Rublyovo-Uspenskoye highway, which is in highest demand (37% of total number of requests),



Novorizhskoye highway (31%) and Kaluzhskoye highway (24%).

Decentralization, which is in part linked to the desire to live in an ecologically friendly environment, is another reason why people opt for longer work routes. In the last few years, the concept of a residence located further than 50 km from MKAD, a so-called "dalnaya dacha", has gained a lot of popularity. Other reasons these houses are becoming increasingly popular are cost effectiveness – they are cheaper in comparison to housing 20 km from MKAD or less – and availability.

Like in other market segments, the fourth quarter of 2009 shows that the situation is leaning strongly towards a stabilization in the countryside real estate prices, in some rare cases even an increase in the cost of housing. Nevertheless, so far, in the fourth quarter, the overall price reduction constitutes 32%. Unlike the prices, the budgets of the buyers have increased: while a majority of requests submitted during the summer months were within a budget of 2,5 mln USD, by the end of the year, this figure rose to 4 mln USD.

Increased demand for high priced countryside rented property: 20,000–30,000 USD/month that began in the III quarter, continued, proving that people still consider a healthy life style a priority. It is important to note that the world financial crisis dramatically changed people's opinion of what is important all around the world. After years of pursuit of wealth, family values have become more significant. These changes influence all spheres of life, especially, the real estate market: in the process of choosing a potential residence people more often put location and ecological characteristics in the first place.

Good ecology as a goal has created a special interest in "green buildings", which are designed, constructed, and operated utilizing a whole-system

For the real estate market in Russia, the outcome for the year 2008 turned out to be quite controversial. The results at the end of September 2008, came out as a true shock for the Russian real estate market. In one moment, millions of announced square meters turned into the tens of thousands, deficit of "proper" land plots turned into their oversell. Next, unsatisfied demand turned into a delay in purchasing. Subsequently, so-called "crisis assets" were placed on the market, with 50–70% discounts.

Today, the shock has gone down, panic has been replaced by attempts to analyze the situation and make forecasts. More than that, the second half of 2009 was marked by a revival of the real estate market: delayed demand partly emerged; obviously, some of the buyers presumed that the bottom had been reached, and, as a result, started concluding deals, though supply still considerably exceeds demand in all of the market segments, especially in the most expensive one.

The new tendency seems to be to invest in the countryside real estate market, a concept that has been developing for the last few years. Thinking about their comfort and health, people opt to live in the countryside, even

design approach, aimed at enhancing the overall environmental performance of the building and the site on which it sits. The first “green house” appeared in Europe in the beginning of 90s of the 20th century. Nowadays, there are thousands of them around the world. Also, a lot of special programs for ecologically friendly buildings are being developed. In Russia, there are no such projects yet, but “green” materials are widely used by many development companies.

A green building incorporates a tripod of attributes: energy efficiency (both in material selection and actual energy use), healthy living including indoor air quality and careful resource management. A green building does not require any architectural style and it does not have to look earthy or organic. It does not have to be expensive to be build, nor does it have to look “different”. It can be designed in any style or any shape. The main focus of a green building is to provide benefits to the occupants such as cheaper heating and cooling systems, greater



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comfort, healthier lifestyle – particularly for children, greater durability and less maintenance. For the Russian real estate market, where architectural style and shape are very important, this concept is quite difficult to develop, but the importance of a healthy way of life is actually very significant, so we can expect their approaching appearance.



RECENT REORGANISATION OF ROOM-SERVICE IN THE HOTEL AND ITS SAFETY ASPECTS



Francois Morvan, Director of Operations at Marriott Moscow Royal Aurora hotel talks to Svetlana Guzeeva, AEB Director of Communications

And who are the butlers? What are their responsibilities?

"The butler is the principal manservant of a household". This definition remains true in the hotel.

Our 25 dedicated butlers have a higher education, every one speaks good English and some speak several languages.

Being a butler is to be the only interface for the guest within the hotel. Butlers meet our guests on arrival knowing everything about them, their favourite drinks, newspapers, the way they like their staff to be laid out or put together, the type of linen or pillows they like to sleep on, their breakfast preferences, and the list could go on.

Whatever a guest would need at any time, by a simple call, his personal butler is at his service. Assigning the room service duties to the butler department was a logical thing to do, making the guest comfortable and secure, receiving efficient, elegant, and detailed service.

Did introduction of this service require organising a special training for your staff?

Delivering food orders to guest rooms is certainly not new to the butlers. They are used to deliver drinks or breakfasts on guests' requests. We did concentrate the training on food and beverage offers as well as technique on how to delight guests making their experience enjoyable.

In January 2009 we had Mr. Robert Watson, a well-known butler trainer from Great Britain who trains butlers across the globe in the most prestigious hotels.

He comes annually to this hotel for an intensive 5-day workshop with the butler team focusing on how to personalise service.

Are the any special services that butlers provide in addition to the traditional set of services in the hotel and on top of what the hotel usually offers?

Butlers are make you feel comfortable whatever your needs are. There is a list of services offered, but of course, the range of butler's responsibilities is hard to define very precisely, it can be anything. They could be city or shop guides one day, business assistants on another. Once, a guest was at a loss which way to look for the Pole Star and he invited our butler to help him, which he did.

So, how long has this system been in place?

The butler service was available in the Marriott Moscow Royal Aurora hotel for more than ten years. The upgraded service available to all guests was introduced in March 2009, but became fully operational since June 2009.

Did you have any feedback from your guests regarding this service so far?

We regularly hear from our guests that it's not very common to have such high standards of service even in a five star hotel around the world. Usually people are pleasantly surprised to be personally greeted by a butler in the hotel lobby on arrival and to be taken care of through their stay.

Francois, and a little pre-Christmas conclusion. Are you planning anything special for the Christmas season? Anything to do with butlers' service or in general?

Butlers will be delivering Christmas cards and amenities to their rooms for the ones who are away from home.

Of course we will offer festive brunches for our visitors and their friends.

On December 4th, Christmas decorations will be displayed, including a signature Marriott Royal Aurora Poinsettias tree to create the festive mood.

We will be delighted to see our guests from AEB member-companies around for the coming celebrations!

Joyeux Noel.

Francois, thank you very much for talking to our readers today. Could you please tell us a little bit more about the recent room service reorganisation in your hotel? What was the idea behind it?

The room service department was one of the few departments, which saw little change over the years in the industry.

The idea was in spite of the world economic crisis, to further improve our service within the hotel.

Together with General Manager Bert Fol, we felt the need of giving it a boost.

At the Marriott Royal Aurora, we have a wonderful tool for this.

The Butler service has been available in the hotel since its opening in 1999, but originally for suites, executive rooms only. Currently, we are the only hotel in Moscow offering the full butler service to every guest staying with us, which is very much appreciated by them.

In order to upgrade our service we combined the room service with the butler department and now we offer this exclusive service to our guests as a special feature of the Marriott Moscow Royal Aurora hotel. The idea behind it is to make room service a memorable event as our butlers make the room service experience unique.

I am proud to say that within the Marriott hotels worldwide, we are the only hotel which has the upgraded room service performed by butlers.

AEB IN THE REGIONS

Rostov-on-Don Forum

On the 11th of November 2009, the AEB, in partnership with EXPERT Yug, organised a 3rd Interregional Forum – “What should be the nature of the post crisis State and business partnership”. The Forum, which took place in Rostov-on-Don, brought together the biggest companies in Southern Russia.



Ruslan Kokarev, AEB COO speaks at the Forum in Rostov-on-Don



A visit to the Volgograd metallurgy plant JSC “Krasny Oktyabr”



Official opening of the International Investment Forum

Mission to Volgograd

On the 1st and 2nd of October, 2009 the Association of European Businesses, with the support of the Administration of the Volgograd Region organized a business mission to Volgograd.



