The Global Business Group on Health provides tools and resources that enable its large employer members to address the health and benefits needs of employees worldwide. Through collaborative next practice sharing and innovative problem solving, the Global Business Group provides practical, actionable, and culturally-relevant solutions, country- and issue-specific benchmarking, and opportunities to engage thought leaders and peer organizations. The Global Business Group also leverages the experience and influence of its collective membership to maximize human capital investments and encourage country-level market change that positively affects the lives of employees and their families.

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Introduction

As their international workforces continue to grow, global companies are made especially aware of the importance of defining corporate policies and practices. In addition, cultural factors unique to different regions of the world as well as increased government scrutiny and regulations are challenging multinationals to implement institutional safeguards and, generally, pay closer attention to their governance. But even apart from the external pressures bearing down on them, companies are addressing governance for other important reasons: to achieve best practices and the financial and other rewards that ensue by having healthy internal processes.

Companies recognize the need to identify the inter-relationships between management levels, and the need to improve transparency with shareholders and the appropriate government entities. Indeed, governance encompasses virtually all areas of a company’s structure and its operating methods. However, the area of most concern to members of the Global Business Group on Health (GBGH) is benefits governance, which includes the structures and processes that relate to health care, life insurance, pension and retirement plans. Many members have constructed a framework for governance, and they are looking for guidance and direction to refine it. According to the 2016 Aon Hewitt Global Benefits Governance and Operations Study report, only a third of responding companies know what their global plan costs and risks are with substantial understanding drop off in non-priority markets.

The Global Business Group designed this resource to share tools and to answer questions members have about governance. The material was gathered from survey results, benchmarking calls and interviews. Member identities have been removed from all of the contents, including the case studies, to protect company confidentiality. Modification to existing ones will need to follow established governance guidelines. Ongoing oversight and monitoring are required to ensure accurate financial reporting and compliance with the governance framework.
Defining Governance

What is governance in the context of the needs of the Global Business Group on Health? Governance is not easy to define. The GBGH working definition resulting from a member survey defines it as the following: **The action of developing and managing consistent, cohesive policies, processes and decision rights for a given area of responsibility.** Although this definition may seem all-encompassing, some of the survey responses sought to qualify it even further.

For example, one responder suggested that the use of the word “policies” in the definition should be understood as strictly referring to governance, and not to the benefit plans themselves. Being clear and consistent about the kind of governance that guides benefits decisions across the range of operations in various countries, the responder said, does not necessarily mean that benefit design will be the same from one operation to the next. Two other responses suggested incorporating into the definition wording about meeting business needs and legal requirements. Another response related governance to the importance of having benefits that reflect company policy, implying that this trumps regional or cultural circumstances.

It is important, too, that a governance structure for benefits be in sync with the overall mission and goals of a company. What is at stake, among other things, is a company’s fiscal health. Benefits are expensive, and both over-providing benefits and under-providing them have their down sides. Companies want to secure the health and well-being of their workers, but they want to do it with some consistency across the spectrum of their operations in different local markets. At the same time, they want to be able to factor in and allow for the peculiar cultural customs and socioeconomic realities of each location.

Certainly, benefits play a competitive role in markets around the world; strong benefits package may mean the difference between having highly skilled workers on the payroll versus having workers who require training and are slow to carry out their job tasks. This, in turn, may diminish a company’s financial edge in a particular region. But while it is important that a company’s governance structure have a built-in elasticity, and that a company have the ability to respond to each unique situation, it is equally important that a company understand in what areas it requires conformity and where it will not bend to local circumstances.

On a daily basis, companies are coming face-to-face with the consequences of an inadequate governance philosophy—or none at all—and with the absence of policies and procedures that can guide them in their decision making from one country or region to the next. Are the pension needs of employees who work for company X the same in Bengal as they are in Boston? Can maternity coverage in company Y be uniform across 11 different countries? If not, does company Y have in place a procedure for defining what coverage should be? Does approval come from the local manager or does it have to go through the CEO at the corporate HQ office? How often is an audit done, and what does it look like? What other business controls are in place? These are just a few of the questions that member companies have in this area.

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**Governance Best Practices**

- Have central access to data and market information on their global benefits programs.
- Develop well-defined risk management policies including an operating model with roles and responsibilities defined at the local, regional and corporate level.
- Establish global centers of expertise manage benefit programs worldwide
- Conduct formal audits to ensure that local benefits are aligned with global policies
- Align their benefit programs with their overall workforce strategy.

2016 Aon Hewitt Global Benefits Governance and Operations Study

**Governance Effectiveness Hindrances**

- Continued challenges to obtain data and insights into risk and market practice
- Absence of global technology platform for knowledge management
- Resource constraints and lack of benefits expertise in the local markets
- Corporate control and approval requests becoming a ‘rubber stamping’ exercise
- Informal governance protocols are not followed

2016 Aon Hewitt Global Benefits Governance and Operations Study

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This toolkit was funded by the members of the Global Business Group on HealthSM (GBGH) and is for their exclusive use. To protect the proprietary and confidential information included in this material, it can only be shared, in either print or electronic formats, within and among GBGH member companies. All other uses require permission from the Global Business Group on HealthSM, © Global Business Group on HealthSM
Toolkit Elements and Content

The toolkit has been organized in such a way as to illustrate how some member companies have approached the different areas of governance. Each major area contains descriptions extracted from interviews, as well as actual samples of documents, charts, and graphics provided by member companies. Each company is denoted by the use of a letter and is described through four categories of information: company type, employee population size, number of countries with operations, and governance structure. Governance structures are defined as the following:

- **Decentralized**: Decisions on plan design and vendor selection are made locally with minimal or no input from corporate HQ.
- **Regionally centralized**: Decisions are taken at a regional level but not necessarily reported back to corporate HQ.
- **Partially centralized**: Some decisions are reported to corporate HQ based on established dollar limits or other agreed upon thresholds.
- **Centralized**: All decisions regarding benefits outside the US must be approved by the corporate HQ prior to implementation.

The major elements of the toolkit include the following:

- **Checklist to guide the governance process**: A guide to assist members in developing, implementing and managing a governance structure for global benefits.
- **Organizational structures**: Whether a company’s governance structure is centralized (corporate HQ approves local benefits), decentralized (local decision making for vendor selection and plan design with minimal or no input from corporate HQ) or somewhere in between the two ends of the spectrum.
- **Philosophy and strategy**: The underlying idea(s) that drives a company’s approach to governance and how this is implemented.
- **Approval matrices**: Lines of authority for signing off on compensation and benefits.
- **Other governance and tracking tools**: How legal and regulatory compliance matters are handled; and the use of audits and other internal or external mechanisms for monitoring the levels of success of governance processes.
- **Case studies**: Narratives on two member companies that provide greater depth into all facets of governance.
- **Key learnings**: A selection of important ideas and practices gleaned from interviews.
Governance Communications

As benefits plans evolve and change in response to both internal corporate realities and regional variables, communications play a critical role in obtaining company-wide understanding and synchronization. Almost two thirds of responding GBGH members (65%) indicated that their companies communicate internally regarding governance issues.

Most members indicate that corporate HQ has a compelling need to keep regional and local finance and HR offices informed—whether annually or as needed—in the aftermath of reviews or when changes are made in areas such as company philosophy, overall governance structure, benefit design and matrices such as approval procedures. In fact, the importance of communications can be seen vividly during the course of the approval process.

Based on member interviews, some findings about different aspects of communications include the following:

• At some companies, an annual global governance review focusing on retirement plans takes place in all the regions, followed by communications, mainly to HR and Finance departments;
• Face-to-face communications are used, depending on the audience; also, some members routinely use slide deck presentations;
• Communications with regions is delegated down the hierarchal ladder, and includes using outside vendors that are already working with local HR departments, etc.; and
• Corporate is involved in communications when a particular financial threshold has been reached.

For Global Business Group members, it is clear that communications occur more on an as-needed basis than at specific intervals or in any kind of formal, structured way.
The Use of Audits and Other Business Controls

If a company has a governance structure and processes in place, are they working the way they’re supposed to be working? Are the key elements of the governance process being followed? Are inconsistencies in governance structure from one region to the next creating problems for the company? (Or, is it necessary to have a certain degree of structural variation and does this maximize efficiency and productivity?) Are approvals coming through as expected? What are the trouble spots and what needs work?

The audit, then, is just one of numerous tools for measurement and assessment of data and practices within a company. The larger question is whether a company has business controls in place that are effective in determining whether what is supposed to be happening is actually happening.

Nevertheless, for most members, in terms of business controls, the audit is what they are most familiar with. So that has been the focus; and specifically audits that are related to compliance (meeting Sarbanes-Oxley and other legal/regulatory requirements), and to high-visibility areas such as data privacy and security. But that isn’t the only reason many companies find them essential. Sometimes an audit intended to provide scrutiny in one area inadvertently uncovers problems in another area, such as benefits practices that may be costing the company excessive amounts of money.

Audits also shed light on the financial milestones a company has or has not achieved, what areas need particular focus and how a company can remain market-competitive and financially healthy. And for a multinational company, what makes its operations in one region competitive may not be the same for operations in another region.

