

Welcome to *Policy Matters*, an engaging and informative e-newsletter featuring expert insight and analysis on emerging relocation products, policies and services that can provide immediate benefit to your organization.

Understanding the Rules: Global Risk Management and Compliance

When a company sends an employee on an international assignment, it opens the door to a number of potential risks and exposures for the company and employee.

Managing these risks and complying with home and host country regulations is critical. An effective, comprehensive risk management policy and mobility program can help ensure compliance and protect the company and employee from financial/other penalties.

Risk exposure can fall into the following categories: immigration, tax, labor regulations, and health and safety. Companies need to not only establish clear policy guidelines for these areas but communicate, implement and monitor these policies to ensure compliance. Employees can put themselves and their company at risk inadvertently because they misunderstood or cut corners due to conflicting priorities. Let's look at some of these areas in more detail.

Immigration

Every country has entrance and work requirements for foreign nationals. These requirements vary from country to country and are frequently changed or updated. Companies need to make sure they have obtained the correct visas and work permits for the employee and their family and ensure these materials are kept current.

When an employee enters a country on a particular visa, such as a tourist or business trip visa, but then "works" or extends their visit beyond the period the visa allows, they can be in violation of the country's law. A tourist or business trip visa normally excludes carrying out work activity. This type of non-compliance can have consequences from significant fines, to deportation of the employee (and family), restrictions on the employee reentering the country, and impacting the company's ability to conduct business in the host country. Companies should address immigration in their policy, clarifying the employee's responsibility to adhere to company policy and host country requirements. Companies should also consider using an immigration firm or relocation company to manage visas and work permits on their behalf – leaving this to the employee is not recommended.

Taxes

Everyone knows they must pay taxes, like it or not, this is a universal practice. Like immigration, tax requirements vary from country to country and can change frequently. Some countries, such as the United States, collect taxes on a worldwide basis, which adds complexity.

Because tax requirements differ around the world, taxation on certain benefits may apply in one country but not in another. Every country is looking to maximize the amount of tax it can collect, so foreign assignees are often under scrutiny. Taxation can take many forms, such as income tax, social security tax, property tax and sales tax. Like immigration, companies should explain tax requirements in their policy so assignees understand their obligation to protect themselves and the company. Additionally, companies should consider using a tax firm to provide consultation to the company and employee and ensure the correct information is reported to the home and host country tax authorities. Comprehensive data collection is also necessary and can be carried out by a relocation management company or tax firm.

Labor Laws

Labor law compliance is another important area to consider with international assignments. Countries have varying labor law requirements, which assignees must conform to. These can include pay and overtime requirements, hours of work and equal opportunity legislation. In many cases, companies have an established presence with local employees who ensure labor law compliance in the foreign location. Companies who do not use local resources are at a greater risk of noncompliance, given the complexities that are often not evident to those outside the borders.

Health and Safety

Health and safety relates to two concerns. First, whether an assignee or his/her family has health issues that could affect them in another country, where health standards and access to health care are different than in their home country.

The second concern is the safety of the new environment and what arrangements the company has in place to safeguard or evacuate the employee and family should the need arise. This potential danger can be caused by civil unrest, natural disasters or a poor health infrastructure. The company should address these factors for the employee up front, typically in their policy, reassuring the employee that there is a plan in place. Otherwise, the employee might turn down the assignment.

Even if the company has a plan in place, do they have solutions for issues that might arise? For example, can the company provide support to assess the assignee's and his/her family's health to ensure no unforeseen medical risks exist? If there are medical risks, what can the company do to ensure access to medical support in challenging locations? And how will the company establish medical or emergency evacuation services should a disaster occur?

All of these areas can be addressed through a comprehensive policy and the support of local specialists. However, even with resources in place, there are still company or business events that can unexpectedly impact risk management and compliance. The use of experts, such as those in tax and immigration, and on-the-ground resources will help prepare companies to address new or unexpected issues as they arise.

Mergers and Acquisitions

A company's risk management and compliance processes may be in excellent shape, but merging with or acquiring an organization without the same high standards can increase its risk

exposure. When a merger or acquisition occurs, a company needs to pay particular attention to these risk areas to minimize exposure.

New Country Entry

Typically, a comprehensive mobility program will address all countries the company operates in. However, if the company expands into a new country, it must conduct the required due diligence in these areas to ensure compliance.

Proactive Steps to Strengthen Compliance

To help ensure compliance in these categories, best practice is to maintain a checklist of potential issues and review this checklist when significant business changes are made in order to identify any potential areas of weakness or risk exposure.

Employees going on assignment have a multitude of unfamiliar issues to manage in a short period, so they can easily become overwhelmed or miss important steps. Clear advance planning and communication through policies and the use of subject matter experts to support them will greatly reduce their risk exposure and yours. Furthermore, just creating policies one time to address these areas isn't enough. Companies should review them often and ensure these policies still fit the company's structure and strategic goals.

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The foregoing is intended as general information only. SIRVA suggests that decisions as to your specific situation should be made only after full evaluation of your circumstances with your company leadership, tax and legal advisors, and HR personnel.

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