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Global reward in numbers

A round-up of some of the latest facts and figures relating to global reward

40%

of Domestic and General's 2,500 global staff in the UK, Australia, France, Germany, Spain and Italy took part in its points-based international reward and recognition scheme provided by Red Letter Days for Business
bit.ly/1PnEdsH

56%

of multi-national employers do not yet have a global benefits database in place and see reviewing benefits in key countries as one of the top-ranking priorities for the next 12-24 months
(Source: Aon Global Benefits)
bit.ly/1OXeLzS

33%

of employers with a multi-national pool are actively keeping the structure under review
(Source: Aon Global Benefits)
bit.ly/1OXeLzS

48%

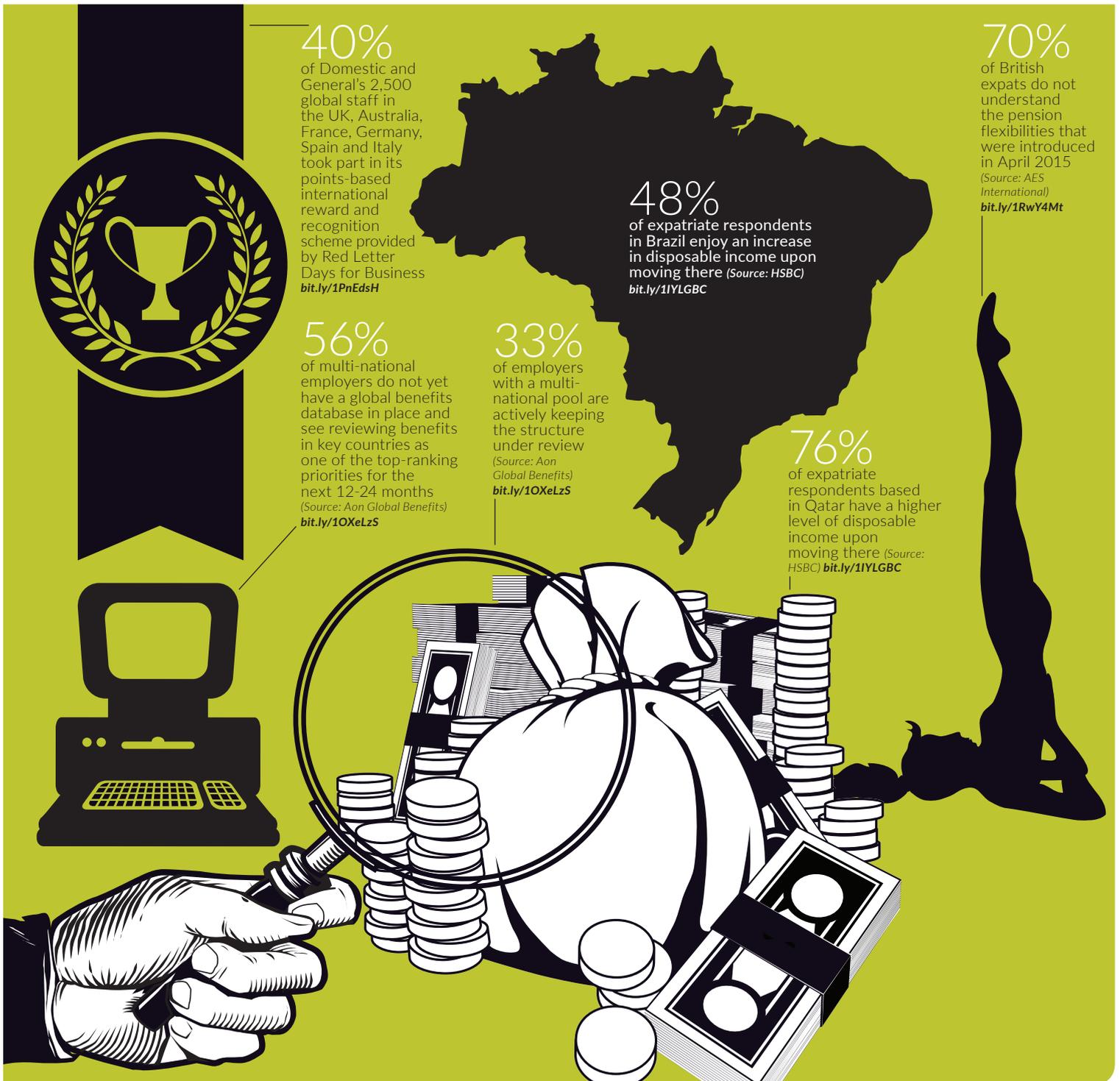
of expatriate respondents in Brazil enjoy an increase in disposable income upon moving there *(Source: HSBC)*
bit.ly/1IYLGBC