Can Governance be Audited?

As it stands, the evidence suggests a lot of variation among GBGH members in terms of audits. But perhaps the key finding in the survey of members was that almost three quarters of those polled said they had never done a benefits governance audit per se. That is, they had never audited the company’s structure and processes, taken a look at the larger benefits picture, in a sense. But, again, a more useful way to frame this might be to go outside the issue of the audit or even alter the semantics of the conversation. It would seem that many members understand audits as specific measurements of defined functions. As suggested earlier, when looking at the large-umbrella question of governance, then, it might be more useful to focus on whether the various business controls that monitor governance processes are in place and whether they are doing the job they were meant to do.

The Uses of Audits

Many members do undertake audits of one kind or another, or they contract to have them undertaken by someone else. Retirement is the key area for many members, given the high financial stakes attached to it. As one member company puts it in regard to the use of audits, “We target the largest plans that have the greatest financial risk exposure.” It isn’t surprising, then, that retirement is sometimes the largest or even sole focus of a company’s involvement with auditing.

Who conducts an audit is another variable for Global Business Group members. Some rely solely on internal audits by staff they trust because, as the thinking goes, company personnel will understand the unique aspects of the business more fully than outside consultants. Of course, audits that might jeopardize the security of company data may have to be undertaken internally. Nevertheless, for many kinds of audits, some members favor outside vendors, presumably valuing the objectivity
offered by someone without a stake in the company. Finally, there are those who prefer a combination, that is, audits in some areas that are done by internal staff and other areas in which audits are conducted by independent professionals.

A challenge for many companies that bring in auditors is managing the scope of the audit. While it is important to note any possible malfeasance or other problems discovered during the auditing process, even in areas outside the initial scope, it is equally important that a company make sure the audit remains focused on aspects defined up front and that are of the most interest and yield the most useful insights to the company at that particular time.

Outside auditing vendors may be internationally established firms or they may be smaller and lesser known regional firms. For some, the frequency of an audit may be annual, while for others it may be every few years or whenever a corporate issue necessitates the need for the analysis and clarity that auditing can provide.
## A Checklist to Guide the Governance Process

Members may use the following questions to assist in developing, implementing and managing a governance structure for global benefits. *Note: This list is not exhaustive, but will be useful in identifying gaps and areas of strength.*

### Philosophy and Strategy

<table>
<thead>
<tr>
<th>Question</th>
<th>Answer</th>
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<tbody>
<tr>
<td>Does your company have a clearly stated benefits philosophy and/or strategy?</td>
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<tr>
<td>Is it applied globally? What is the rationale for how it is applied?</td>
<td></td>
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<tr>
<td>How have the overarching philosophy and strategy been applied to the company’s business goals and objectives?</td>
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<tr>
<td>Are there mechanisms in place to ensure that philosophy/strategy is being integrated into the governance process?</td>
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</tbody>
</table>

### Organizational Structure

It is important to examine how your company’s international benefits function is structured, how this squares with country-specific realities and whether this structure fits with the company overall. There are four essential classifications:

- **Centralized:** All decisions regarding benefits outside the U.S. are approved by corporate HQ prior to implementation.
- **Regionally centralized:** Decisions are made at a regional level but they are not necessarily reported back to corporate HQ.
- **Partially centralized:** Some decisions are reported to corporate HQ, based on established dollar limits or other agreed upon thresholds.
- **Decentralized:** Decisions on plan design and vendor selection are made locally with minimal or no input from corporate HQ.

<table>
<thead>
<tr>
<th>Question</th>
<th>Answer</th>
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</thead>
<tbody>
<tr>
<td>Is your company structured the same in all its functions? For example, if you are centralized in the area of international benefits, is finance similarly structured? Do these similar (or different) structures in various divisions of the company create challenges or is the company structurally cohesive?</td>
<td></td>
</tr>
<tr>
<td>What are the current lines of decision making and accountability in global benefits and in other relevant units of the company? What works? What would benefit from change and why?</td>
<td></td>
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</table>

### Governance Process

Since time and resources are limited, is there a need for a defined process and guidelines in order to develop, approve and manage global benefits?

<table>
<thead>
<tr>
<th>Question</th>
<th>Answer</th>
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<tbody>
<tr>
<td>Is the scope of the governance process such that there might be, for example, one particular process for health and welfare and another for retirement? What is the rationale for this?</td>
<td></td>
</tr>
<tr>
<td>How are best practices defined and identified?</td>
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<tr>
<td>Is there a requirement to follow best practices?</td>
<td></td>
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<tr>
<td>Are best practices aligned on a global or local basis (i.e., is the governance process modified to accommodate different cultural norms)?</td>
<td></td>
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<tr>
<td>Is there a policy that articulates the roles and responsibilities of the individual stakeholders involved in the governance process?</td>
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<tr>
<td>Are there any stakeholders whose views and perspectives have been overlooked thus far but who should contribute to the conversation about governance?</td>
<td></td>
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<tr>
<td>What opportunities exist to build or reaffirm relationships with key stakeholders in the governance process?</td>
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<tr>
<td>What approaches simplify the governance process to ensure compliance at the business entity and country level?</td>
<td></td>
</tr>
</tbody>
</table>

### Approval Matrices

<table>
<thead>
<tr>
<th>Question</th>
<th>Answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is there a clear framework for decision making and approvals at all levels?</td>
<td></td>
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<tr>
<td>Does the framework apply to health benefits or to all benefits?</td>
<td></td>
</tr>
<tr>
<td>Which types of benefits decisions are made at the corporate level and by whom?</td>
<td></td>
</tr>
</tbody>
</table>
Which types of benefits decisions are made at the local/regional level and by whom?

How are benefits "flagged" for different approvals if necessary (e.g., defined tiers, clip levels)?

How are relevant personnel educated about the approval process? How often?

What action occurs if the approval process isn’t followed? Is it effective in improving compliance?

Once changes are approved, who is responsible for implementing them? How is relevant staff informed of these responsibilities?

**Communication**

What information about the governance process is communicated and at what intervals?

Who receives the communications?
- At corporate headquarters?
- Within a country?
- Within the regions?
- With third parties if applicable?

What methods of communication are used (e.g., face-to-face meetings, Intranet, newsletters)?

Define strengths and gaps in the current communication methods and frequency.

When dealing with communication across different languages and cultures, what methods are most reliable?

Are face-to-face meetings involving senior corporate managers held when essential information and messages (e.g., significant benefit design policies) need to be conveyed to staff in local operations?

Would the level of success in producing significant change (e.g., policy implementation) be increased if certain communication methods (i.e., face-to-face meetings) were used more often and other methods (i.e., Intranet) reserved for more routine matters?

**Tracking Tools, Audits & Compliance**

Are tracking mechanisms used to evaluate and modify the governance process?
- Is there a team in charge that understands the complete governance process?
- Are data collected about how well each element of the process works?
- Does the team have the opportunity to evaluate the governance process data?
- Can the team implement approaches to improve the process?
- What recourse exists if weaknesses in the process aren’t corrected?

Is governance process improvement the responsibility of corporate staff, local staff or both?

What processes are in place to make benefit changes (required by country legislation) within the government mandated timeline and in a manner consistent with the company’s stated philosophy?

Are audits of benefits programs done for legal and compliance purposes in countries where the company has operations? How often?

What is the frequency of these audits and is that frequency sufficient?

Are the audits performed by internal or external personnel? A combination of the two? Is this effective?

In addition to audits, are other methods used to stay current with HR legal regulations? Does the approach to managing legal and regulatory issues vary by country? Is this both appropriate and effective?

Are data privacy and security audits conducted?

Does the company have policies and contract requirements to manage privacy and security issues?

Are audits conducted for third party firms that manage benefits?

Are standard templates used for any of the audits? If not, how are various audits managed?

How often is a financial review of the benefit plans completed?

What is the scope of the financial review? Does it primarily focus on one area (e.g., retirement) or is it inclusive of all benefits?
Global Philosophy and Strategy

Company A

Philosophy/Strategy
Company A, with 70,000+ employees in over 100 countries, has designated its International Compensation & Benefits team to address international governance and benefits issues. Company A has two separate benefits strategies: one for its U.S. employees and another for its employees in foreign countries.

Mission/Charter
The International Compensation & Benefits team mission is to maximize the effectiveness of cash, equity and benefits programs to attract and retain the high-caliber staff needed to maintain the success of the business in the international subsidiaries. This requires a balance between cost effectiveness and competitive appropriateness. The company seeks to align its total remuneration programs with business goals, support globalization and respond to change.

Key business metrics include offering benefits at the median of the local competitor market; customized benefit programs delivered in the most cost-effective manner; high-quality and proactive benefits consulting to the subsidiaries; and client satisfaction.

International Benefits Philosophy
The company has four guiding principles for plan design, known as the 4 Cs:

COMPETITIVENESS AND POSITIONING: The company targets benefit programs to the median position relative to other leading competitors in the local market. Market position integrates company-provided benefits and any existing government-provided programs.

COMPLIANCE: Programs will comply with local regulatory and legal requirements. Introduction of new programs and modification to existing ones will need to follow established governance guidelines. Ongoing oversight and monitoring are required to ensure accurate financial reporting and compliance with the governance framework.