AEB delegation to Volgograd with representatives of the Agency of Investment and Development of the Volgograd region administration

The main goals of the mission were to acquaint participants with the economic and investment potential of the region and to meet with the top regional and municipal government representatives.

The mission was attended by fifteen AEB members from companies such as E.ON Russia, EC Delegation, CJSC KPMG, Merloni Progetti, DPD, Avenir, Hellevig, Klein& Usov, Siemens, DSM, Ergo Life, Uludag Exporters Association, Schneider Electric and Raiffaisen bank

During the trip, the team from Moscow was also accompanied by representatives of the Agency of Investment and Development of the Volgograd region administration and companies from Italy, Belgium and Germany.

Dr. Frank Schauff, AEB CEO took part in the special meeting of the Russian Union of Industrialists and Entrepreneurs of the Volgograd region, with the First Vice-President of the RSPP **Murichev A.V.**

The AEB mission participants took part in the International Investment Forum – “Volgograd is a city of great opportunities” and the exhibition of Volgograd region's plants and factories. Negotiations with the regions' key decision makers and executives of the plants and factories were held in the framework of the round-table discussions and B2B meetings. The Forum received wide media coverage. The information about the AEB and the meetings held was featured on regional TV channels. Moreover, a number of articles were published both in regional and federal newspapers and magazines, including the official sites of the Volgograd region Government.

The first day's program also included a visit to the Volgograd metallurgy plant JSC “Krasny Oktyabr”.

The second day of the AEB Mission to the Volgograd region was devoted to B2B meetings, a meeting with the region's authorities and an excursion.



Dr. Frank Schauff, AEB CEO; First Vice-President of the RSPP Murichev A.V. and other participants at the special meeting of the Russian Union of Industrialists and Entrepreneurs of the Volgograd region

Presentation in Saint Petersburg



E. Lukyanov, Deputy Representative Plenipotentiary of the RF President in the North-Western Federal District



P. Vandoren, Head of EU delegation to Croatia



G. Sakuler, Deputy Chairman, AEB Executive Board; Export Sales Executive, Bene office furniture



Event's participants



Event's participants

On the 25th of September, 2009, on the eve of the Europe Day, the AEB held a presentation at the Hotel Kempinski Moika 22, Saint Petersburg. The special guest speaker at the event was Evgeny Lukyanov, Deputy Representative Plenipotentiary of the President of the Russian Federation in the North-Western Federal District. The event attracted a lot of participants and received great reviews.

NETWORKING

Sixth Annual AEB Conference

On the 24th of November, 2009, the AEB held its sixth annual conference titled, Modernization of the Russian Economy: Input of European & Russian Businesses. This time around, the conference's success was due to the joint efforts of the Association and the Institute of Contemporary Development (INSOR). The conference consisted of three sessions: Legislative Regulation of the Innovating Activities; Financing of Innovating Projects; Energy Efficiency as the Transition Way to the Innovative Economy – the later was identified by President Medvedev as one of the most important target areas. Participants included representatives from major European



Stanislav Naumov, State Secretary, Deputy Minister, Ministry of Industry and Trade; Igor Yurgens, Chairman, Management Board, Institute of Contemporary Development; Reiner Hartmann, Managing Director E.ON Russia OOO; Ilya Ponomarev, Chairman, Subcommittee for Hi-Tech Development, Committee for Information, IT & Communication, RF State Duma and Natalia Schneider, Corporate Affairs Director, Telenor

and Russian companies, as well as representatives of the RF Government and European embassies. The AEB would like to thank the event's sponsors: Telenor (Platinum Sponsor) and Investment Company IC Russ-Invest (Silver Sponsor).



AEB Open Event: Briefing by Thomas Mirow



Thomas Mirow, President, EBRD

On the 10th of November, 2009, at the Marriott Aurora hotel, the AEB held an open event – a briefing by Thomas Mirow, President of the European Bank for Reconstruction and Development titled, EBRD: Strategic Priorities for the Russian Federation. The event was chaired by Reiner Hartmann, Chairman, AEB Executive Board; Dr. Frank Schauff, AEB CEO and Eric Rasmussen, Director for the Corporate Sector, EBRD. Mr. Mirow talked about Russia, the financial crisis and its effect on the economy. He also talked about the EBRD's activities and investments in Russia and elaborated on the Bank's priorities, which are energy efficiency; diversification, modernisation and competitiveness of the real economy; infrastructure development and strengthening of the financial sector. This was followed by a questions and answers (Q&A) session. In all, the event was very successful, with a remarkable turnout.



Thomas Mirow, President, EBRD with event's key players

AEB Open Event: World Bank Briefing



Michael Webb, Deputy Head, EC Delegation to Russia



Mr. Klaus Rohland, World Bank

Following a well established tradition, on the 12th of November, 2009, at the premises of the Delegation of the European Commission, the AEB held a World Bank Briefing. The briefing, titled, "Current Trends in Russia's Economic Development," was based on the upcoming World Bank Economic report #20 and featured two main topics – the microeconomic impact of the crisis in Europe and Central Asian transition countries as well as road safety in Russia. Participants at the event were presented with a brilliant opportunity to receive comments on this report from Mr. Klaus Rohland, Country Director and the World Bank's Representative for Russia and Mr. Zeljko Bogetic, World Bank Lead Economist and Coordinator for the Russian Federation, Europe and Central Asia. As expected, the briefing was a smashing success, as was evident from the turnout and the reviews received.



Karlis Smits and Benu Bidani, World Bank

AEB Roundtable – BUSINESS AND DISABILITY: BEST PRACTICE

On the 29th of October, 2009, at the Delegation of the European Commission to Russia, the AEB held an open event- a round table titled “Business and Disability: Best practice.” This was the first meeting of this kind, where European companies operating in Russia discussed ways of including disability into their business model in Russia.

Presentations at the round table focused on the following issues:

- existing best practice of employment of people with disabilities in Russia;
- how products, goods and services of companies can be adapted to clients with disabilities;
- how cooperation between business and specialised workshops for young people with disabilities can be established;
- business as a customer of products manufactured by specialised workshops (Experience of the “Charity Instead of Souvenirs” Project).

In all, the round table was a success and received great reviews.

AEB Swedish EuroReception

On the 8th of October, 2009, the Swedish Ambassador to the Russian Federation, H.E Tomas Bertelman welcomed everyone to the AEB Swedish EuroReception that took place at His Excellency’s residence. After the warm welcome speech by the ambassador, the event was officially declared open. The lovely music, food and wine were enjoyed by everyone and created the ideal atmosphere for networking and socialising. The AEB would like to thank the Swedish embassy and Nordea for hosting and sponsoring the event.

Open Event: Presentation by Sergey Dubinin, Member of the Board, VTB Capital

On the 23rd of October, 2009, the AEB held an open event, a presentation by Sergey Dubinin, Member of the Board, VTB Capital. The presentation was on his book titled, “Russia against the Crisis: Who will win? The Game will take place in any weather.” Though Mr. Dubinin is known as a specialist in economics and finance, the content of the book is broader and the author himself defined it as “science writing”; his aim – to reach an audience craving for the truth from the onset.



From L-R: Adrien van der Meer, Executive Director, ISTC; Sergey Dubinin, Member of the Board, VTB Capital and Dr. Frank Schauff, AEB CEO



Event’s Participants



From L-R: Ruslan Kokarev, AEB COO; Svetlana Lomidze, AEB External Relations Director and other participants at the event



Representatives of Nordea, sponsors of the raffle draw and co-sponsors of the event



Svetlana Tolmatcheva, ST Management Consulting and Andres Garcia, Haldor Topsoe A/S



Michael Byrne, RFT Project Management and Frank Ebbecke, FE Communications



Guests at the event



Guests at the event



H.E Tomas Bertelman, Swedish Ambassador to the RF



Sponsors of the raffle draw presenting a prize to a lucky winner



Piotr Voloszyn and Galina Rozhkova, Polish Enterprising Club



From L-R: Oleg Babinov, The Risk Advisory Group plc; Maria Bliznetsova, AEB and Mikhail Noussinov, BSGV

ECONOMIC CRIME AND CORRUPTION IN RUSSIA



Oleg Babinov, Head of Russia, Eastern Europe and Eurasia Practice, The Risk Advisory Group plc

The subjective evidence is that most managers of foreign corporations and banks that are already active in Russia and lawyers working for major international law firms agree that the business environment is becoming safer; that it is getting 'normal'. There are, however, two areas representing a significant threat to foreign businesses; these are official corruption and internal fraud and management corruption.