70%

of British expats do not understand the pension flexibilities that were introduced in April 2015
(Source: AES International)
bit.ly/1RwY4Mt

76%

of expatriate respondents based in Qatar have a higher level of disposable income upon moving there *(Source: HSBC)*
bit.ly/1IYLGBC



Move towards a global understanding

Employers must be prepared to address how benefit changes will impact employees across jurisdictions



Courtney Ellis-Jones | Content manager
Forum for Expatriate Management (FEM)

The rise of the global employer, and the importance of emerging markets for expanding organisations, has changed the way businesses engage with employees. The needs arising from different cultural norms and fulfilling the expectations of a varied workforce have created rich, robust employee networks, but with it has come an increasing demand on benefits, total reward and compensation as departments seek to bridge the mismatch between personnel requests, business requirements and local jurisdictions.

Global organisations have indicated their key challenges are around collaboration, agility, transparency, innovation and productivity, according to the *Engaging hearts and minds report*, published by global management consultancy Hay Group in January 2015. The research found a dangerous disconnect between how employees perceive reward for their performance, compensation for their hard work and incentive for effort.

Clarity around what employees are offered by their employer is not always felt and the reality is that as businesses expand into new locations, the offering of benefits as enforced by local jurisdictions, such as increased holiday time or mandatory health checks, becomes confusing for the mobile workforce.

Clarity and communication, therefore, have become the chief issues for benefits in global organisations.

As employees move globally to fill talent shortages the lack of transparency on how their core benefits will change, outside of assignment-related packages and deductions or cost-of-living adjustments within payroll, is becoming increasingly problematic. For example, some US employers allow increased holiday days based on tenure of service or

position within the organisation. These questions are often not addressed, by either the business or the employee, and are left in stasis until either a return to the home location or into another jurisdiction.

Employers must be prepared to address how changes in benefits will affect employees. While medical insurance and private coverage are synonymous with US benefit packages, it is less common in Europe, where nationalised healthcare systems are employed.

Challenges in benefits arise from a lack of understanding on how these change within a global context and the expectations of employees to maintain a similar or same level of offering, regardless of location. Managing these expectations while realising effective total reward and compensation programmes through delivery of cost optimisation to the business is one of the top issues for global benefits; and it is not easy. So how can global organisations tackle this problem with benefits and a mobile workforce?

One way is through flexible benefits plans and setting more fluid parameters around the enrolment and change periods, both inside the home and host countries. Employees must be given more remit and control over how they utilise both soft and hard benefits.

By addressing these issues, organisations will also be able to respond to the chief issue affecting global benefits: reluctance to move.

Application of benefits across borders is a major point of contention for potential expatriates and one that often limits the move or forces the organisation to invest money in places where clarity could have resolved the question.

Businesses need to be less afraid of addressing reductions as a result of jurisdictions and more proactive in educating employees on benefits in new locations ■

“QUESTIONS ARE OFTEN NOT BEING ADDRESSED AND ARE LEFT IN STASIS UNTIL A RETURN TO THE HOME LOCATION”

industry insight
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Taking a global approach to wellbeing

Global wellbeing programmes can help employers ensure consistency of benefits



Javier Cano | Managing director for global health benefits in Europe | Cigna

Whether you are in London, Los Angeles or Lagos, it is likely that you will be facing many of the same health risks. Lifestyle-related health issues such as stress, obesity and chronic conditions are common in every developed country around the world, reducing productivity, and pushing up absence and healthcare expenditure.

Given these common issues, a global wellbeing programme can be very effective. As well as addressing the issues employees face, by taking a global approach, an organisation ensures consistency of benefits.

Wellbeing benefits

It makes sense to focus on wellbeing too. *The Power of Prevention* by the National Center for Chronic Disease Prevention and Health Promotion, published in 2009,

“AS MUCH AS 75% OF SPENDING IS TO TREAT DISEASES THAT ARE A RESULT OF LIFESTYLE BEHAVIOURS”

shows that as much as 75% of spending is to treat diseases that are a result of lifestyle behaviours.

By finding ways to help employees modify these behaviours, a wellbeing programme can have far-reaching benefits. As well as improving employees' health and helping to reduce healthcare expenditure, the organisation's bottom line benefits too.

For example, analysis of health risk assessment data found that a high-risk individual will take, on average, 5.32 days absence a year compared with 1.88 days and 1.08 days for those with medium and low risk, respectively. Similarly, while productivity among individuals with low health risk is an average of 84%, this drops to 62% among those with a high risk.

To enable employees to make improvements to their health and lifestyle,

a global wellbeing programme should be made up of four key elements. The first should focus on the healthy and can include assessments and screening.