COST: Employee benefit programs will aim to be delivered in an optimally effective manner, both in terms of financial and administrative efficiency. Programs are designed to meet market competitiveness and, at the same time, minimize current and long-term company costs or liabilities.

CULTURE: Both country culture and company culture are important aspects to consider in benefits design. Globally, the company’s culture is to offer a core level of benefits to help protect the health and welfare of employees.
Benefits that are included in the philosophy are noted below:

<table>
<thead>
<tr>
<th>Retirement</th>
<th>Vision</th>
<th>Employee Assistance Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>Day Care</td>
<td>Leave Policies</td>
<td>Tuition Assistance</td>
</tr>
<tr>
<td>Death</td>
<td>Vacation</td>
<td>Stock and Employee Stock Purchase Plan</td>
</tr>
<tr>
<td>Severance/Termination</td>
<td>Multinational Pooling</td>
<td>Car Policies</td>
</tr>
<tr>
<td>Medical</td>
<td>Allowances</td>
<td>Flexible Benefits</td>
</tr>
<tr>
<td>Disability/AD&amp;D</td>
<td>Fitness</td>
<td>Phone</td>
</tr>
<tr>
<td>Dental</td>
<td>Business Travel Accident</td>
<td></td>
</tr>
<tr>
<td>Executive Benefits</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Company D

Strategy

Global principles are communicated to each country in which Company D has operations. Company D reviews individual country plan offerings and looks for opportunities to either align with an aspect of the strategy, or to eliminate or modify an aspect of the program that contradicts strategy.

For example, consumerism is one of the principles, and it’s important that Company D’s employees and their dependents be aware of the cost of health care. Therefore, when the company sees a country plan that does not require cost sharing for premiums or medical visits, the corporate team needs to understand why, and if appropriate, introduce some element of cost sharing.

Global Health Benefits Delivery Strategy

It’s very important to Company D that the delivery and operations teams for global health benefits strategy remain interconnected.

The company required the delivery strategy team to globalize because, historically, it had been too U.S.-centric. The team modified Company D’s overarching principles (Integrate, Automate, Optimize, and Elevate) to be applicable to health benefit delivery. The global health benefits delivery strategy team’s approach to globalization included having a U.S. headquarters-based contact initially, and later hosting a global, teleconference-based workshop moderated by its consulting firm. Company D had ten regional participants from Latin America, Europe and Asia Pacific. The Company’s HR executives kept the workshop on track. The workshop’s objectives were the following:

- Develop a structured understanding of existing health care delivery strategies;
- Establish a common vocabulary and define stakeholders;
- Document current and future roles and responsibilities;
- Create a structured approach to identify knowledge gaps; and
- Collect existing best practices for non-U.S. business controls, enrollments and provider service guarantees.

As a result of the workshop, Company D developed a framework using its mission statement, overarching principles and five critical considerations (i.e., business environment, legal requirements, vendor optimization, financial and staffing efficiency, and productivity).
Global Health Care Strategy

Vision

- Healthy people for high performance through health care partnerships focused on health outcomes and affordable and sustainable cost structures
- This vision underscores:
  - The company invests in health care to help realize the productivity and innovation potential of our people
  - Accountability for results in financial and behavioral ways from all our partners, i.e. employees, retirees, dependents and vendors

Principles

- Drive value of Company and beneficiary (employee or health plan participant) investments through an emphasis on quality as well as cost
- Provide flexibility to Company, employees, and retirees
- Promote preventive care, healthy lifestyle choices, good health care decision-making.
- Protect personal health information and support its responsible usage
- Promote efficient utilization of health care by making actual costs more visible and implementing cost sharing approaches that are sustainable

Figure PHL-1-D. This figure outlines the vision and principles behind Company D’s global health care strategy.
Company F

Philosophy/Strategy

Company F has a market-based benefits philosophy/strategy that is aligned with the company’s overall business objectives and company values. This drives the creation of its guidelines in different countries. While Company F strives for consistency within each market, it allows for variation from country to country. However, one central principle that supersedes individual markets and crosses borders is Company F’s commitment to benefits cost sharing with all employees.

Company F has developed what it calls its Total Rewards Philosophy or function (see bulleted items, below) at the corporate level and with regional representation.

• The company provides competitive, market-based pay that allows it to attract and retain valued employees.
• Base pay is tied to local competitive pay practices at market levels in the countries where Company F operates.
• Benefits are market-based and targeted at or above competitive practices in those markets.
• Variable pay fluctuates based on organizational and individual performance.
• The combination of base pay incentives and benefits supports the achievement of the company’s business goals and the alignment of interests between employees and stockholders.

Note: Financial oversight is provided within the corporate Total Rewards function.

Objectives of the Global Benefits Strategy

• Provide a proactive framework for developing and executing a global benefits strategy that enables the company to attract, retain and localize its workforce.
• Provide guidelines to allow for the consistent and effective management of global benefit programs, and ensure that these programs are aligned with the company’s business objectives and values.
• Respond to the fiduciary requirements and the scrutiny faced, in general, by U.S. multinationals.

Guiding Principles

Competitiveness:

• Compensation and benefits programs are targeted at the 50th percentile, relative to competitors in each country/region. To determine competitive practice, programs at the company are compared with those offered by companies in both the same-industry sector and also in other industries.
• Benefits are not intended to be a strong differentiator in Company F’s rewards package.
• To avoid duplication of benefits and unnecessary cost, as Company F’s benefit programs are being developed they are compared to social benefit plans and programs available in each country.
Compliance:
- All benefit programs must operate in compliance with local laws and regulations, including any applicable U.S. regulations (i.e., Sarbanes-Oxley, FAS 87, etc.).

Cost:
- Benefits expense is balanced against value and competitive practice.
- Benefit programs should minimize company cost and future liabilities to maintain a sustainable level of benefits, while also maximizing corporate and individual tax benefits.
- Global vendor relationships are leveraged where possible.

Consistency:
- Benefit programs offered within a country should be consistent across all business units there, unless there is a clear rationale for differences. However, benefit plans may differ from one country to another.

Culture:
- Benefit programs will be aligned with the local culture and meet the needs of employees to the extent possible.

Communications:
- The company strives to ensure that employees receive complete and timely communications regarding the company’s benefit programs.

Protection:
- Company-sponsored benefit programs, in concert with local social benefit plans, serve to protect the basic welfare of employees and provide adequate security in the event of catastrophic personal injury, illness or death.

Shared Responsibility:
- The company encourages employee participation in benefit programs through education and cost sharing.
Company G

Strategy

Company G’s global benefits strategy, which includes governance guidelines, is communicated annually to local HR and Finance, with copies provided to regional HR and Finance as part of the governance review. The strategy has four components: principles, retirement plan guidelines, health plan guidelines and governance process.

The principles used include comprehensive, competitive, compliance, cost sharing, sustainability, and liability. Company G compares its programs both at the local market level and at the multinational corporation level. The company tries to differentiate by providing greater flexibility and access in its benefits, but not so much flexibility that it’s overwhelming for employees. Best-in-class tools are provided to assist employees in making changes and in ongoing plan administration. This has been highly appreciated by Company G’s employees.

Figure PHL-2-G. This chart outlines the main principles for Company G’s global benefits strategy and design decisions.
Resources

All Figures in One Slide Deck

**Company D**
1-D. Global Health Care Strategy

**Company G**
2-G. Global Benefit Plan Governance: Global Benefit Strategy
Organizational Structures

Company A

Organizational Structure

This company’s organizational structure for international benefits is centralized. The corporate international benefits team functions as “the consultant” to benefits personnel at the field locations. The team oversees the governance model and is the first rung on the approval process ladder.

<table>
<thead>
<tr>
<th>Employee Population Size:</th>
</tr>
</thead>
<tbody>
<tr>
<td>50,000 – 100,000</td>
</tr>
<tr>
<td>No. of Countries with Operations:</td>
</tr>
<tr>
<td>100 – 150</td>
</tr>
<tr>
<td>Governance Structure:</td>
</tr>
<tr>
<td>Centralized</td>
</tr>
</tbody>
</table>

Company A’s International Benefits Roles and Responsibilities

- **Three Regional Benefit Managers:**
  - Asia Pacific & Greater China Regions, Japan
  - Latin America Region & Canada, Global Programs, & Corporate Liaison
  - Europe, Middle East, & Africa Region

- **Responsibilities:**
  - Manage benefit programs for subsidiaries outside US
  - Develop & implement benefit programs supporting Company A’s strategic goals
  - Ensure cost, compliance, & competitive position of benefit programs
  - Provide consulting to subsidiary HR, management teams, & regional executives on benefit related issues & programs

Figure ORG-1-A. This figure outlines the responsibilities of the three regional benefit managers.
Local subsidiary HR staff members have a “line of business” role; that is, they are a Human Resources generalist for a line of business in their country. They also have a geographic role for compensation and benefits. For example, countries with large operations can support having a dedicated compensation and benefits person in the country to manage day-to-day administration of the compensation and benefits plans as well as support and field employees’ questions. Where the company has smaller operations spread among four countries, for example, one person based in one of those four countries is responsible for the day-to-day compensation and benefits administration in all four countries.