Official corruption

Russia's low ratings in research carried out by organisations such as Transparency International are well-known. The main risks in this area, however, arise from international anti-graft legislation, such as the US Foreign Corrupt Practices Act (FCPA) and the current draft UK Bribery Bill. The US prosecutors take the long-arm approach against non-US businesses based on aggressive interpretation of the statute. This is well-known to the growing number of European companies who find themselves subject to multi-million dollar fines imposed by US regulators, in response to bribes to foreign government officials (who, from the US government's perspective, include managers of companies, where foreign governments hold a majority stake and even administrators of state-owned clinics) in order to 'obtain or retain a business'.

In this case, the most important solution is to build adequate systems and controls to prevent engagement in bribery. These systems are required to include vigorous checks on business counterparties, including agents, consultants and intermediaries, in order to ensure that business deals with them would not endanger compliance with the FCPA and similar international legislation.

Practical solutions in specific situations often demand appeals to a higher political authority, reporting on bribe extortion demands by lower-level officials: senior local and regional politicians are more likely to appreciate the

benefit of incoming investment for the general economic and social situation in their region than 'small fry' selling his or her power of granting approval. Companies also need to make thorough comparisons between cities and regions, in favour of those where investors are more welcome and graft less tolerated.

Internal fraud and management corruption

Based on the official statistics view, this is a terra incognita. In the first eight months of 2009, only 3,303 crimes 'against the interests of service in commercial and other organisations' – the official Russian term for internal fraud and management corruption – were detected, including just 1,440 instances of kickbacks. This is ridiculously small, compared with the 34,044 cases of 'crimes against the interests of the civil service' and 10,581 cases of bribery identified within the same period. For everyone with some experience in Russian corporate environment, the official statistics of internal fraud and management corruption does not make sense. These crimes just do not get reported to the regulators by their main victims – the corporations, who treat them as 'internal matters'.

So, how can companies deal with internal fraud and management corruption in an environment governed by the principle, 'what you are not stealing from your employer, you're stealing from your family?' One element of the solution is similar to how they should deal with external corruption – it is to build adequate systems and controls to prevent it. Violators should be punished without hesitation, disregarding their status, regalia and achievements. All employees need to know that their company has a zero-tolerance attitude to management corruption. Employee screening is an important element of these control systems.

It is important to understand that corruption in Russia deep seated and

In the perception of many international business executives, economic crime is one of the most important factors, when it comes to assessing the risk of investing in Russia. In fact, the situation is not as bad as it is sometimes portrayed by the media, on the lookout for a story that sells. Economic crime, like crime in general, has been on the decline in Russia for over two consecutive years. With the exception of some regions in North Caucasus and Siberia, it has been on the decline across the country.

On September 1, 2009, according to the official statistics compiled the Russian Ministry of Internal Affairs (the MVD), for the first eight months of 2009, theft of property had decreased; year on year, compared with 2008, by 23%. Staged and fictitious bankruptcies were down 16%; and crimes relating to import-export operations down by 5%. Some very positive trends are visible with regard to crimes which are not classified as economic by the Russian official statistics, but represent a direct threat to the security of doing business in the country: extortion is down 17%; same figure applies to theft of goods in transport. However, bribery is up 4%, money laundering – 11% and crimes relating to operations with real estate are up by a threatening 16%. There is no such category as 'crimes against foreign corporate entities in Russia' but crimes against foreign nationals remain stable, up 0.5% year on year.



cannot be eliminated without a shift in individual employees' intellectual paradigm. These roots include alienation from the ownership of results of economic activity in the Soviet era combined with the widespread cynicism of the two last Soviet decades – the stagnation years of Leonid Brezhnev and his successors. Things did not get better during Mikhail Gorbachev's perestroika or 'the wild east' decade of the 1990s 'bandit capitalism'. The result is the belief system where an employee is persuad-

ed that he or she cannot succeed with their employer simply on the basis of their merits; that the only support systems on which a person can rely are informal – mainly, family and friends, and, therefore, formal systems, including one's employer; do not deserve any true respect but the lip service; and that, at the same time, success is measured by consumption. It is natural to expect people operating inside this value and belief system to explore opportunities to steal from their employers.

One should also remember that the Iron Curtain fell just 20 years ago – only to be replaced by the visa-based soft curtain between the West and Russia. Most Russians, including the young generation, continue to think about their nation and the foreigners as 'us and them'. In an environment where quick success and avid consumption are highly valued, where public opinion does not always reward for honesty; and where companies, especially foreign ones, remain alien constructs, management graft comes naturally.

A shift in corporate culture must supplement the implementation of more effective control and compliance systems. The culture should equally punish fraud and reward legitimate initiative and promotion of corporate interests. Russian employees should see that they are equal partners, with equal career prospects, with their foreign colleagues. This, combined with stringent control, should help reduce the company's exposure to internal fraud and management corruption.

Russian Economy Monitor
Most comprehensive Russian economic data!

The new version with more regional info is coming out in February 2010!

Please contact Olga Silnitskaya, AEB Project manager for market researches and statistics at Olga.Silnitskaya@aebrus.ru or tel.: +7 (495) 234 27 64

AEB COMMITTEE UPDATES

ENERGY COMMITTEE

Round Table – Russian Energy Market and European Investors

On the 28th of October, 2009, the AEB Energy committee organized an event titled, Russian Energy Market and European Investors. The event was held in form of a round table, giving the audience a chance to get the latest information on the Russian energy market first hand, from key industry players and Russian officials representing this industry. An overwhelming success, the event drew the attention of not only companies operating in this field, but members of the media as well. The event was sponsored by Total (Gold Sponsor), Gasunie (Silver Sponsor) and Areva (Silver Sponsor). The committee would like to express its sincere gratitude to the sponsor companies for their valuable contribution to the events success.



From L-R: Sergey Tazin, E.ON Power; Dominique Fache, Enel; Armand Laferrere, Areva and Ben C.J. van Gils, Ernst&Young (CIS) BV



Sergey Komlev, Gazpromexport



Wim Groenendijk, Gasunie



Fabien Colmet-Daage, Total



Uwe Fip, E.ON Ruhrgas AG



Jeremy Huck, BP Russia



Leonid Grigorjev, Institute of Energy & Finance



Ilya Galkin, RF Ministry of Energy



Xavier Perret, GDF-SUEZ



Juergen Moepert, Wingas GmbH & Co.KG



From L-R: Oleg Barkin, Shell Russia; Dmitry Kozlov, RF Ministry of Energy and Timo Piispa, OAO Fortum

FINANCE AND INVESTMENT COMMITTEE

AEB Open Event: Navigating through the downturn: Restructuring and Bankruptcy procedures

On the 27th of October, 2009, the AEB Finance and Investment committee organised briefing by Igor Artemyev, Head of the RF Federal Antimonopoly Services. At the meeting, Mr. Artemyev gave a brief overview of the current anti-monopoly legislation, governmental initiatives, as well as rules and procedures for foreign investors willing to invest in strategic sectors of the Russian economy. He also talked about the areas where cooperation between the Federal Anti-Monopoly Service and the AEB Members is possible. The event was moderated by Dr. Frank Schaff, AEB CEO and Dr. Christian Ziegler, Chairman, AEB Finance and Investment committee.