A programme also needs to focus on the healthy at risk, who have been identified as having lifestyle issues, such as smoking or a poor diet, which could result in future health problems. Online health improvement programmes can help them change these behaviours at an early stage.

A global wellbeing programme must also recognise that some employees will have developed health problems already. Therefore, the third element should look at chronic condition management.

The fourth is concerned with serious disease, providing case management and support to ensure these employees receive the most appropriate care.

Although all global wellbeing programmes will contain these four elements, it is also important to recognise the specific health risks unique to each organisation. To achieve this, an organisation could survey its employees to gain an understanding of the key health risks it is facing.

Based on this insight it is possible to put together a tailored programme containing services and tools that will help reduce these risks. This enables employees to take the steps necessary to improve their health and wellbeing, resulting in reductions in absence and improvements to productivity.

Communication plays a large part in the success of a programme. Rather than focusing on some of the serious health improvement messages, by using initiatives such as games, recipes, offline challenges, give-aways and prize draws, an organisation can really engage employees and make them want to take part. ■



Counting the cost of health risks

- Chronic diseases accounted for around 46% of the global burden of disease in 2001. This is expected to increase to 57% by 2020. (Source: World Health Organisation (Who))
- Stress is the number one health issue and the most common cause of long-term sickness leave. (Source: Centre for Mental Health, American Heart Association)
- Those who do not exercise experience 46% greater absence than those who exercise as little as once a week. (Source: Who)
- 39% of adults are considered obese, increasing the risk of chronic conditions. (Source: Who)



Keep one step ahead in a crisis

Employers can offer staff critical support in the event of incidents such as terrorist attacks



Vicki Arnstein |
Freelance journalist

Increased terrorist activity towards

the end of 2015 has heightened concern among global employers as to how they can support staff working or travelling overseas in the event of a crisis.

Although the likelihood of being caught up in the outcome of terrorist activity is small, being prepared for a crisis is vital and, as November's events in Paris have shown, even business travel to previously considered safe destinations should be under scrutiny.

Eugene Farrell, head of trauma support services at Axa PPP Healthcare, says: "There is increased threat in the world. Any city can be a target and any employees who are travelling face the potential threat of being involved directly or indirectly in some sort of terrorist incident."

Long-term assignments

For employees on long-term assignments overseas, international private medical insurance (IPMI) should cover evacuation and repatriation. According to the Association of British Insurers (ABI), there are group private medical insurance schemes in the market that will cover terrorism incidents. However, policies vary, so it is important for employers to check terms and conditions and speak to their insurer about any concerns.

Global employee assistance programmes (EAPs) will have a 24/7 helpline that employees can call for confidential advice at any time: pre-travel, during the event or in the aftermath. But EAPs can also provide help and support beyond a telephone call. "Most EAPs will provide trauma support services that can be activated. [One] would expect them to provide some consultancy to begin with and give a steer on what the



Cameron Law



Need to know

- Travel insurance and international PMI may offer support in the event of a terrorist attack but some schemes may exclude terrorism.
- An employee assistance programme can be a valuable resource, especially in the aftermath of a crisis.
- Specialist security and crisis management advice may be offered by insurers but, if not, might be worth considering separately.



Read also

How is the management of global reward changing?
bit.ly/1ZEhEW1

Viewpoint



Sally Hart is executive director of the International Benefits Network, a network of independent benefit consulting firms around the world

Being prepared for the unexpected will give an employer peace of mind, faster resolution, and highlight a particular organisation's commitment to the safety and wellbeing of its employees.

Employers should consider potential risks and review all insurance policies to ensure cover is adequate, because insurers often exclude things such as war and acts of terrorism.

Emergency travel insurance can cover repatriation of employees overseas, but check exclusions. Employers may also wish to review catastrophe limits on life policies. It is worthwhile looking at employee assistance programmes (EAPs), because some of these offer specific trauma support. Employers should have a plan for various scenarios. To ensure that employees know how to respond it is important to run drills,

not only for evacuation, but also for invacuation, such as to congregate in a safe zone if there is an explosion outside.

In times of confusion, people need very clear expectations set. It is essential to create a crisis notification cascade process to ensure all employees are notified immediately.

When the worst happens, employers should consider how to support the physical and emotional wellbeing of staff during difficult times. Ensuring the health and safety of employees is the first priority.

Not all employees will respond in the same way to a crisis, and provision of face-to-face support and counselling can be essential.

When the dust has settled, it is best to get back to 'business as usual' as soon as possible, bearing in mind employees may still be shaken up for some time. An EAP can give employees ongoing support.