As described by the company, this approach has pros and cons, which include the following:

- **PROS.** Since the team provides expertise that’s lacking in the field, it is highly valued by the field as a resource. Field personnel need and appreciate the team’s support in such areas as helping them navigate the corporate bureaucracy and seeking to obtain approvals at the right organizational levels.

- **CONS.** With so many countries in which Company A has a presence, the international benefits team is spread thin and “things slip through the cracks.” It is difficult to enforce adherence to the governance model, and subsidiaries that are lax usually only receive “a slap on the wrist.” Budgets are locally owned and so there isn’t corporate support for benefits changes, allowing subsidiaries to shift resources at will and not necessarily to the highest advantage.

The company has an annual salary and benefits planning process during which the governance model for compensation and benefits is confirmed. Discussions focus on the tier to use for a benefit change, whether the goal is to change benefits or implement new programs within the tiered governance structure, and the business rationale for any proposed benefit changes. For example, to change a benefit, the subsidiary needs to make a business case for the investment and be prepared to discuss trade-offs (i.e., if one area of the benefits program is already above market, it may be acceptable to leave another item below market because it is a warranted trade-off). Local HR personnel are reassured that it is not their responsibility to know the process inside and out. Corporate is there to help walk them through the governance model. It’s very transparent. If it weren’t transparent, the virtual team wouldn’t be able to follow it.

Company A’s Retirement Plan Committee is responsible for four major governance areas:

1. Plan management/oversight
   a. Plan design
   b. Approve/terminate plan
   c. Legal/statutory compliance
2. Accounting and funding
   a. Costs
   b. Accounting impact (FAS 87)
   c. Funding levels (if defined benefit)
3. Investment
   a. Investment policy
4. Administration and communication
   a. Administration/advisors
   b. Communication (advice vs. education)
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Company E

Organizational Structure

At Company E, corporate provides the overall strategic direction for plan design, changes, funding and financing. The degree of change and the dollar amount determine the level of necessary approvals. However, local staff and regional compensation and benefits directors, working with the global broker and a global actuary, are responsible for ensuring that plans are competitive with local market practice. In addition, regional staff members are encouraged to follow corporate best practices, and they often look to the company’s global consultants for guidance. The consultants, in turn, report to corporate benefits as needed and ensure that the regions are linked to corporate-wide initiatives and organizational benefit trends.

Issues related to governance design and processes are communicated on a regular basis to the following entities:

- Corporate governance committee
- Corporate benefits
- Regional compensation and benefits directors
- Local country management (depending on subject matter)

Figure ORG-3-E. This chart outlines the roles and responsibilities of local, regional and corporate management.
Company F

Organizational Structure

Historically, Company F’s benefits structure had been decentralized, with decisions made at the local/regional level. Now the company has what is best described as a decentralized/centralized structure with decisions made both regionally and globally based on the approval matrix. Under Total Rewards, the corporate role involves ensuring that all benefit plans are aligned with the company’s benefits philosophy and guiding principles for plan development/changes. Corporate also ensures that all benefit plans adhere to the approval matrix.

Global Benefits Strategy

Structure

**Global Structure**
Benefits program provided to employees who are assigned/rotate outside their home country to any region who are ineligible for host or home country benefit programs – career global employees

**Regional Structure**
Benefits program provided to employees who are assigned/rotate outside their home country within a particular region who are ineligible for host or home country benefit programs. May include local management and employees hired from other countries who are not global expatriates.

**Local Structure**
Benefits provided to local employees in a particular country

ORG-4-F: This chart depicts which structural level manages various benefit programs.
ORG-5-F. This chart shows the organizational structure for governing global Total Rewards plans (e.g., retirement).
Resources

All Figures in One Slide Deck

**Company A**

1-A. International Benefits Roles and Responsibilities

2-A. International Retirement Plan Committee Structure

**Company E**

3-E. Roles and Responsibilities

**Company F**

4-F. Global Benefits Strategy Structure

5-F. Total Rewards Strategy Governance
Approval Matrices

Company A

Approval Matrix

Company A uses a four-tiered approval process, with tier-one approvals made at the local level and tier-four approvals made at the corporate level.

Tiers Defined

- Tier 1: Low materiality and low risk
- Tier 2: High materiality and low risk
- Tier 3: High materiality and/or high risk
- Tier 4: Exceptional materiality and risk, and/or corporate policy impact

Cost is evaluated as a percent of total payroll for the subsidiary or a threshold of $100,000 USD (whichever is met first). Risk factors are those that create long-term obligations (e.g., retirement plan), have a local legal impact and/or impact a corporate policy. Benefits with a high-cost impact or with potential high risk to global corporate policies are considered tier four. In addition, retirement policies and plans, except for changes in vendors, require corporate or tier-four approval.

Any offices seeking to implement benefit changes related to child care (risk factors), flex benefits (systems impact), severance payments and retiree medical programs must go through tier four. All benefit changes, meaning those at tiers 1-3 that don’t have to be seen at the corporate level, go through the local finance staff (e.g., country finance manager, country manager, top level country HR staff person) and then to the regional level (e.g., finance leader, regional vice president and regional HR leader). At every step, a finance staff member is involved.

Most small health care benefits decisions can be made at the local/regional level or tier one. The deciding factor for determining tier is materiality on cost basis and risk factors. Company A considers the changes on an aggregate basis. For example, a subsidiary may request 10 small changes, all of which are at tier one. However, because there are numerous requests, the company adds the cost basis across all the small changes. If the combined total meets the threshold of materiality, those changes would jump tier levels based on the dollar amount. Company A looks at the total rewards package, instead of individual silos (e.g., benefits) alone.
Company A is strict regarding retiree medical programs, and there is a tier-four retirement committee that weighs retirement benefits. The committee has representatives from treasury, tax, finance, legal and international HR departments.

The WRP or Worldwide Remuneration Process, has two phases. The first phase entails an extensive review of the company’s top 15 revenue-producing countries regarding:

- Existing programs and practices;
- Extent to which principles of the philosophy are met in terms of market competitiveness and core benefits; and
- Changes desired for the following year.

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International Retirement Plan Committee

Objective: To control and manage pension risks while safeguarding the interests of participants.

Four major governance areas:

- Plan management/Oversight
  - Plan design
  - Approval/termination of plan
  - Legal/Statutory Compliance
- Accounting and funding
  - Costs
  - Accounting impact (FAS-87)
  - Funding levels (if defined benefit)
- Investment
  - Investment policy
- Administration and communication
  - Administration/advisors
  - Communications (advice vs. education)

Figure APM-2-A. This figure outlines the objectives of the International Retirement Plan Committee.

This 4-month process comes to a conclusion 7 months prior to the beginning of the next fiscal year, which is when the changes go into effect. The process allows the governance committee a chance to review the changes over the end-of-year holidays and determine a course of action. Changes to retirement plans follow a different timeline. The Retirement Committee meets in September and March each year. The WRP cycle for the Phase I countries runs from September to December. Phase II runs from January to March. New retirement plans first go through the WRP approval cycle as a “request for feasibility study.” If the new plans are approved during this cycle, they go to the Retirement Committee during the March session. They are given the final go-ahead for the feasibility/design phase of the project at the conclusion of the March committee meeting. At the next WRP cycle, subsidiaries come forward with their final proposal. If the proposal is ready in time for the September committee meeting, it is presented, and the final approval comes next. Otherwise, the proposal waits until the March session.
Figure APM-3-A. This chart depicts the organizational structure and approval process for the Retirement Committee and the Retirement Advisory Committee.

When it was developing its new governance process, Company A addressed its unclear approval practices by devising the aforementioned four-tiered approval system for benefit changes. WRP for the top 15 countries means that benefit changes at all tiers have visibility right up to the CEO level. The CEO is not formally a part of the process, but he/she does have veto power on all benefit changes in these countries. The other (non-top) countries have changes visible to the CEO level only for tiers three and four.
Figure APM-4-A. This chart depicts the benefits approval process for non-top countries.

The approval matrix is outlined in a slide deck that is shared through Web-based seminars as well as live meetings.
Approval Matrices | Company B

Company B

Approval Matrix

At Company B, recommendations for employee benefit changes for design and/or for provider are developed by the Corporate Compensation and Benefits group in the region. Approval decisions are made at the HQ corporate level by the senior vice president for Human Resources, with CEO approval required for anything involving a cost increase. This covers the range of benefits, including health care, pensions, savings, stock plans and risk plans. Decisions about local benefits policies such as leave of absence, holidays and allowances are made at the regional/local level by the compensation and benefits leader for the region.

The approval process is communicated during the benefits development process, which includes a map for creating or changing plans. The approval matrix is communicated at the start of every new benefits initiative and when dealing with merger integrations and legal entity consolidations. Communications are shared with HR, finance leaders and the legal department.