Igor Artemyev, Head of the RF Federal Antimonopoly Services



Dr. Christian Ziegler, Partner, Roedel & Partner, Chairman, AEB FIC



Dr. Frank Schaff, AEB CEO



Event's Participants

HR COMMITTEE

Business meeting: Practical and Legal Issues of Relocation

Migration, visas, visa renewal and other practical issues related to relocation and moving were the topics of discussion at the business breakfast organised by the committee on the 17th of November,

2009, at the Marriott Tverskaya hotel. The event was chaired by David Gilmartin, Chairman of the AEB Relocation subcommittee and General Director, Troika Corporate Relocations.

Conference: Sharpening your sales focus

On the 10th of November, 2009, the committee organised a conference titled, "Sharpening your sales focus." This was a one day conference, which focused on sales organization, competencies and skills assessment and development, leadership in sales teams, motivation of sales staff and other issues, which are always of prior importance on the sales market.



Event's Participants



G. Sakuler, Deputy Chairman, AEB Executive Board



Tim Carty, Member, AEB Executive Board, Chairman, AEB HR Committee; Partner, Ernst&Young (CIS) BV



Katerina Mouravieva, Swissotel Krasnye Holmy



Irina Aksenova, AEB HR Committee Coordinator commenting at the event

Annual Open Meeting

On the 9th of November, 2009, the committee organised its annual open meeting: Overview of Salary Surveys in Russia. The aim of the meeting, which has been held for twelve consecutive years, was to provide the participants with an

overview of the salary surveys in Russia. The meeting was chaired by Tim Carty, Chairman of the AEB HR Committee and Anne Ramsay, Chairman of the Compensation and Benefits subcommittee.

IT-TELECOM COMMITTEE

Round Table – Information Society Strategy in the Russian Federation: Quality & Efficiency of State Services

On the 21st of October, 2009, the AEB IT-Telecom committee organized a round table. The theme of the round table – Information Society Strategy in the Russian Federation: Quality & Efficiency of State Services. This Round Table was a continuation of the AEB cooperation with the Ministry of Telecom & Mass Communications, following the June 2009



Natalia Schneider, Chairman, AEB IT-Telecom Committee: Corporate Affairs Director, Telenor; Vladimir Logunov, Leading Expert, Department of State Policy in Information and Information Technologies, RF Ministry of Telecom & Mass Communications



Igor Fedorov, Professor, Moscow State University for Economics, Informatics & Statistics, Competence Center of Business Process Management



Liana Meliksetyan, Business Development Director, Software AG in Russia & CIS

briefing by Minister Igor Shegolev. At the Round Table, the following topics will be tackled:

1. Single-window concept, cross-authorities interaction for state & public services aimed at citizens.
2. Citizen-centric approaches, tools, solutions to improve interaction, cooperation between citizens and Government, to increase citizens' loyalty and confidence in the Government, to create transparency and visibility on all state authorities' levels.

LEGAL COMMITTEE

Navigating through the downturn: Restructuring and Bankruptcy Procedures – an open event

On the 13th of October, 2009, the AEB Legal committee organised an open event – “Navigating through the downturn: Restructuring and Bankruptcy Procedures.” Various professionals – experts in all aspects of reorganization and restructuring of financially troubled businesses and representing various stakeholders of the insolvency process were invited to give their professional opinion on the issue.



Mikhail Turetsky, Baker&McKenzie speaks at the event



Eduard Rebgun, Business-Lotsiya speaks at the event



Elena Trusova, Goltsblat BLP and Eugene Makhotin, KPMG

Open Event: Recent Trends in Russian antimonopoly legislation

On the 8th of October, 2009, the AEB Legal committee organised an open event on the recent trends in the Russian antimonopoly legislation. At the event, participants got an update on the recent changes to the Russian antimonopoly law and the current ways in which this law is being implemented. Likewise, participants got an opportunity to discuss the necessary steps to be taken by businesses with regard to antimonopoly legislation.



Event's Participants



From L-R: Sardaana Nogovitsyna, PGP; Tatiana Galakhova, Noerr Stiefenhofer Lutz; Denis Balakin, Mazars; Ekaterina Yusenko, FAS and Sergey Stefanishin, Ernst&Young (CIS) BV



Event's Participants



From L-R: Marina Ryzhkova, Salans; Anna Klimova, Beiten Burkhardt and Elena Kurchuk, Salans



Event's Participants

PR COMMITTEE

AEB Event: Meet the Media

The first “Meet the Media” event, with Maxim Kashulinki, Editor-in-Chief of FORBES took place on the 27th of November 2009. The event, held at the AEB Office, attracted a lot of participants and was enjoyed by all those in attendance.



Event's Participants



Event's Participants



From L-R: Oksana Kigim-Monnier, AEB; Maxim Kashulinki, FORBES and Igor Reichlin, 000 CNC Communications and Network Consulting RUS

SAFETY, HEALTH, ENVIRONMENT & SECURITY AND ENERGY COMMITTEE

One Day Conference – Implementation of the Kyoto Protocol



Vladimir Berdin, Ecosystem National Methane Centre

On September 29th, 2009, the AEB, the Safety, Health, Environment & Security Committee, supported by the Energy Committee and Energy Efficiency WG held a huge, one day conference on the implementation of the Kyoto Protocol.

The conference began with an opening statement from H.E Tomas Bertelman, Swedish Ambassador to the



From L-R: Maria Sitkareva, Poyry Energy OY; Sergey Savseris, PG&P; Dominique Tissot, CMS Russia; Vladimir Berdin, NMC; Oleg Pluzhnikov, RF Ministry of Economic Development and Sergey Sitnikov, Baker&McKenzie

Russian Federation. All topics related to this problem were tackled – from the governmental role in the implementation of the Kyoto protocol, its mechanisms, legal and tax aspects of its implementation through the practicalities of the JIP and business point of view to the financial institutions' experiences. This was followed by a live discussion on the post Kyoto period and preparation of the Copenhagen protocol. It was a professional event, covering different aspects of the Kyoto process. The Conference got a huge success, confirming, once again, the high standards of AEB events.



Sergei Roginko speaking during the event's fourth session



From L-R: Vsevolod Gavrilov, Sberbank; Giuseppe Deodati, Enel; Andrey Gliniski, DuPont Science and Technologies LLC; Marina Odeska, E.ON Carbon Sourcing; Antonina Sulkova, Shell; Konstantin Romanov, Gazprom; Andrey Mukhin, Statoil ASA and Emiliano Russo, E.ON Carbon Sourcing

TAX COMMITTEE

Second Annual Tax Directors Forum



Alina Lavrentieva, Chairman AEB Tax Committee; Partner, PWC

On the 14th of October, 2009, the AEB Tax committee held its second annual Tax Directors Forum. The forum focused on the Retail and Consumer sector issues, with professionals in this area and government representatives sharing their expertise and offering practical recommendations on important tax issues that apply to this sector. The recent changes in tax

legislation were also highlighted at this forum, which also gave everyone present the ideal platform to discuss and exchange views and expertise.



From L-R: Natalia Denisova, Sanofi-Aventis; Elena Orlovskaya, Beiten Burkhardt; Evgeny Timofeev, Salans; Evgenia Chelysheva, Deloitte&Touche and Alina Lavrentieva, PWC



Marina Andreeva, PG&P speaks at the event's second session



Sergei Schelkalin speaks at the event's third session

MEMBER NEWS

ALRUD Law Firm

Successful performance of ALRUD Law Firm is praised by the market researchers

IFLR1000 recommends ALRUD for Banking and Mergers and Acquisitions for the 4th consecutive year. According to IFLR1000, ALRUD is the only independent law firm in Russia estimable for Banking. The edition distinguished ALRUD as one of the leaders in restructuring and insolvency in Russia. Notwithstanding the substantial decrease of the M&A market in 2009, ALRUD experts supported a number of solid and complicated M&A transactions for clients from diverse sectors of economy.

