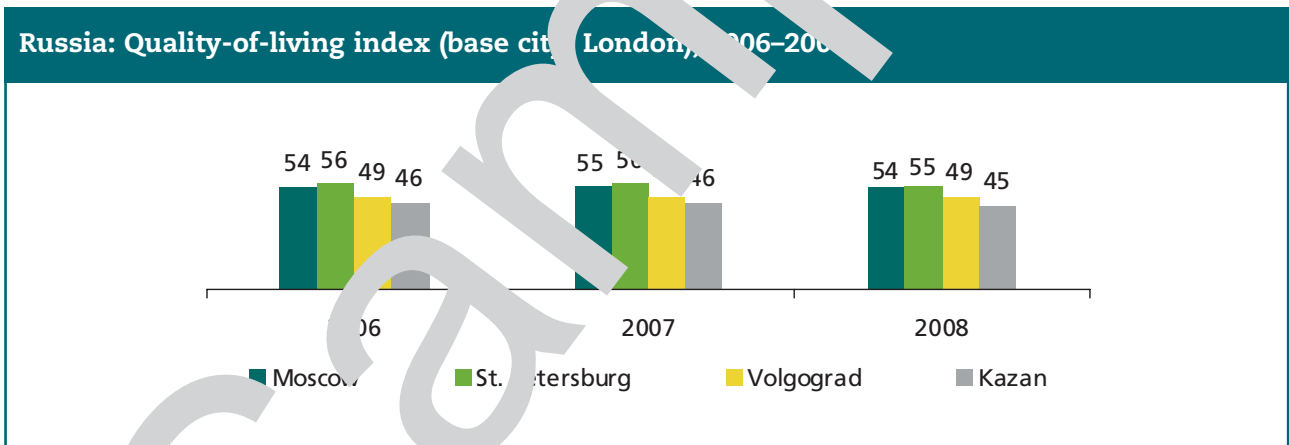


Source: Mercer's Quality-of-Living Calculators, September surveys, 2006–2008

The quality of living is quite low among these cities compared to the score in New York, and has varied little from 2006 to 2008. The quality of living is marginally higher in St. Petersburg, followed closely by the capital city of Moscow. The quality of living is relatively low in Kazan, and declined slightly.



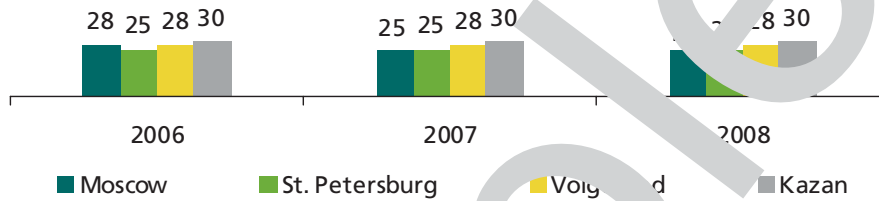
Source: Mercer's Quality-of-Living Calculators, September surveys, 2006–2008

With London as the base city, the quality of living is similar in St. Petersburg and Moscow, with St. Petersburg taking the lead. The quality of living remains static over the three years for Volgograd, whereas it shows a declining trend for St. Petersburg and Kazan in 2008 compared to that in 2007.

Hardship allowance

The term “hardship allowance” generally refers to a premium payment aimed at providing special compensation to expatriates who experience a significant deterioration in living conditions in their host country (because of relocation).

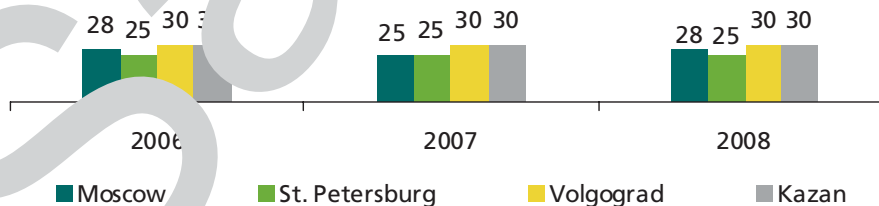
Russia: Hardship allowance as a % of annual gross salary (base city: New York), 2006–2008



Source: Mercer's Quality-of-Living Calculators, September survey, 2006–2008

The hardship allowance ranges from 25% to 30% among the four cities of Moscow, St. Petersburg, Volgograd and Kazan. In Moscow, the hardship allowance is the highest in Kazan, which (not surprisingly) has the lowest quality of living. The hardship allowance declined from 28% in 2006 to 25% in 2008. For the other three cities, the allowance remains the same over the three years.

Russia: Hardship allowance as a % of annual gross salary (base city: London), 2006–2008



Source: Mercer's Quality-of-Living Calculators, September surveys, 2006–2008

Again, the hardship allowance ranges from 25% to 30% among the four cities, with London as the base city. It is the highest in both Volgograd and Kazan, and remains the same (at 30%) over the three years for these two cities. The lowest hardship allowance is noted in St. Petersburg (25%), which ranks high with respect to quality of living among the four Russian cities selected. Although the allowance for Moscow declined from 28% in 2006 to 25% in 2007, it reverted to 28% in 2008.

Per diem cost

Short-term assignments are one of the most popular types of assignment, because they cost less and are more flexible than long-term assignments. Despite these advantages, these types of assignments are not free from challenges. Multinational companies need to know how to compensate their employees on short-term assignments. The per diem costs usually provide for food, personal care, laundry, entertainment, transportation, telephone and hotel costs. The following table provides information on per diem costs including and excluding hotel charges for a person for a day among three Russian cities.

Russia: Expatriate per diem reimbursement offered by employer (USD) '008						
City	Excluding hotel			Including hotel		
	Low	Medium	High	Low	Medium	High
Moscow	170.94	216.65	262.78	339.61	778.62	870.12
St. Petersburg	130.78	158.20	220.00	339.61	505.47	649.27
Volgograd	85.61	118.44	150.40	176.56	217.66	300.59

Source: Mercer's Short-Term Assignment Allowance Calculator 2008

Expatriate housing and educational facilities

Expatriate accommodation

At present, when the workforce is global and mobile, employers face challenges in managing expatriate accommodation arrangements that are cost-effective as well as attractive. Housing significantly affects assignees' expectations as well as their compensation packages. Employers must address the costs, relocation services and legislation as well as the employees' comfort and standard of housing facilities.

Accommodation costs vary considerably, depending on the location as well as the type of accommodation and facilities provided. The graphs give the average monthly price of available accommodation costs in three Russian cities.

Residential rents: Market trends

The rental prices show an increasing trend in Moscow due to the steady increase in the property prices and the increased demand for rental property. Rates in St. Petersburg and Volgograd have barely moved over the 18 months period.