Company B uses high-level global guidelines for developing and managing benefits programs. Key guidelines include the following:

- Benefits considered in the context of total rewards
- Market competitive
- Reflective of local regulatory and market framework
- Tax efficient
- Simple and straightforward design for communications and administration
- Aim toward country-consistent approach
- Appropriate cost sharing
- Preferred providers leveraged to achieve cost efficiencies
- Delivery through most effective channels
- Alignment with HR operating model

Company Type: Diversified

Employee Population Size: 100,000 – 150,000

No. of Countries with Operations: Over 100

Governance Structure: Centralized
### Process Phases

<table>
<thead>
<tr>
<th>Planning</th>
<th>Discovery</th>
<th>Design</th>
<th>Approval</th>
<th>Implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Establishes project charter and core design team</td>
<td>• Baseline current state – plans, providers and costs</td>
<td>• Develop Design and Delivery proposals and estimate costs</td>
<td>• Review with Senior business leaders in HR, Legal, Finance</td>
<td>• HR Services owns delivery execution, including project management</td>
</tr>
<tr>
<td></td>
<td>• Obtain initial Stakeholder input; identify functional project resources, external consulting partner</td>
<td>• Assess company and employee impact and propose transition approaches</td>
<td>• Business has visibility to final design prior to approval</td>
<td>• HR supports implementation and communications</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Technology, Procurement and HR Services provide input to delivery; Business leaders, Finance, HR, and business Comp and Benefits team provide input throughout design phase</td>
<td>• Clear governance responsibilities for Corporate Approval – Compensation and Benefits, SR VP HR, and CEO if cost increase</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Clear process engages business and functional partners throughout**

Figure APM-5-B. This chart depicts the entire process of benefit design, approval and implementation.

Corporate HQ engages in a strong partnership with the regional Compensation and Benefits teams as they develop proposals for benefits plans. This includes providing guidance on company philosophy, advisor selection and cost implications. There are clear linkages with the Benefits Delivery group so that delivery and systems requirements inform the design process. Corporate HQ takes forward proposals for major benefit plan changes for inclusion in the annual operating plan and funding. Regional resources propose and manage the projects, develop the proposals and steer them through the approval process—from local business involvement to corporate approval.
### Highlights Roles for Stakeholders

| Corporate Compensation and Benefits | • Defines design, plan rules  
• Defines delivery and compliance requirements (what’s delivered via the portal, direct access, contact center, etc.)  
• Owns build/buy decision  
• Owns strategic vendor relationship |
|---|---|
| HR Services | • Develops implementation requirements  
• Manages implementation including integration into service center (including vendor partners), operating procedures  
• Owns operations and day-to-day vendor management |
| Sourcing | • Supports supplier benchmarking, RFP development and analysis, and vendors contracting |
| HR Technology | • Advises on enabling technology for design and delivery |
| HR Process Strategy & Analysis | • Supports baseline and savings capture |
| Finance, Legal & Investments | • Provides expert counsel |
| Business Compensation and Benefits, Business HR | • Engages business for Voice of Customer  
• Provides Business compensation and benefits team input to design and delivery  
• Supports implementation  
• Owns communication with business stakeholders |

**Defined and validated stakeholders roles**

---

**Figure APM-6-B.** This chart describes the roles for each stakeholder during the benefit design and approval process.

Company B has a global prioritization process for plan development and plan changes. Those items go through the Annual Operating Plan process after the businesses identify their pressing benefits issues, areas of significant business growth or benefits risk, and a review of the emerging regulatory environment.
Company D

Approval Matrix

Although Company D has defined a framework for deciding health benefit delivery issues, it is still in the process of developing a template for decision making about changes in design. Until now the focus has been on health benefits, but the goal is to put a framework in place for both delivery and design that includes all benefits.

Currently, all design and delivery decisions, such as vendor changes, enrollment technologies and audit readiness (Sarbanes-Oxley), are made at the corporate level by the vice president of Compensation & Benefits and the senior vice president of Human Resources. Delivery-related decisions for the development of communications and legal documents as well as vendor selection can be made regionally. Such decisions would involve regional/local members of HR, tax, legal, business controls, procurement and finance departments.

A population clip level is used to differentiate the approvals required for delivery. Clip levels are not used for design approvals.

The company’s approval matrix is communicated by teleconference and e-mail as needed.

Globalizing Health Benefits Design

- Created a new global benefits design process where global team consults with local teams on plan design changes and decision making
- Included guidance on:
  - Corporate Team contact points for the different geographic regions
  - Roles of Corporate staff vs. local staff
  - Reinforcement of Global Benefit Strategy Principles
  - Building the Business Case for plan changes
  - Approval/decision making process for plan or design changes
    - Approval point varies by type of plan and significance of change
      - Depending on change approval point can be local team, Integrated Operating Team or World Region leads or Corporate benefits staff
    - In cases where Corporate staff is not decision maker we require early notification of desire to make a change and frequent updates
- Global teams “trained” 1st quarter 20XX

Figure APM-7-D. This figure shows an overview of the benefits design and approval processes.
General benefit redesign approval rules

- The following rules apply to all employee benefit plans, including but not limited to pension (DB and DC), health, life, disability, company car, vacation, flexible or voluntary benefits, or stock purchase plans (but NOT stock options which are not considered benefits).

- When local legislation mandates that Company provides a certain benefit to its employees (e.g., vacation), the approval rules apply to any provision that exceeds the strict legal requirement.

- This table shows Global Benefits Team approvals only – please check any Integrated Management Team/Integrated Operating Team/World Region level requirements.

<table>
<thead>
<tr>
<th>Type of project</th>
<th>Global HR Benefits team approval</th>
<th>Documents needed</th>
</tr>
</thead>
<tbody>
<tr>
<td>New plan, closure to new entrants, termination, freeze</td>
<td>• Prior approval required</td>
<td>• Proposal developed together with Global Benefits team</td>
</tr>
<tr>
<td>Change in design features (eligibility, vesting, pension calculation, covered earnings, contributions, etc.)</td>
<td>• Prior approval required, even if cost saving or cost neutral</td>
<td>• Proposal developed together with Global Benefits team</td>
</tr>
<tr>
<td>Exception: Voluntary benefits – New, termination or change</td>
<td>• None provided it is offered by third party, other direct payment from employee to provider or employee payroll deduction, no Company cost and no Company administration</td>
<td>• N/A</td>
</tr>
</tbody>
</table>

Figure APM-8-D. This chart details the approval process for benefits.
### Approvals - Pension plan specifics

<table>
<thead>
<tr>
<th>Type of project</th>
<th>Global HR Benefits team involvement</th>
<th>Documents needed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Application of different terms to facilitate early retirement for resource restructuring/reduction actions</td>
<td>• Prior approval required, even if the pension plan rules allow for this change</td>
<td>• Proposal, including description of early retirement terms, summary data on eligible population and cost estimate on funding and US GAAP basis</td>
</tr>
<tr>
<td>Design changes to align to legislation</td>
<td>• Notice prior to announcing/implementing the changes</td>
<td>• Legal assessment supporting the changes and description of changes</td>
</tr>
<tr>
<td>Increase in pensions in payment</td>
<td>• Prior approval required, in line with Corporate Instruction FIN 144 • Approval requirement does not apply to cases that are recognized by Corporate HR as being legally or contractually required (Germany, Norway, South Africa, Netherlands)</td>
<td>• Proposal – use template provided by Global HR Benefits team</td>
</tr>
<tr>
<td>Change in investment options in DC pension accounts</td>
<td>• None</td>
<td>• N/A</td>
</tr>
</tbody>
</table>

**Figure APM-9-D.** This chart outlines the approval process specific to pensions.
Figure APM-10-D. This figure details the criteria for benefit approval at the regional level.
Approval Matrix

Company E is reviewing its framework for approvals and may adopt the RACI Model (R: Responsible, A: Accountable, C: Consult, I: Inform), which outlines a system for decision making, accountability and information/resource sharing within the corporate structure. As of now, all pension plan and savings plan decisions must be made by corporate.

Financial clip levels are used to differentiate the approvals required. Decisions that need to be made at the corporate level involve the vice president of Benefits, the Global Governance Committee and/or the corporate Board of Directors. Regional decision making involves local HR and Finance personnel, the regional C&B director, the regional Finance Director and the regional VP. The approval process is communicated at the company’s annual meeting with the corporate and regional compensation and benefits team and then through e-mail.

Figure APM-11-E. This chart outlines the approval process depending on benefit level changes.
Company F

Approval Matrix

Company F has a relatively new framework for approving all benefit plans. The processes are the same for Health and Welfare and Retirement, with the exception of approval levels that may differ. In 2008, this framework had been implemented globally. Initially, it was communicated via WebEx and in face-to-face meetings, but it is also the responsibility of the regional Total Rewards staff to communicate it to HR and operations on an ongoing basis. It specifies that any defined benefit plan, new plan or plan modification whose annual cost exceeds $500,000 must be approved at the corporate level.

Plan Approvals

APM-12-F. This chart shows the decision-making levels of the approval process.
Global Benefits Strategy
Annual Project Plan

- **Establish annual project plan**
  - Region Total Rewards, in conjunction with Region HR, establish project plan each year.
  - Project plan aligned with business goals and objectives while also addressing issues related to competitive position and/or legislative requirements.
  - Business case template must be completed for each project submitted for the annual project plan.