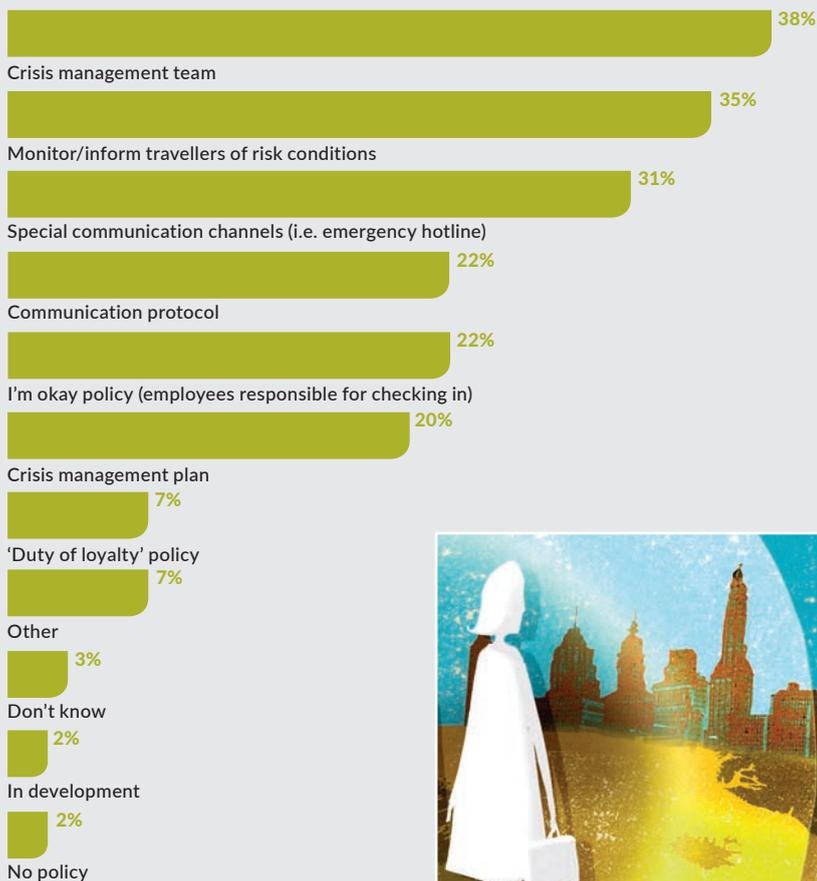
It is good to recognise the contributions of individuals during an event, and to demonstrate what lessons have been learnt.

In the end, the best way out of the mist after an incident is to focus on a more positive future.

Statistics

What is employers' policy for travellers in an emergency?

(Source: Forum for Expatriate Management's Policy in practice 2015: business travelers report, published in February 2015)



“EMPLOYEES WHO ARE TRAVELLING FACE THE POTENTIAL THREAT OF BEING INVOLVED IN SOME SORT OF TERRORIST INCIDENT”

Eugene Farrell,
Axa PPP Healthcare

[employer] should be doing to manage psychological impact,” explains Farrell. “Then [it] moves into the supportive phase, doing something onsite or one-to-ones, depending on the nature of the incident.”

Supporting business travellers

For business travellers, the main applicable benefits are travel insurance for short-term trips, IPMI for longer stays and global EAPs. Crisis management assistance services and employee-tracking software can also reassure staff that an employer is taking safety seriously. These benefits can also demonstrate duty of care under the Corporate Manslaughter Act, which can hold company directors liable for employees' wellbeing.

David Sterling, director at insurance broker Crispin Speers and Partners, says: “One way [businesses] can mitigate their exposure is by buying travel insurance. All businesses should be doing something to ensure employees are covered when they are acting on their behalf.”

Although some travel insurance will have a terrorism exclusion, this would usually apply to disinclination to travel to an affected destination, but should usually cover medical emergencies, repatriation for treatment or transfer to the nearest suitable facility.

Peter Hayman, director at travel insurance firm PJ Hayman and Company, says: “Most schemes will provide an element of cover for medical expenses and might also include personal accident, but it wouldn't provide cancellation cover or curtailment cover in the ►►►



event of someone not wanting to travel or wanting to return. That is a standard travel insurance approach."

Sterling adds: "It is in [an employer's] interests to read its policy and speak to its provider. Most insurers would look after their customers should they get caught up in an incident."

Crisis management

Other benefits employers may consider are crisis management and security services, such as International SOS and Red24, which are sometimes offered alongside, or as an add-on, to insurance products. These typically provide a 24/7 helpline, but can also help with executive protection, evacuation and repatriation.

Tim Willis, security director for Northern Europe at International SOS, says the security service took a high number of calls after the Paris attacks. "We spoke to someone in a hotel close to the Bataclan who was in a panic about what to do. The reality was that they were in a safe location and the best thing they could do was to stay in the hotel.

"We had another client that wanted executive protection in Paris to provide security and reassurance."