The highest quality of Employment, Corporate and Banking services rendered by the firm is also continuously being acknowledged. The PLC Cross border Labour and Employee Benefits 2009/10 recommended ALRUD for Labour and Employment. Irina Anyukhina, a Partner of the Firm and Head of Labour and Employment practice was praised as one of the leading individuals in this area. The ACQ Finance Magazine (UK) also recognised ALRUD as the best Employment and Corporate Governance law firm of the year in Russia.

Antal Russia

Antal Russia and Laurence Simons join forces in Russia

One of the most reputable names in legal recruitment and one of the most recognised recruitment names in Russia have combined to create Antal – Laurence Simons, based, operating and concentrating solely on the Russian legal market. In incorporating the Laurence Simons brand and the Antal Russia name, our contribution to the legal market in Russia and other Central and Eastern European countries will be strengthened. By combining the specialist knowledge and international reach of Laurence Simons with the local expertise offered by Antal Russia, Antal – Laurence Simons will now offer greater opportunities to both candidates and clients.

BNP Paribas

BNP Paribas opens 14th banking branch in Moscow – “Michurinsky prospect”

BNP Paribas (CB “BNP Paribas Vostok” LLC) opens a new banking branch in Moscow on 22 Michurinsky prospect. This is already the 14th branch of the bank in Moscow and 26th branch in Russia that has opened since the start of operations in early 2008. The branch on Michurinsky prospect will provide a full range of cutting-edge banking services to individuals and small enterprises. BNP Paribas clients can open in a new branch a wide range of deposit accounts; get access to car, mortgage and consumer loans, as well as to banking services’ packages, which include most popular banking services and bonus programs. Small enterprises can benefit from BNP Paribas cash and settlements services, loan products, deposits, payroll projects, guarantees and documentary operations.

Cetelem

Cetelem strengthens its presence in Russia and launches operations in Chelyabinsk and Kemerovo

Cetelem a 100% structure of BNP Paribas Group and European number one in consumer finance continues to strengthen its position in Russia and has opened representative offices in two new cities: Chelyabinsk in Urals and Kemerovo in Siberia. In these new regions, Cetelem will provide a full range of consumer finance services in the partners’ points of sale, where clients will be able use a loan for a wide spectrum of goods including white goods and electronics, computers, DIY, furniture etc.

Coleman Services

Coleman Services academic course at the International Institute of Administration MGIMO

Coleman Services consultants delivered a series of lectures and workshops at the “HR management: international practice” course. This was done based on the agreement with the International Institute of Administration MGIMO and MGIMO Career Center for academic partnership that was signed in spring 2009. The Coleman Services part of the course was named, “Recruitment techniques and technologies – professionals’ secrets” and consisted of 4 lectures and 2 workshops. The course attracted great interest from students and as a matter of fact, more than 40 graduate and post-graduate students visited the classes, exceeding the originally planned turnout by twofold. Coleman Services and MGIMO plan to develop and strengthen this partnership through joint academic and research programmes.

DHL

Gift Express service

Ahead of the Christmas and New Year season, DHL Express has now made its Gift Express service available for private individuals in Moscow, St. Petersburg and Rostov-on-Don. Previously available only to account customers, the unique service allows individuals and companies to choose gifts for their partners, friends or relatives from a wide range of selected traditional Russian souvenirs. DHL will then do the rest and ensure on-time, reliable delivery through its worldwide express network throughout Russia or to one of over 50 countries. With customs clearance and duties included as part of the service and paid at origin, the recipient can simply sit back, relax, and enjoy their gift. More details are available at www.dhl.ru.

Ergonomic Project HM

5th anniversary of doing business with Herman Miller in Russia

On 20th of November the company Ergonomic Project HM, Official dealership of Herman Miller in Moscow celebrated its 5th anniversary of doing business with Herman Miller in Russia.

The celebration was accompanied by the opening of a new showroom at the Omega Plaza business center. On



display in the new showroom are various company products: workstations, cabinets, ergonomic chairs (Embody, Aeron, Mirra, Celle), sofas, meeting rooms and all office areas. The gala evening was attended by partners of the company and customers. All guests enjoyed the evening's friendly and warm atmosphere. We would like to welcome everyone to the new Ergonomic Project HM Company showroom.

Finlines

Optimized service of TransRussiaExpress (TRE) from Lübeck via Helsinki to St. Petersburg

The TRE RoRo-Linerservice between Lübeck and St. Petersburg, operated by Finlines Deutschland GmbH, Lübeck and partners is now linked one time per week via Helsinki on a regular basis.

The MS "TRANSEUROPA (3.200 lane meter) departs every Saturday from Lehmannkai 2, with an additional boarding of the Finland trailer via Helsinki; subsequently, proceeding to St. Petersburg. It arrives in Helsinki Vuosari – Mondays, 07:00 hrs local time. We are also offering the Finlines customers a regular Finlines North Sea services connection to St. Petersburg via Hub Helsinki. On completion with the collected Russian cargo in Helsinki, the ship will depart to St. Petersburg, arriving on Tuesday at 08:00 hrs local time. With this measure, Finlines will be safeguarding trailer volumes heading towards Helsinki, as well as creating a regular connection of all Finlines North Sea traffic with St. Petersburg.

International SOS

International SOS Moscow Clinic and 24hrs Alarm centre has moved

On October, 26th, 2009 our Moscow clinic moved into a new purpose built medical centre, with modern facilities near "Prospect Mira" metro station. New state-of-the-art equipment and cozy interiors will allow us to upgrade our service and make your visit more comfortable. At our new location, our professional medical & nursing team comprising expatriate and national staff, will offer the following enhanced services to our usual high Western standard:

- Executive and family general practice;
- Occupational Health and Physical Check-ups for our clients and individuals;

- Work Permit medical assessments and issuing of RF-compliant documentation;
- Pediatric care;
- Psychiatry and Psychology;
- A full range of Counseling services;
- Vaccination services;
- Pharmacy dispensing our usual wide range of Western-sourced high standard medications;
- Full Diagnostic services under one roof: X-Ray / Spiral CT scan / MRI scan / Ultrasound / Mammography;
- Full range of private multi-lingual Specialist services in the building;
- Integrated Emergency Room and In-patient Private Hospitalization services in the building;
- House Call services and Private Ambulance service operating out of our new building.

Medical Evacuation and Repatriation services through our integrated 24 hour Alarm Centre which is now part and parcel of our exciting new clinic structure

Jones Lang LaSalle

Jones Lang LaSalle issues Q3 2009 European Office Yields Tracker

With the bottom of the investment cycle in sight, prime office yields across Europe continued to stabilise during Q3 2009, according to Jones Lang LaSalle's latest Prime European Office Yields Tracker. The aggregate yield moved in by 5bps over the quarter to 6%, and this was accounted for mainly by movement in Western Europe, with yields in Central and Eastern Europe (CEE) remaining flat. Only three markets witnessed yield decompressions (Eindhoven, Bucharest and Utrecht). Despite the continued trend of yield stabilisation across Europe, prime office yields still remain above their levels this time last year and well above peak yields in 2007, while yields in secondary markets continued to move out. Moscow currently sits 400 bps above Q3 2007 levels.

Manpower

Manpower celebrates 15 years on the Russian market

Manpower, the world leader in the employment services industry, celebrates its 15 year anniversary on the Russian market.

The \$22 billion world corporation has been successfully operating in Russia since 1994, rendering services in most regions of Russia with established operations in Ukraine, Kazakhstan, and Belarus. Manpower's network of numerous offices across Russia and CIS enables the company to meet the needs of its 900 clients. Every year, thousands of people get attractive job opportunities through Manpower. Many times, the Chamber of Commerce and Industry of the Russian Federation and the Foundation for Consumer Rights have recognized Manpower's outstanding contribution to the Russian market. For many years Manpower's top management has been ranked as one of the most professional, according to the annual ranking of the Russian Association of Managers and business newspaper "Kommersant".