- **Budgeting**
  - Costs for consulting or outsourcing captured in annual budget; refer to budgeting guidelines for appropriate cost allocation.

- **Obtain approval for project plan as outlined in approval matrix**

APM-13-F. This figure outlines how annual project plans are developed and approved.
Global Benefits Strategy
Business Case Template

<table>
<thead>
<tr>
<th>Business Case</th>
<th>The business case explaining the reason for developing (or making changes to) a plan.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plan Design</td>
<td>A detailed description of the plan design and a comparative analysis of proposed plan vs. market practice.</td>
</tr>
<tr>
<td>Financing (investment, funding and accounting)</td>
<td>A description of how the plan is to be funded (local tax implications and cost impact for both the company and the employee).</td>
</tr>
<tr>
<td>Compliance</td>
<td>An analysis of the legal implications to the company.</td>
</tr>
<tr>
<td>Consistency</td>
<td>If a new plan, confirm there will be a consistent plan design for all divisions within the country.</td>
</tr>
<tr>
<td>Legacy Issues</td>
<td>Relevant plan history, including past proposals, etc.</td>
</tr>
<tr>
<td>Administration</td>
<td>How will the plan be administered?</td>
</tr>
<tr>
<td>Communication</td>
<td>How will the plan be communicated?</td>
</tr>
<tr>
<td>Other</td>
<td>Supporting documentation from consultants.</td>
</tr>
<tr>
<td>Contact Details</td>
<td>Who are the contacts for all divisions?</td>
</tr>
</tbody>
</table>

APM-14-F. This business case template shows the important details to include when getting approval to implement a new benefits plan or change an existing one.
Global Benefits Strategy
Benefit Plan Development/Modification – Outside Project Plan

Country HR Manager

Local Country Management

Regional Benefits Function

Region Council

Administrative Committee

If project is not part of annual project plan:
Liaison with Regional Total Rewards function to ensure concept buy-in

Ensure concept buy-in from local Country Management - across all divisions

Liaison with Regional Comp/Ben Function to
• obtain buy-in from Global Total Rewards
• obtain buy-in (approval) from Region VP Council – front/back end
• obtain buy-in from other corporate groups when necessary

Liaison with Global Total Rewards to
• obtain approval at Corporate level, if required

APM-15-F. This chart outlines the roles and responsibilities of colleagues in getting approval to implement a new benefits plan or change an existing one outside of the annual project plan cycle.
Company G

Approval Matrix

Company G has adopted formal approval guidelines for benefits, perquisites/cash allowances and incentive plans. All benefit changes require formal corporate approval. This includes retirement, insurances and health and welfare benefits. Corporate headquarters approval is required for all benefit items. The exact approvals required are determined based on estimated annual profit and loss impact of changes:

- Key off existing procurement sign-offs
- Same threshold for adoptions as well as amendments
- Separate thresholds for termination (includes liability thresholds as well)

Regional/local staff members have no final authority on any benefit items. Certain decisions that are less material compensation/perks currently reside at the regional/local level (e.g., car policy, paid time off, etc.). Regional/local decision makers include Human Resources, finance, and country/regional executive teams. Whether these approvals actually occur is noted in the governance review.

Corporate approval is required to place insurances with non-pooling providers. No approval is required for annual health and welfare/insurance renewals if benefits remain substantially similar.

The approval process is communicated annually as part of the company’s global governance review.
Resources

All Figures in One Slide Deck

Company A
1-A. Tier Strategy
2-A. International Retirement Plan Committee Objectives
3-A. International Retirement Plan Committee Structure
4-A. Approval Model Non-WRP Countries

Company B
5-B. Process Phases
6-B. Highlights Roles for Stakeholders

Company D
7-D. Globalizing Health Benefits Design
8-D. General Benefit Redesign Approval Rules
9-D. Approvals – Pension Plan Specifics
10-D. Benefit Approval Delegation to Integrated Operation Team/World Region

Company E
11-E. Approval Process

Company F
12-F. Global Plan Approval Process
13-F. Annual Project Plan
14-F. Business Case Template
15-F. Benefit Plan Development Modification – Outside Project Plan
Other Governance and Tracking Tools

Company A

Legal Compliance/Audits

Company A relies on consultants to assist with legal and regulatory compliance in the countries where it has employees. The consultants alert the company to important legislative issues requiring attention. Company A recognizes that the better approach would be for the company to do its own research on these issues and be proactive, but so far this has not happened. When the corporate office receives information from the consulting firms, it is shared with local HR staff members, who are encouraged to let corporate know of any needs they may have for support. If there is no HR person in the country, it is up to finance (in the country) to achieve compliance and corporate supports.

The international benefits team does not conduct legal audits of the programs. The company has an internal audit team—separate from its international benefits team—which conducts audits using a standard template. Subsidiaries are audited every other year on the basis of their performance and legal and compliance issues, as well as against company policies. The audit team also partners with local legal counsels to evaluate how well local subsidiaries follow legal mandates not related to benefits but to how they conduct business. If there are specific issues related to benefits that arise, the audit team connects with the appropriate benefits manager for that region. A benefits change template is used as a reference point to track back and understand how and why changes were made, particularly those that get flagged as being off base in an audit.

Data privacy and security audits are also carried out by an IT team that is dedicated to HR.
Company E

Cost Collection Template

Company E recently developed a cost collection template to assist in monitoring benefits from a cost perspective. The tool uses a self-report approach. The tool includes the following:

- Statutory benefits and Social Security
- Company-sponsored benefits
  - Retirement
  - Death
  - Disability
  - Medical/Dental
  - Perquisites and allowances

---

Figure OTH-1-E. This chart outlines the cost components for various benefits. Please note that this figure is a simplified version of the actual tool. The Excel-based tool has more detail.

### Company Type:
Food and Beverage

### Employee Population Size:
100,000 - 150,000

### No. of Countries with Operations:
Over 150

### Governance Structure:
Regionally Centralized

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Company G

Global Governance Review

Governance has always been a focus for Company G. The company uses its global governance review to improve practices and behaviors to align with the company’s governance model. This review isn’t an audit in a compliance sense, but rather a process to examine how current plan management could be better aligned with global best practices. In recent years, the company developed greater corporate involvement in partnership with regional and local staff. Corporate has become more proactive in setting the agenda and driving key initiatives. There has also been an increase in the support and direction corporate has provided. This has resulted in demonstrably improved benefit plan management as well as an improved corporate image with regional and local staff.

The current focus of the governance review is on retirement benefits, but the company has plans to expand into the health and welfare area.

![Figure OTH-2-G](image)

This chart provides an overview of how strategy and process are worked into policy, support and audit guidelines. It depicts the different pieces of the governance process. The “support” element includes working with the regions, supporting their initiatives and getting them engaged in corporate initiatives. Other aspects of support and the role of Company G’s extensive corporate guidelines are depicted in Figure OTH-3-G.
Plan governance is reviewed in the largest markets annually and in smaller markets on a rotating basis. In-depth reviews are done based on tier levels:

- Tier 1 (largest markets): annually
- Tier 2: biannually
- Tier 3: triennially (every 3 years, every country around the globe is reviewed)

The process for the governance review is as follows:

- Surveying each country’s asset, liability and plan management processes
- Coordinating information gathering with key local HR and Finance representatives and regional HR leaders
- Interviewing key locals in selected countries
- Assessing alignment of processes and procedures against corporate governance guidelines
- Recommending actions to close gaps

Global Benefit Plan Governance: Corporate Support and Guidance

**Strategic Support**

- Corporate involvement in driving the benefits agenda globally
  - Work with regional staff in setting and reviewing global benefits agenda annually
  - "Formal" monthly regional updates
  - Proactive involvement with select markets and reviews
    - Corporate retains seat on significant pension and/or investment committees
    - Corporate involvement in select market benefit reviews
  - Assistance with other regional or local market driven initiatives

**Corporate Guidelines**

- Centrally prepared to provide best practice guidance to local markets:
  - Defined Benefit Plan Investment Guidelines
  - Defined Contribution Plan Investment and Communication Guidelines
  - Local and Regional Pension Committee Guidelines
- Closely linked with global governance review
  - Need is typically identified through repeating themes in global governance review
  - Guidelines are used as future "benchmarking" in global governance reviews

Figure OTH-3-G. This figure outlines strategic support and corporate guidelines.
The governance review process does not address or ensure the following:
- Full compliance with local legislation and regulations
- Competitive retirement benefit levels/total compensation structures

Company G noted that in the first year of the governance review, there was some staff resistance regarding the amount of detail involved. Now most staff are supportive of the endeavor, as they have seen the improvements it can bring. Despite the time involved, it is not viewed as a bureaucratic process, and staff want to comply.

Figure OTH-4-G. This chart depicts the steps in the global governance review process.
Self-report questionnaires are sent out on March 15; the draft report is available in June; and the final report is available in July-August. Many people are involved in the self-reporting of information and, as such, the company feels it has a very robust system for inhibiting misrepresentation.

Company G works with a consultant who prepares the report, which is then reviewed by corporate and passed on to the regions and local staff for their input. Consultants bring a broader set of best practices for benchmarking and a greater air of independence, since this is managed outside the company. Having outside management of this effort also frees internal staff for other tasks. However, the process is expensive. The governance review is funded centrally, while benefits are paid for locally.