Other providers, such as Vismo, offer employee-tracking technology through an app downloaded to a smartphone, which sends their location to a secure website. Colin Dale, business development director at Vismo, explains: "In a crisis the employee can press a panic button on their phone, which will send an alert to the employer.

"Lots of our clients had staff in Paris and wanted to know where they were. From the platform, [employers] can send out mass text messaging to everybody in that area to check they are okay and give them advice on where to go."

And with the current UK threat level for international terrorism set at severe, businesses would do well to think about UK-based employees too 🇬🇧

"WE SPOKE TO A PERSON IN A HOTEL CLOSE TO THE BATACLAN WHO WAS IN A PANIC ABOUT WHAT TO DO"

Tim Willis,
International SOS

Case study | Vodafone



Vodafone supports global employees via tracker app

Mobile communication provider Vodafone uses International SOS to help protect staff based overseas and travelling on business. The organisation uses the TravelTracker app, and security and medical services, says John Bernard, senior security manager, personnel and asset protection at Vodafone.

"[We] can get 24/7 support in most languages," he explains. "I don't want our colleagues being bounced around when they need this support. If [they're] using the service [they] are either looking for assurance, support or intelligence, so [they] don't want to be passed from pillar to post."

The service was vital during November's terrorist attacks in Paris. "We operate as a 24-hour business, so it was vital we knew very quickly that our people were safe, secure and they were aware of the situation," says Bernard.

"Using the TravelTracker tool we had the ability to get the data regarding travellers in and out of Paris very quickly, and this helped the team and I to focus our efforts in the right place. In situations [such as] this, which are becoming more frequent, every second counts."

Bernard views these services as an important benefit. "[With employees] travelling anywhere [we] need to be able to support them should a situation occur, advise them before they go, and gather feedback on their return. Knowing where [our] people are and being able to react quickly when things do go wrong is vital in today's world. I would be very surprised if any organisation didn't think the same."



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Coping during times of crisis

How to support a global workforce during times of geopolitical crisis



Damian Lenihan | Sales director
Aetna International

With last year's terrorist attacks in Paris, the Brussels security lockdown and the downing of the Russian jet, employers are concerned with how they can support both local employees and UK staff based overseas, as well as those travelling abroad on business.

What impact have these types of events had on short-term assignments? And what benefits can employers offer to support employees' psychological and emotional wellbeing after a crisis?

Terrorist attacks, civil unrest, and natural disasters, such as floods or earthquakes, can have dramatic consequences for individuals. Employers with staff who experience a crisis situation may be powerless to offer the support that is needed at the time. Understanding the risk potential is a good place to start when sending staff overseas, but actual crisis situations often unfold rapidly, and fully protecting employees on the ground in such circumstances can present major challenges.

Political unrest

In 2015 alone, the world experienced political unrest, terrorist attacks and a spate of natural disasters.

In Europe, major terrorist incidents occurred in Paris, Japan experienced a number of earthquakes, and political unrest occurred in many countries including Egypt and Bangladesh.

The international private medical insurance sector is, in the main, focused

“COUNTRY
RISK REPORTS
ALLOW
EMPLOYERS
TO MORE
EASILY
JUDGE THE
PERSONAL
RISK TO
THEIR STAFF ”

on providing medical treatment at the time of need, but some insurers extend support to members in high-risk situations to include crisis management.

The aim of crisis management assistance services is to provide risk-assessment intelligence pre-trip, information while on assignment and on-the-ground back-up should events take a turn for the worst.

Comprehensive country risk reports, territory-specific risk alerts by email

and telephone support manned by experts are part of the security assistance packages available from some insurers.

Country risk reports and updates allow employers to more easily judge the personal risk to their staff on assignment overseas. Up-to-the-minute information and direct access to advice from the assistance partner will be available in a critical situation.

On the ground back-up

In crisis situations, such as a natural disaster or terrorist attack, the insurer's assistance partner will monitor and assess the situation and, if critical, implement procedures to evacuate employees to safety.

Following a crisis, the member's medical insurance will provide access to treatment, if required. Where severe psychological trauma has occurred, some international healthcare plans will cover the cost of inpatient psychiatric care for a period of time; either paying for the treatment in full or up to a specified amount.

In an increasingly unpredictable world, international employers will want to consider carefully how to ensure employees who are located abroad have a sufficient level of protection.

With some insurers now adding crisis assistance to their health insurance programmes, employers are better able to assess risk and offer professional crisis support for employees when needed ■



Case study | Crisis management



A 7.5 magnitude earthquake hit Nepal on 25 April 2015 with aftershocks reported in the affected area.

A London-based organisation with international staff operating in the area contacted its crisis management assistance provider to discuss staff safety and the support available. Options on the table to protect employees included internal relocations, comprehensive evacuations

out of the country and analytical assessments of the situation.