Today, Manpower is a recognized leader of the Russian staffing industry, creating and delivering services that enable its clients to win in the changing world of work.

Marriott Moscow Royal Aurora hotel

Marriott Moscow Royal Aurora hotel opens new brunch season

The Marriott Moscow Royal Aurora hotel is one of the best known venues in Moscow for family brunches; it was one of the first places in Moscow to start serving them. In the new 2009–2010 season, the hotel is delighted to offer to its guests its excellent cuisine from Chef Thomas Koessler, in addition to impeccable service and a wonderful opportunity to relax.

Morgan Hunt

Labour market will be back to the before-crisis activities in 2011

This is how think the majority of respondents (23%) who took part in the Morgan Hunt annual labour market survey. 20% believe the market will be back to the previous condition in 2012, and 18% see changes to happen in autumn 2010.

The survey was run in November 2009 by Morgan Hunt, an executive search and recruitment company, to define the major HR trends in 2009 and the expert forecast for the year 2010. Representatives of 100 leading Russian and international companies from different businesses – banking, light and heavy industry, insurance, retail and wholesale, pharmaceuticals and medicine, IT and telecommunications, oil&gas and professional services - took part in the survey.

Raiffeisen Evolution

Raiffeisen evolution is building a fully equipped A-class office building

Raiffeisen evolution is building a fully equipped A-class office building in a beautiful park setting on Leninskiy Prospekt 119, with many advantages for 'early birds':

- Ready to move in offices;
- Flexible floor plan;
- Attractive rents;
- Western planning and building construction;
- Assured completion 2nd Quarter 2011.

The property is located in the southwest of Moscow, in an area known as a rapidly developing, and is a prestigious business district with green surroundings. The A-class office building at Leninskiy Prospekt, one of the major arteries leading in and out of Moscow, provides immediate proximity to the Third Ring Road, one of Moscow's main thoroughfares. Thus, the location allows fast access to the most important business centres in all parts of the city, as well as convenient travel times to both Domodedovo and Vnukovo international airports. Public transportation can also be found in close vicinity.

Renaissance Hotels

New hotel: Renaissance Paris Arc de Triomphe in Paris

Just steps from the Arc de Triomphe and Avenue des Champs-Élysées, the Renaissance Paris Arc de Triomphe is situated in the heart of Paris. Located on the Avenue de Wagram, the hotel sits in the 17th arrondissement and has direct and exclusive access to restored Salle Wagram, the famous banquet and event venue built in 1865. Built on the site of the famous Theatre de l'empire, the hotel exterior was designed by Pritzker Prize-winning Paris architect, Christian de Portzamparc. The hotel's signature wavy, all-glass exterior pays homage to the historic architecture on the Avenue Wagram.



Sheremetyevo International Airport

Sheremetyevo expands communication opportunities with foreign audiences

The Sheremetyevo International Airport has launched an English version of its website: <http://svo.aero/en/>.

The English version integrates all the key sections available on the Russian website. Any English speaking passenger may visit Sheremetyevo's English website for airport news or information on their flight status, online registration, taxi services, hotel reservations or any other services. Special emphasis is put on the section "How to Get to." In particular, visitors are offered the Aeroexpress trains schedule, which will allow them to plan their route to the airport in the best possible way.

The English website also has a contact telephone of the Sheremetyevo Call Center (495) 232-65-65, where air travelers may get answers to any of their questions.

Sheremetyevo Photo exhibition – History and modern age, passengers and planes, land and air

In line with marking its 50th anniversary this year, Sheremetyevo international airport held a photo exhibition, showcasing photographs that show the history of the airport through the years. The photo exhibition took place from the 12 to 16th of October 2009, at the State Duma of the Federal Assembly of the Russian Federation. The exhibition presented 32 historical and modern day photographs, depicting Sheremetyevo international airport, including the early stages of the airport's construction process and its subsequent evolution into today's Sheremetyevo international



Ту-144 у прохода Ту-144.
Демонстрация самолёта-рекордсмена
появилась в архиве (Архив Е. Горюхи) 1969
Ту-144 в проходе Ту-144.
Презентация самолёта в Совет
правительство (Архив Е. Горюхи)

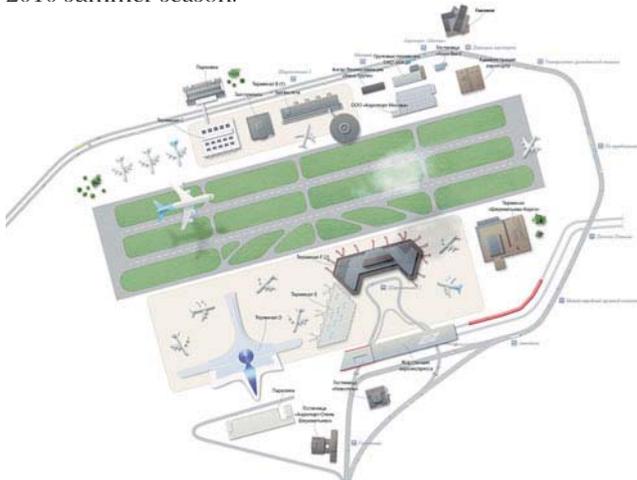
airport. Currently, all photographs have been displayed at the Sheremetyevo-2 terminal, so that passengers and guests of the airport may also have the opportunity to see the bright moments in the history of Sheremetyevo.

Sheremetyevo to Apply Literal Identification of Terminals

The Sheremetyevo International Airport is introducing a new international literal (Latin) system of terminal identification instead of the numerical one. The decision has been taken to put in order the identification of terminals in connection with the commissioning of new airport facilities and future airport development.

Thus, the terminal Sheremetyevo 2 from 25 December, 2009, will be officially called Terminal F (SVO-F). It is expected that the new Terminal E (SVO-E) will be put into operation in the beginning of 2010. The passenger terminal Sheremetyevo 3 has already been awarded the name of Terminal D (SVO-D). Terminal C (SVO-C) will retain its name.

The name of the terminal Sheremetyevo 1 will be changed to Terminal B (SVO-B) by the beginning of the 2010 summer season.



Sheremetyevo International Airport Improves Baggage Handling System

Sheremetyevo International Airport is implementing a new baggage handling system. The airport has successfully installed and put into service a full-scale innovation system at Terminal C. The Baggage Handling System substantially accelerates and optimizes the baggage handling process, enabling the airport to receive information on the baggage handling process at any time, coordinate the work of the airport services and minimize the volume of baggage handling errors due to human factor.

YUST LAW FIRM

New programme on the www.sports.ru website

Mikhail Prokopets, a senior lawyer at the Law Firm "YUST", has launched a session called "LEX SPORTIVA", dedicated to sports law on one of the most visited runet websites www.sports.ru. Website users can now use this opportunity to ask questions regarding sports regulations, legislation of the Russian Federation on physical culture and sports, issues related to the status of athletes, coaches, sports agents, sports clubs, disciplinary responsibility, sponsorship, tax liabilities associated with sports, etc.

APPOINTMENTS

Antal Russia

Antal Russia Announces New Managing Director, Michael Germershausen

Antal, the acknowledged market leader in professional recruitment in Russia, announces the appointment of Michael Germershausen, who is now its new Managing Director.

Antal Russia is a key part of the global FiveTen Group and Regional Managing Director, Tremayne Elson, commented, "I am very pleased to make this internal promotion. Michael has risen through the ranks and knows the Antal business intimately. His attitude and approach have been first class and he is a strong strategic thinker. Above all, Michael has an outstanding track record of business growth, operational leadership and team building. He's helped to take Antal into profitable new markets whilst maintaining our dominant leadership in our core recruitment sectors. I'm delighted for him and am confident that Michael will take our business in Russia from strength to strength."