The report is compiled on behalf of the global investment committee, which includes the CFO, Treasurer, HR head and head of the Global Counsel’s Office.

---

**Figure 0TH-5-G.** This sample country snapshot is an example of a brief report resulting from the governance process.
If, in the governance review, an item is flagged as needing action, there’s a two-month lag until it goes to the committee. Anything that is flagged becomes highly visible, and staff work hard to make progress toward resolving the identified gap before the committee meeting.

Figure OTH-5-G depicts how information from the governance review comes together. The color coding system is not based on cost impacts but on other factors such as impact on brand (e.g., an item may be coded red because of its effect on brand, even if the cost is low). The company uses a benchmark of “global best practice” that is applied during the governance review. It is difficult to require that the best practice be used in all instances particularly in cases where a given market has not matured to the level necessary to apply a global best practice.

Company G stays current with the HR legal/regulatory environment in countries where it has operations through the annual governance review and input from local consultants. The company conducts legal/compliance audits of its programs every 3-5 years for large markets and less frequently in smaller markets. These audits are managed locally and communicated upwards.
Company H

Pay/Benefits Review

Company H uses a template about each country shown on the next page to collect information from the regions. The information is then approved at the corporate level, or inquiries are made if the information is questionable or outside the company’s strategic philosophy and guidelines. The gathered information is also used to provide an overview for the Executive Vice President/President on all of International Operations globally. Thus, a perspective is gained on how the company compares to the market with respect to pay and benefits in all the regions/countries of operation. In addition to the template information, corporate generally asks regional staff members to provide the surveys they used to collect the competitive/market information.

Please note that Figure OTH-6-H is a simplified version of the actual tool. The Excel-based tool has more detail. Key to acronyms in chart:

- **CPI**: Consumer Price Index
- **ABG**: Annual Base Guarantee = Monthly Base Salary X No. of Guaranteed Months Paid
- **AGC**: Annual Guaranteed Cash = ABG + Fixed Allowances
- **ATC**: Annual Total Cash = AGC + Variable Programs

<table>
<thead>
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<th>Company Type:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transportation</td>
</tr>
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</table>

<table>
<thead>
<tr>
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<tr>
<td>200,000</td>
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<table>
<thead>
<tr>
<th>No. of Countries with Operations:</th>
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<td>&gt;200</td>
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</table>

<table>
<thead>
<tr>
<th>Governance Structure:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decentralized</td>
</tr>
</tbody>
</table>
### Pay/Benefit Review

**Company Name:**

**Region:**

**Year/Period:**

**Country:**

<table>
<thead>
<tr>
<th></th>
<th>Overall</th>
<th>Mgmt</th>
<th>Prof</th>
<th>Hourly</th>
<th>Other</th>
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</thead>
<tbody>
<tr>
<td>Number of Employees</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Turnover</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### I. Scope

#### II. Company Statistics

- **Total Payroll:**
- **Benefits Cost Sharing Mix (ER/EE):**
- **Benefits as a % of Payroll:**

#### III. Country Economic Trends/Projections

- **Wage Increase Rate:**
- **Unemployment Rate:**
- **Turnover:**
- **Inflation Rate (CPI):**
- **GDP:**

#### IV. Market Data (Company Actual Vs. Market)

<table>
<thead>
<tr>
<th></th>
<th>Mgmt</th>
<th>Prof</th>
<th>Hourly</th>
<th>Other</th>
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<tbody>
<tr>
<td>Annual Base Guarantee (ABG)</td>
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<td></td>
</tr>
<tr>
<td>Annual Guarantee Cash (AGC)</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Annual Total Cash (ATC)</td>
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</tbody>
</table>

#### V. Pay Review Recommendations (Next Year)

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<th>Mgmt</th>
<th>Prof</th>
<th>Hourly</th>
<th>Other</th>
</tr>
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<td></td>
</tr>
<tr>
<td>Salary Increase Changes</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

- **Variable Compensation Changes:**
- **Benefits & Terms/Conditions Changes:**

#### VI. Pay Review Recommendations Cost Impact (Next Year)

- **Total Available Budget (as a % of Payroll):**
- **Total Cost of Proposed Recommendations:**
- **Deviation from Budget:**

---

**Figure OTH-6-H.** This chart provides a country-level cost analysis overview of compensation and benefits.
Company I

Pre-Audit Questionnaire
The following is Company I’s U.S. Medical Plan pre-audit questionnaire. It is included in this toolkit because sample medical plan audits have been difficult to obtain. Although this sample is based on U.S. parameters, it may nonetheless serve as a useful illustration for operations outside the U.S. The pre-audit questionnaire is used to gather important information, before the audit about the administration of the various medical plans provided to U.S.-based employees of Company I is done. The information gathered is used to help the company better understand how to manage its medical benefits. It also assists in determining areas in which the company should focus its time and attention during the audit.

Section A: Organizational Charts & Responsibilities
1. Which company functions are involved in management and administration of the U.S. Medical Plans?
2. What is the organizational chart for these functions and what are the responsibilities of those involved?
3. What are their contact numbers and where are they physically located?

Section B: Service Provider Agreements, Contracts and Services
1. Please list the service providers, and provide copies of the contracts between them and Company I.
2. Please obtain and provide, if available, the service provider’s internal operating disciplines, policies and procedures used to handle Company I’s accounts.
3. List the demographics of each plan as of mm/dd/yyyy:
   a. Number of active employees
   b. Number of retired employees
4. Describe how Company I measures the performance of service providers, including the following:
   a. Timeliness of processing participant applications or terminations
   b. Timeliness of processing reimbursements
   c. Error rates
   d. Administrative costs
5. List the most recent service audit initiated by Company I Human Resources on each of the plans.
6. If applicable, please provide any Statement on Auditing Standards (SAS) No. 70, Service Organizations reports from the service provider.
Section C: Invoices from Service Providers

1. Please provide Company I’s operating disciplines used for managing and administering each medical plan.
2. List which of Company I’s companies are responsible for making payments to each of the service providers.
3. If not provided in the operating disciplines, describe the invoice verification process, including the following:
   a. How and who verifies the invoice to ensure it is in accordance with the agreement?
   b. How are invoices reviewed to ensure they contain sufficient information to verify the correctness of the invoice?
   c. If applicable, what documents are required to verify additional services?
4. What is the approval process for the invoices prior to payment? What is the approval process for any additional charges?

Section D: Eligibility Process

1. Describe the process of determining the eligibility of applicants.
2. Describe the process of reviewing the eligibility of applicants, including:
   a. Current employees
   b. Terminated employees
   c. Retired employees
3. How are employees from acquired companies made eligible for the program?
4. How do the eligibility system/process and the payments system interact? How often are they reconciled and by whom?
5. What interaction does HR, ERDC and service providers have between each other when determining eligibility?

Section E: Claim Payment and Reimbursements Process

These are claim payment questions. These services are done for Company I’s self-insured PPO Medical Plan. Please answer the following questions to indicate where medical claim payments or reimbursements are handled within Company I.

1. Describe the processing of claims or reimbursements at Company I, including:
   a. Personnel involved
   b. Payment of disbursements
   c. Information gathered
   d. Documents collected
2. Please provide any available flow charts for these processes.
3. List the bank account(s) from which payments are disbursed. Who reconciles the bank accounts?
4. What methods are used to disburse funds? (Check, wire, etc.)
5. Describe the process for creating disbursement checks:
   a. Storage of blank check stock
   b. Processing of settlements scheduled for payment within the company’s accounting system
   c. Signature requirements for checks
   d. Delivery of checks
6. Describe the process for creating disbursement wire transfers:
   a. Processing of settlements scheduled for payment within Company I/ADP accounting system
   b. Signature requirements prior to transfer
7. How are returned checks/funds handled?
8. How are voided checks handled?
9. How are duplicate payments handled and prevented?
10. How are rejected claims/reimbursements handled?
11. What reports are generated on the payments? To whom are they sent?
12. Describe the process for monitoring the eligibility of reimbursements, including:
   a. Types of premiums eligible for reimbursement
   b. Marital status of widow spouses
   c. Employment status prior to retirement
   d. Waiving of medical coverage
13. Who is responsible for monitoring these eligibilities?

Section F: External Reports
1. Who manages and reports the compliance to the applicable laws and regulations for administering the plan?
2. What reports does Company I give to taxation authorities for contributions made by employees and for the matched portion Company I contributes? Who provides these reports?

Section G: Systems
1. List the company systems used to manage the medical plans. (e.g., SAP, Peoplesoft)
2. Describe the security procedures that surround these systems.

Key learnings described by Company I for the audit process include the following:
- Carefully define the scope of the audit;
- Once scope is determined, maintain structure of the audit and control over the scope, or it may quickly spin out of control;
- The benefits function should drive the audit, not the other way around; and
- Benefits staff should educate the auditors and have a dominant lead person who is the point person for them.
Internal Assessments and Audits

The HR Control Cycle used by Company K is a continuous process that includes two discrete events, Internal Assessments (IA) and Audits. The two are linked by ongoing quality assurance and training activities. Company K’s HR Internal Assessment Protocol summarizes current HR best practices in preparing for and conducting internal assessments.