A plan of action was quickly agreed with the assistance provider. This included: the production of a map detailing problem areas to assist in locating individuals; the provision of regular country status updates to the organisation's management team; and the appraisal of the situation by the assistance provider's crisis consultants to determine the type of evacuation required.

Following the initial analysis, charter services and flights were arranged, helicopters deployed and road evacuations put in place.

Throughout the evacuations, prompt updates were provided to the employer regarding the safety of its employees. (Source: red24)

Working on a compelling mix

Ensuring the wellbeing of staff working overseas requires a careful blend of global and local elements



Tynan Barton | Features editor
Employee Benefits

While employee wellbeing continues

to be high on the agenda for UK employers, the focus is not as big in some other locations around the globe.

Aon's *Global benefits survey 2015: a European perspective*, published in June 2015, found that only 41% of European multinational employers have a documented global health and wellbeing strategy in place. However, the research also found that implementing a health and wellbeing strategy was ranked as the third-highest priority for global employers for the next 12 to 24 months, behind reviewing benefits in key countries, and setting a global benefits strategy.

One key challenge for employers when looking at wellbeing on a global basis, is that they must bear in mind that different countries have different approaches.

Paul Avis, marketing director at Canada Life Group, says: "The problem with global healthcare programmes is that they need to take account of local differences. The opportunity for them is to provide a global solution delivered locally, [that is they] have the oversight, investment and monitoring done globally, but to deliver the solutions locally, working within [the] country, with experienced suppliers."

Common issues

Although addressing wellbeing on a global scale may be in its infancy, there are some common issues that employers are focusing on, such as obesity. Mandy Rutter, head of resilience and trauma management services at Validum, says: "Obesity is predicted to keep on rising over the next few years; jobs within a sedentary workforce are increasing as opposed to more active roles. How [employers] address this in various

"IT'S QUITE HIGH PRESSURE BEING SENT OVERSEAS FOR A JOB, AS WELL AS ADAPTING TO A NEW LIFESTYLE"



countries is more about the culture and the resources available in the country."

For example, workplace canteens can provide information about how particular foods can address certain ailments, such as if an employee is feeling anxious or tired.

As in the UK, mental wellbeing is a big issue for global employers. However, an organisation addressing issues such as stress, anxiety and depression, must be aware how to approach it on a local level. "What we have [in the UK] is a history of support groups, we can encourage [employees] to use the NHS and private medical insurance (PMI), and set up support groups within the organisation and go-to support groups in the local community," says Rutter. "In other countries, that might not be the case because there isn't the culture of talking to outside professionals about one's mental state; it's much more



Need to know

- Wellbeing is still in its infancy on a global basis, compared to the focus it has among UK employers.
- Obesity and mental wellbeing are some of the key issues that employers are concerned about.
- Supporting global employees should ideally be done on a local level, but a basic provision of an EAP and PMI can offer support to staff who are overseas.



Read also

How to address local healthcare needs across a global workforce
bit.ly/1ZDKxSa

about family support. [Employers need to] think about how to address the big issues at a local level."

Some of the key issues for staff working overseas are health, security, education for their children and travel networks, says Adam Harding, business development manager, international, at Jelf International. Employers can help staff members prepare for assignments by holding education days prior to travelling, which provide an insight into the location they are going to.

"It's quite high pressure being sent somewhere for a job, as well as adapting to a whole new lifestyle, so EAPs [employee assistance programmes] or support networks [can help]," adds Harding.

An ideal starting place for an employer is to ensure that it has a foolproof wellbeing strategy in place in one location that can be replicated elsewhere 



Staying healthy in the Gulf States

Private medical insurance is a necessity for international employees in the Gulf States



Martin Sellars | Head of international PMI
Aviva UK Health



The area we think of as the Gulf is a maelstrom of modernist ambition and staunch heritage, driven by aspirations to succeed and guided by desires to conform. For instance, despite its influx of oil-fuelled wealth and supercars per square mile, it may be surprising to learn that the first Apple store in Dubai was not scheduled to open until October 2015.

But at the other end of a development spectrum, would you care to estimate the percentage split of female to male employees in the public sector? It is just over 65% to 35% at the moment, with empowerment ensuring that women now occupy key decision-making positions in every sector, according to the Dubai Woman Establishment and the UAE Gender Balance Council.

With such mixed approaches from an authority that is intent on moving with the times, perhaps it is not a surprise to discover that many elements of the region's regulatory health framework are still a bundle of red-tape that keeps the rest of us on our toes.

PMI requirements

To work in Dubai, for example, employees must have compliant private medical insurance (PMI) in place before they can be issued with a visa. What is more, that insurance must adhere to regulatory measures stipulated by the Dubai Health Authority, and match mandatory benefits, including maternity provision.