CMS

CMS announces new Head of Real Estate in Russia

CMS, one of the leading international law firms in Russia, is pleased to announce that Vladislav Sourkov has been appointed as the new Head of Real Estate group in CMS Moscow office as of 1 January 2010.

Vladislav will lead the top Real Estate practice in Russia, as acknowledged by the leading international legal directories Chambers and Legal 500. Vladislav Sourkov has twelve years' experience in the real estate market in Russia and the CIS, and in 2007–2009 was included in the CRE 100 rating of the most influential people in the commercial real estate market.

Gasunie

New Head of Representation



From 1 November 2009, **Dr. Wim Groenendijk**, Vice-President International and Public Affairs of Gasunie, has been appointed as the Head of Representation of Gasunie in Russia.

Mr. Groenendijk was born on 10 December 1961 in Utrecht, the Netherlands. He received a Doctorate in Applied Mathematics from the University of Utrecht in 1990. Dr. Groenendijk joined Gasunie in 2007, where he became responsible for the Markets and Regulation department in Gas Transport Services B.V. (GTS), a subsidiary network operator. In that position, his responsibilities included development of transport-related services, European market analysis and regulatory affairs. In parallel, Wim was involved in the area of European Affairs, including the main Gasunie representative offices in The Hague and Brussels. In September 2009, he was appointed Vice-President International and Public Affairs of Gasunie. From 1990 to 2007, Mr. Groenendijk has been with Shell International, working

at various locations and operating units around the world, mostly within Exploration & Production.

Magisters

Magisters Appoints New Moscow Partner and Establishes German Desk

Magisters, a leading CIS-based law firm, announced today the appointment of Clemens Schlotter as Partner and Head of German Desk.

Magisters has become the first CIS-based law firm to have taken on a German Partner to establish a German Desk in its Moscow office. The Desk will focus on providing legal advice to companies from Germany, Austria and Switzerland having interest in Russia and the CIS. Before joining Magisters, Mr. Schlotter specialised in M&A and Corporate as Partner with Beiten Burkhardt, Moscow.

Rödl & Partner

Dr. Michail Logwinow joins Rödl & Partner

We are pleased to announce that after leaving the position of Representative of the Free State of Bavaria to the Russian Federation, the Special and Authorized Ambassador Dr. Michail Logwinow is joining the Moscow office of Rödl & Partner.

Mr. Logwinow brings about forty years of diplomatic experience in the field of German-Russian relations and has been awarded the "Bayerischer Verdienstorden" (Bavarian Order of Merit) for his contributions to the Free State of Bavaria, where he held the position of the General Consul of the Russian Federation.



AEB Membership Benefits

Effective Lobbying

Advocating members' interests to public officials, legislators and business decision-makers in Russia and the EU. Cooperating with the Russian authorities to solve business issues and effective interaction with lawmakers.

Quality Business Information

Publications: AEB Business Quarterly, Membership Directory, Position Paper, Real Estate Monitor, How to Invest in Russia, monthly AEB News. Regional presentations and business development missions to the regions. More than 20 sector and issue-based committees and working groups in Moscow, St. Petersburg, Krasnodar and Yekaterinburg.

Valuable Networking

Organising open meetings, conferences, political briefings and other high-profile events with prominent government and business leaders. Regular social events, including embassy EuroReceptions Government and business contact information in Moscow and the regions.

Online access to Member Database.

Marketing Opportunities and Visibility

Internet links and banners. Advertising opportunities in AEB publications. Sponsorship opportunities during AEB events.

TMF Russia

New appointments to the TMF management board

It is great pleasure that we announce the introduction of a two new members to the TMF Russia management board.

Ulyana Holovenko is a qualified lawyer and translator of English and German. Her areas of expertise include domiciliary and management structured finance and fund administration services.

Daria Chernysheva has a diploma in finance and banking. She is a CPA and holds a Russian statutory audit certificate. Daria is a specialist and trainer in RAS, IFRS and US GAAP.

Troika Relocations

New Operations Manager



Troika Relocations, the leading provider of bespoke relocation services in Russia, have strengthened their management team with the appointment of **Victoria Agayants** as Operations Manager. Victoria's responsibilities will include the management of Troika's key accounts, coordinating the activities of the consultancy team, as well as implementing an operational management system that links in with the company's destination service provision activities vis-à-vis corporate and individual clients, external service providers and global relocation organisations.

Victoria is a graduate of the London School of Business and Finance and has recently been awarded the CIM (Chartered Institute of Marketing) Professional Diploma in Marketing. Victoria possesses a wealth of experience in back office and front office operations, in particular, dealing with expatriate relocation to Russia.

Victoria graduated from Moscow State Linguistic University and is fluent in English and French. www.troikarelocations.com Tel: (495) 950 5385.

RUSSIA CONSULTING

Lars Flottrøng starts with RUSSIA CONSULTING

Lars Flottrøng has started as additional Director in the Moscow Office of RUSSIA CONSULTING. Lars Flottrøng has more than 10 years of experience in the area of Accounting and IT in Russia and other countries with multinational companies. Within RUSSIA CONSULTING, his focus, to a large extent, will be on projects with automation of Accounting and Reporting. RUSSIA CONSULTING has its largest business line in Accounting Outsourcing; with Lars Flottrøng as additional Director in the Moscow office, we answer to the requirements within Accounting to have this well linked to IT, with a fully integrated ERP-System and interface to the software in the Headquarters. We will be happy to talk to all interested companies about the possibilities of developing such an ERP-System and the automation of the Russian Accounting and transformation to IFRS. In the Moscow office, we employ more than 100 experts, ten of them in IT department, with a focus on ERP-questions. The Moscow office is now led by the founder of the company, Ulf Schneider, as well as Rainer Stawinoga, and now, Lars Flottrøng; thus, allowing us better master the still growing business market in Russia.

NEW MEMBERS



Advocate bureau Vegas-Lex

Vegas Lex is a full service law firm operating on the legal services market of Russia for over 14 years. The Firm employs over 100 professionals across 3 offices – Moscow, Volgograd, Krasnodar.

Vegas Lex handles projects for major Russian and international corporations. Vegas Lex is known among them as a company resolving complex issues in the legal marketplace and is perfectly positioned to represent foreign investors in Russia.

Our work in Russia has been acclaimed by leading independent legal directories, Legal 500 and Chambers Europe. As an acknowledged expert in antimonopoly legislation and enforcement practices, PPP and dispute resolution, the Firm is actively cooperating with the RF Ministry for Economic Development, RF Transport Ministry, Federal Antimonopoly Service, Federal Financial Markets Service, committees of the State Duma and the Federation Council, Russian Union of Industrialists and Entrepreneurs.



Basware

Basware is the global leader in Enterprise Purchase-to-Pay and Financial Management solutions. More than 850,000 end-users in over 50 countries use its software to automate back-office financial operations to enhance efficiency, gain process control and transparency, and meet compliance requirements. Basware's products are widely used in Shared Service Centers. Founded in 1985, Basware Corporation is a public company listed on the Helsinki Stock Exchange, with headquarters in Espoo, Finland. On the Russian market Basware Corporation operates since 2006 and presents Basware Invoice Automation and Basware Group Consolidation solutions. For more information please visit our website: www.basware.ru

Bernhard Weidinger – individual member

BÜROBJEKT Burobject (K-Buro)

'Burobject' was founded in 1997. Since 2000, our Company has been an official dealer for the biggest German furniture manufacturer – "König+Neurath" AG. The main goal of our Company is to predict and satisfy all our clients' expectations. We can offer wide range of furniture, partitions, etc., incl. special and individual design furniture. Our project management team will provide you with all necessary assistance during renovation of your office to manage and optimization of the operational costs.