Any dependents or spouses must also be covered by the employer or employee before a visa is granted, and there are some obligations that pertain specifically to employers alone.

First, the organisation must bear all the costs. Second, all policies must be fully insured; healthcare trusts and self-funded schemes are not acceptable. Finally, the employer must verify in advance that the insurance will be valid for the entire length of the employee's tenure in the country.

Straightforward enough maybe, but that is just the tip of an iceberg: there is a prerogative to update the rules and regulations on a regular basis. Regulatory health measures do serve a specific purpose, however. As well as helping to ensure order in the region, they help to maintain a healthy workforce too (thereby reducing absence costs, while at the same time promoting productivity levels). And in some cases, they can help individuals to conform with cultural and social norms for the region.

Penalties for non-compliance include fines, a stop on allowing other employees to work in the country, and potentially the cessation of all business practice. Time-consuming and expensive in every sense, so the need for up-to-date insights and knowledge is relatively clear.

While very few insurers could provide this level of support or insight a few years ago, now, there are several international PMI providers promoting compliant solutions for the region. That is good news

**“TO WORK
IN DUBAI
EMPLOYEES
MUST HAVE
COMPLIANT
PMI IN PLACE
BEFORE
THEY CAN BE
ISSUED WITH
A VISA”**

for expatriates. For employers however, the question is how do they differentiate between those insurers objectively?

First, it is about finding a provider that works with an organisation to understand what the current health needs of employees are, as well as providing for their day-to-day welfare overseas. It is also about providing easy access to prescription medication, vaccinations, dental care and eyecare, as well as having a proven ability to network with local providers and offer appropriate wellbeing services in situ.

In addition to having a phone number that is easy to call 24/7, it is about having the services in place to offer translation services when and where they are needed, and liaison that is effective between employees overseas and families at home, if necessary.

It is important to find an organisation with the experience to push back on hospitals' invoices if appropriate: analyse invoices with an informed eye, and challenge the costs if these are abnormally high.

And for employees? It is about finding an insurer prepared to invest heavily in access to clinical expertise, and that has teams with the knowledge necessary to suggest alternative treatments, drugs perhaps, or rehabilitative care pathways.

Greater involvement in building the right policy can help to reduce costs from the outset. But it is the cost of not having the right policy in place that should be of greater concern, the consequences of having employees who are not supported adequately could be devastating ■

Workplace Savings Guide

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Broad horizons for sharing

Rolling out an international share scheme means taking a number of key considerations into account



Georgina Fuller |
Freelance journalist



Need to know

- Any employer looking to roll out a share scheme internationally will need to conduct a thorough analysis of the legal and tax regulations of the country it is looking to expand into.
- Some countries may have a more advanced savings culture than others.
- Understanding obligations between religious and legal systems is also very important.



Read also

Top tips for engaging staff in share schemes
bit.ly/1VagmRj

A good share scheme can boost engagement and improve recruitment and retention, so it is not surprising that more and more employers are looking to roll out an international share scheme across their workforce. When it comes to doing so, however, there are a number of factors employers must take into consideration.

Expanding a share scheme into new territories can seem a daunting and complex process, says Gabbi Stopp, head of employee share ownership at industry body IFS Proshare. "First, the organisation will need to establish why it is that it wants to expand abroad," she explains. "What benefits will expansion of the plan bring to the organisation and its employees in the jurisdictions being considered? Can the organisation be sure of an acceptable level of take-up, as a return on its investment and launch plus ongoing costs?"

Local tax considerations

The employer will then need to provide a thorough analysis of the legal and tax regulations of a particular country. It will also need to consider how the expansion fits in with its overall share plan vision and assess how complex the process will be.

"Appointing experienced advisers with a good global network of partner firms or presence in key jurisdictions is a decision that should be taken early in the process," says Stopp. "They will provide analysis of the legal and the tax requirements for local nationals and the local entity, and mobile employees, whereby employees on secondment or permanently transferred to work outside the UK may be liable to two different tax regimes under different jurisdictions, may also need to be taken into account."



"IT IS VITALLY IMPORTANT TO HAVE AN IN-DEPTH INSIGHT INTO LOCAL CUSTOMS AND PRACTICES"

It is vitally important to have an in-depth knowledge of local customs and practices, says Paul Randall, partner and head of employee benefits and incentives at law firm Ashurst. "A failure to appreciate local customs and practices can result in anything from merely low or nil take-up, after a lot of effort and expense," he says.

For example, provider Computershare administers a share plan for global employer Evraz in Russia and has noted some cultural differences (see case study box, page 14). Naz Sarkar, chief executive officer (CEO) at Computershare, says: "Few large

[employers] operating in Russia have employee share plans, partly as a result of difficult regulatory challenges, and Evraz was also one of the first firms to introduce a long-term incentive plan (L-tip) for its employees. As a consequence, developing a comprehensive understanding of regulations and tailoring its share plan was vital to its success."

For example, in a few Asian jurisdictions, it is illegal to make deductions from employees' pay for a share plan. In some Middle Eastern jurisdictions an employer may need to cash-settle awards rather ►►

Case study | Evraz

Evraz offers share plan to Russian employees

Steel, mining and vanadium business Evraz offers employee share plans to its 105,000 employees in Russia, Ukraine, the US, Canada, the Czech Republic, Italy, South Africa and Kazakhstan.

In Russia, the company offer a long-term incentive plan (L-tip), which has been administered by Computershare since 2012. Employees are able to access details of their plan through an online portal and trade through a broker in real time, with proceeds being paid into their local account in their chosen currency within five working days. The process is assisted by the use of an automated payment system that is tailored to the local banks' requirements.

Across all eight countries in which Evraz operates, information about the share plan portal is provided for employees in the local language. Staff also gave access to a native-speaking client relationship manager to help with their enquiries.

Understanding local cultures and practices was essential when implementing the share plans. For



example, in Russia there was a far more ingrained distrust of internet-based services. Therefore, Evraz has to reflect this factor in the way that it operates its share plan, and the way it talks about it to employees.

It uses a range of communication methods through the share plans portal, direct post or email to help to foster a relationship between employee and employer, which can lead to a wider understanding of the plan as members share their experiences with colleagues.

Evraz also had to overcome a number of legislative challenges to introduce a share plan in Russia's emerging market. Marat Murtazin, head of the incentive programmes department at Evraz, says: "The main difficulty was the difference in taxation so we studied and reviewed it carefully with the help of consultants.

"[We needed] to take into account local practices but still try to keep an original concept of the programme."

than deliver real shares and, in many countries, the company's decision to charge back costs of awards to the local employing entity will change the tax treatment for the employee.

Understanding any obligations between religious and legal systems is also very important. Stopp says: "In Islamic countries, for instance, share plans will probably need to be Sharia compliant in order to gain traction and participation from local employees within the workforce."

Different savings cultures

Some countries may also have a more advanced savings culture than others or different economic outlooks. "The less disposable income an employee has, the less likely it is that investing in share plans will be a priority," adds Stopp.

Employers also need to ensure staff are aware that shares might be bought

and sold in a currency that is not their own. This is an important factor with a stock purchase plan. Furthermore, some international employees may prefer the cash option. "Sometimes, after investigating the local position, [employers] may choose to implement a plan in a given country on a cash-only basis to avoid issues revolving around the use of equity but to ensure that the relevant employees don't feel left out of a group-wide plan," Randall explains.

As in all things, the job needs enough time to be done properly. As Randall says: "[Employers should] consider the merits carefully at the very outset and, in doing this, take sound advice from the advisers if [they] decide to proceed. Ensure that there is someone at the core who will take principal responsibility for the project, and that he or she has the time, resources, budget and support to see it through." 

"IN ISLAMIC COUNTRIES, SHARE PLANS MAY NEED TO BE SHARIA COMPLIANT"

Gabbi Stopp,
IFS Proshare

Viewpoint



Lynette Jacobs
is a partner at
Pinsent Masons

Extending a share plan internationally is no longer an exception and

the considerations for a small organisation extending participation into three jurisdictions and a multinational group operating a plan in 80 countries will be the same.

The employer should determine its objectives in extending the plan overseas, typically to strengthen group identity and cohesiveness.

If the UK plan is a tax-advantaged arrangement, for example, an all-employee sharesave plan, the employer should decide whether it wishes to operate the plan, where possible, on a tax-efficient basis overseas. This may require changes in its operation, so that if simplicity is a stronger preference, this objective will be disregarded.

Due diligence of the countries in which the plan will be operated is strongly advised, to pick up any showstoppers, such as exchange control or securities requirements, or prohibitions on local residents owning foreign assets. A phantom arrangement, not using actual shares, can instead be offered in the relevant jurisdiction(s).

Will a basic due diligence check, also known as a database or desktop review, providing non-specific information on key due diligence areas or a full due diligence check, involving liaison with local lawyers for specific advice on the employer's circumstances, be used? This will depend on matters such as the number of employees in a relevant jurisdiction, if a jurisdiction is known as being tricky, and the employer's budget. Many organisations apply a combined approach, using a database due diligence in some countries, and a full due diligence exercise in others.

The tax rules in each country should be understood, as well as cultural and religious practices. Adaptations may be necessary for Sharia law requirements. Employers may translate documents to promote employee engagement, checking the translation locally to avoid any misunderstandings.

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