Delta General Contracts Limited

Delta General Contracts Limited is active in the Russian real estate and construction industry through its associated company OOO Delta Group.

Delta Group is a Moscow based construction company, founded and managed by professional civil engineers and real estate professionals, who are active in the industry for over 20 years. Having been involved in projects totalling well over 100,000 sq m, Delta Group's specialists are providing precisely executed services in a broad variety of construction disciplines ensuring a timely delivery and maximum quality of service and performance.

Specific focus lies on the implementation of office fit-outs as General Contractor. Further specialist services include cost consultancy, technical supervision and management as well engineering and system integration. The deployment of proven management procedures and construction techniques, materials and equipment combined with strong cross industry cooperation with internationally reputed partners in architectural, interior and engineering design as well as project management contribute to delivering successfully implemented projects.

For more information, please visit www.dg-rf.com.

EKE EKE Group

EKE Group is a Finnish family business founded in 1961. The company's principal lines of business are structural engineering, construction, and property development. EKE's Moscow branch provides industrial customers with raw material sourcing and railway transport services by their own cargo wagons. We're also a global supplier of advanced control electronics for railway rolling stock.



Ergonomic Project HM

Ergonomic Project HM was founded 5 years ago. Since 2005 we are a reliable dealer of Herman Miller in Russia. We provide high quality service for all business community in Russia. EPHM suggests wide variety of office interiors based on knowledge and experience of our qualified specialists. All steps with office furniture project are guaranteed with high level consulting by our team.



Freudenberg

Production of automotive components, filters, nonwovens, building materials, release agents and lubricants for several branches of industry. Products for industrial and household cleaning are sold to final users.



Golden Mask Russia

The Golden Mask National Theatre Award was established in 1994 by the Theatre Union of Russia as a professional prize conferred to the best productions and artists in all genres

of theatre art. The Golden Mask is a Russian theatre festival that in the spring of each year presents to the Moscow audience most exciting and talented productions from all over Russia. The Golden Mask productions are presented annually to the audience of over 30 000 and are widely covered in press and TV.

The Golden Mask Festival and presentation of the Golden Mask Award is the main activity of the Golden Mask Festival team. Alongside with the main/competition programme the Golden Mask Festival initiates a number of important theatre events and projects.



Google Google's innovative search technologies connect millions of people around the world with information every day. Founded in 1998 by Stanford Ph.D. students Larry Page and Sergey Brin, Google today is a top Web property in all major global markets. Google's targeted advertising program provides businesses of all sizes with measurable results, while enhancing the overall Web experience for users. Google is headquartered in Silicon Valley with offices throughout the Americas, Europe and Asia. For more information, visit www.google.com.



Ibis Moscow Paveletskaya (Accor)

Ibis, the worldwide reference in the economy hotel industry and an Accor Hotels brand, opened its first hotel in Moscow on September 09th 2009.

Ibis Moscow Paveletskaya is perfectly located in one of the major business district of Moscow, 5 minutes by metro to the historic City Centre (Kremlin, Red Square, Bolshoy Theatre) and expands a worldwide reputation offering all the major services of a modern hotel for the best local market value. 10 minutes walking distance to International airport Domodedovo Express Train makes ibis Moscow Paveletskaya the ideal place both for business and leisure tourists. 147 spacious, air-conditioned hotel rooms are ideal for booking a business or leisure stay. The hotel has a restaurant La Table serving full buffet breakfast, cozy bar Rendezvous open 24/24 for snacks. Hotel guests can stay connected with free WiFi internet.

For more information, visit www.ibishotel.com.

INSTITUTE OF DIRECTORS Institute of Directors Ltd

Institute of Directors Moscow is a successfully growing consulting company. We develop services specially designed for directors by directors, lead projects in operating management and propose workforce solutions including selection and recruitment of top and middle management. Our Moscow office covers Russia and CIS countries. We concentrate on servicing wide range of industries with special emphasis on Finance services and Investment management and other practices, such as Real Estates, Insurance, Pharmaceuticals, Hospitality & Leisure, Entertainment & Media. We pay great attention to client needs and our relationship. Our team of consultants has outstanding expertise in execution of management selection projects

in Russia and overseas. To find out more about us, please proceed to www.iodmoscow.com



LMI – Russia

Leadership Management® International, Inc. is a world pioneer in professional development, organizational development and strategic planning. LMI's facilitated process insures client results and success for our partners worldwide. With over 35 years of successful experience, courses offered in 25 languages and marketed in more than 80 countries, LMI is continuing to expand its presence to meet a critical need in business and industry for its unique process and materials.

LMI offers these benefits:

- A chance to operate your own business;
- World-class training and support system;
- Associating with professionals with a rich background of experience and success;
- The advantage of time-proven programs, assessments, and systems;
- A process that delivers measurable results;
- Personal satisfaction from the realization of your true potential.



Muranov, Chernyakov & Partners

Established in 2003, Muranov, Chernyakov & Partners is now one of the Russia's top ten national law firms with more than 20 lawyers based in Moscow. The full-service firm focuses on providing practical and cost-effective business legal advice to Russian and international public and private corporations and financial institutions, asset management companies and state bodies. The firm specializes in litigation and dispute resolution, corporate/M&A, competition and anti-monopoly, tax, IP, and banking and finance areas. The main industries we focus on include Financial Institutions, Energy & Natural Resources; Technology, Media & Telecom and Real Estate.



TUI AG

TUI AG is Europe's leading tourism group. From retail shops and tour operators via airlines, hotels and cruise ships all the way to services at the holiday destinations – the companies and brands of the World of TUI offer the complete range of services associated with travel and holidays. TUI AG combines the three sectors TUI Travel (tour operators, on- and offline distribution, airlines and incoming agencies/services), TUI Hotels & Resorts and Cruises. TUI AG has been present in Russia for more than 30 years. This year, a Joint Venture was established with the Severstal Group in the tourism sector. The well known Russian tour operators like VKO Travel and Mostravel, as well as the retail chain VKO Club are now part of the TUI group. The aim is to enlarge our entrepreneurial activity here and to offer the best possible TUI products and services for our Russian customers for this very important emerging tourism market. For more information, please visit our websites: www.tui-group.com, www.mostravel.com, www.vkotravel.com





OOO AEB BUSINESS

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**LLC “AEB Business” is pleased to offer you services
in the Krasnodar region and Rostov-on-Don.**

1. Organizational Support of Visits of Delegations, Missions, and Events

- hotel reservations and accommodations;
- transfer services,
- escort;
- security services;
- secretarial and translating services;
- consulting on issues of doing business in the Region;
- business meetings with key contacts and customers.

2. Regional Mass Media Communications

- press conferences and topical media events;
- exclusive publications and interviews;
- current and retrospective monitoring of regional mass media;
- regional sectoral and topical digests.

3. Goodwill Management and Promotion Communications

- promotion of companies and their projects in the Region with regard to the regional specifics;
- participation in regional forums and conferences;
- presentations of investment and other business projects;
- implementation of corporate and personal goodwill building programs and networking in the Region’s key target groups:
 - regional governmental authorities and local authorities;
 - regional business community, business associations, and sectoral associations;
 - business partners, regional shareholders;
 - local community, population.

4. Advertisement and Marketing Communications

5. Financial and Investment Communications

- programs of development of contacts and communications with regional companies interested in investments;
- communicating with regional shareholders;
- information support of shareholders meetings;
- information support of acquisitions, mergers, and reorganizations.

**For more details please contact AEB regional development director Olga Pavlyuk
at olga.pavlyuk@aebrus.ru, t. 234 27 64 (ext 130)**

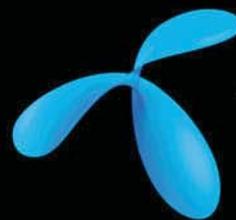


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