Highlights from the protocol follow.

Company K’s principal learning underlying the best practices is that the quality of the internal assessment is directly related to the controls capability of the assessors and the time allotted to the task. The company recommends IA preparation steps presented as a RACI (Responsible, Action, Consult, Inform) chart, depicted in Figure OTH-7-K.

The first step in preparing for an IA is to develop a plan. This occurs approximately two months before the IA. Managers work with direct reports and the controls contact to identify roles, responsibilities and expectations. Individual’s initials are noted on the RACI chart as the recommended way to document decisions. Once the IA team members have been named, the IA Coordinator meets with the IA Testers to assign responsibilities. If needed, smaller locations will call on neighboring countries for additional staff to assist in the IA.

One month before the IA, testers are trained. As part of the IA, testers conduct the control tests for each item they have been assigned. This is not a table top exercise; verification of the requested test is required. Normally, this consists of interviewing those involved in the work activity, reviewing process and procedure documentation, and sampling key control steps. Items that have been identified in recent HR audits are flagged for the IA testers as requiring careful attention.

If test results find that local practices are not equivalent to the control steps, that gap is noted, along with a short summary of the test results, closure plan, timing of plan and person responsible. HR prefers that high-risk gaps be closed within six months of the IA, but this is not a requirement.
Figure OTH-7-K. This chart provides an overview of roles and responsibilities during the internal assessment process.

After completing the IA, results are reviewed with the unit’s HR manager to provide formal feedback. HR tracks all open items from audits and internal assessments and issues quarterly reports to the HR leadership team that detail the status of these items. IA findings are categorized as follows:

- **CONTROL GAPS**: Items where the intent of the control step was not met
- **IMPROVEMENT PLANS**: Suggested process enhancements identified in the review, or “one-off” errors where the intent of the control standard was generally met. Improvement plans are tracked and stewarded locally.

Closure is defined as completion of the actions committed to in the IA.
Here is the language for Company K's HR Internal Assessment (IA) Protocol. The document originally had internal website links embedded in it to allow easy access to documents mentioned in the protocol.

**HR Internal Assessment (IA) Protocol**

**Overview**

The HR Control Cycle is a continuous process that includes two discrete events, Internal Assessments (IAs) and Audits, which are linked by ongoing quality assurance and training activities. Please see the HR Controls Orientation for additional information.

This document addresses one part of the control cycle, the Internal Assessment (IA), and summarizes current HR best practices preparing for and conducting internal assessments. It includes tools and approaches that have proven helpful. HR Managers and controls contacts should review these best practices and adapt them as needed to meet local needs.

The principal learning underlying these best practices is that the quality of the internal assessment is directly related to the controls capability of the assessors and the time allotted to the task. Controls integrity management system (CIMS) Element 1 notes that Management leadership, commitment and accountability set the tone for a sound controls environment. HR Managers are expected to treat IAs like other significant projects, establishing priorities and providing resources. It is hoped that these guidelines will simplify the IA planning process by offering a clear roadmap to follow. Recommended IA preparation steps, presented as a RACI (Responsible, Action, Consult, Inform) chart, are shown in Figure OTH-7-K. Here is a description of the recommended steps.

**Timing**

CIMS Element 7 requires that internal assessments be conducted at the mid-point of the audit cycle, or earlier when deemed appropriate. In HR, most audits are on a 3 year cycle, while a few are on 4 or 2 year cycles. The mid-point of the audit cycle is not known with precision, because the exact date of the next audit is not known until a few months before it begins. In order to schedule internal assessments, HR uses the following assumptions to define the mid-point.

The next audit is assumed to begin the number of years in the audit cycle after the last month covered by the last audit. For example, if an audit covered the period from March 2003 - February 2006 and the unit is on a 3 year audit cycle, the next audit is expected to start in March 2009. The mid-point would be August 2007. If the audit were on a 2 year cycle, the next audit would be expected to start in March 2008 and the IA would be due in March 2007.

Actually, audit timing varies and it is possible that audits will be accelerated or delayed. However, HR schedules internal assessments for completion by the end of the calculated “mid-point” month. In some cases, especially when HR is a segment in a country audit, the local business unit may use other methods to determine IA timing. If that occurs, please consult with Global Process and Controls (GP&C) and your International HR Manager to ensure HR targets and local plans correspond. GP&C maintains an audit and internal assessment register on the company's internal website.
Pre-IA

Two months before IA

1. The first step in preparing for an internal assessment is to develop an overall plan. Managers should work with their direct reports and controls contact to identify roles and responsibilities and expectations. Editing the attached RACI chart to show individual initials in the column headings is the recommended way to document those decisions. In cases where HR activities are part of a larger non-HR IA, coordinate planning activities with local management. In some locations, the defined roles may need to be consolidated due to staffing constraints, or expanded to include cluster or area HR management.

2. Once the IA team members have been named, the IA Coordinator should meet with the IA Testers as a group to assign responsibilities. Typically, the team leader assigns specific sections of the HR IA template to team members to assess. When possible, it is best for testers not to review their own area of responsibility to ensure a fresh perspective. Another recommended approach (when staffing allows) is to assign two testers to each section; one who is familiar with the activities and another who is not. Many smaller locations will call on neighboring countries for additional staff to assist in the IA. The current version of the HR IA template is posted on the HR Controls site.

One months before IA

3. The IA testers who will be involved in the internal assessment should have a good understanding of the business processes being assessed, the Company System of Management Controls Basic Standards, and CIMS. HR Global Process and Controls trains all assessors prior to the IA. The IA coordinator should work with GP&C to schedule and conduct the training. The training deck is on the company's internal website.

4. Once trained, the testers and IA coordinator should review their respective sections of the IA template and discuss any questions they may have with each other and those responsible for the activities to be reviewed. Testers should review the Company System of Management Controls Basic Standards (SMC) Section – Principles of Control and sections that pertain to their area of review to enhance their familiarity with pertinent corporate control requirements. For example, a tester reviewing payroll activities should review SMC – Payroll and Employee Benefits. The SMC is on the company's internal website.

IA

5. The testers should conduct the control tests for each item in their sections of the IA template. This is not a table top exercise; verification of the requested test is required. Normally, this consists of interviewing those involved in the work activity, reviewing process and procedure documentation and sampling key control steps. If an item is out of scope or does not apply, mark it NA in the column Describe Existing Practice. Where sampling is used, maintain documentation of the testing that would allow another person to redo the test and reference CIMS sampling guidelines to ensure sample size meets CIMS requirements.

Pay special attention to items marked by u and typed in bold – These are concerns identified in recent HR audits. In the column titled Describe Existing Practice, briefly summarize the local control practice, or note where documentation is located. In the column titled Position Responsible, identify the position responsible for executing the control. If test results find local practices are not equivalent to the control steps there is a gap. Note that there is a gap and include a
short summary of the test result in the column Identified Gaps/Test Results. For all gaps, note the closure plan, timing and person responsible in the Closure Plan/Timing/Responsibility column, or note why the gap is not considered a concern. HR prefers that all high risk gaps be closed within 6 months of the IA, but this is not a requirement.

6. During the internal assessment we recommend that the assessors meet weekly to discuss progress and resolve any questions that arise. It is a good practice for the IA coordinator to calendar and chair these meetings.

7. Once the IA template, including Section W CIMS Implementation, is complete, the IA Coordinator should develop a CIMS score. See CIMS Element 7 for instructions on completing the score and contact GP&C if there are any questions.

8. After completing the IA and developing a CIMS score, the results should be reviewed with the unit’s HR Manager. The purpose of the review is to provide formal feedback to the manager on the results of the IA. Normally the presentation will cover the business processes reviewed, the scope of the assessment, those involved, key findings (control gaps), and planned corrective actions.

Post-IA

9. HR tracks all open items though controls information system 2 (CIS2) and issues quarterly reports to the HR Leadership team detailing the status of open items from audits and internal assessments. Please note that IA findings are typically divided between control gaps and improvement plans. Control Gaps are IA items where the intent of the control step was not met. Improvement plans are suggested process enhancements identified in the review, or “one-off” errors where the intent of the control standard was generally met. Improvement plans should be tracked and stewarded locally. Instructions on how to submit open gaps for CIS2 tracking and how to update the status of those items are found on the company’s internal website.

10. In 2006, HR initiated a formal Quality Assurance program. One element of that program is that HR organizations are to submit completed IA templates and CIMS scores to process controls and coordination (PC&C) for review. Timely submission is within 30 days of completion of the IA. For additional information, this overview of the Quality Assurance Program is found on the company’s internal website.

11. GP&C will review the completed IA template and CIMS scoring, ask questions about any unclear items, and request evidence of sampling documentation. GP&C will contact the IA coordinator to discuss.

12. Closure is defined as completion of the actions committed to in the IA. As items are closed, follow the instructions on CIS2 reporting referenced in Step 9 above to notify GP&C to close the item. This is also a good time to ensure control catalogs, operating manuals and process flow diagrams are updated to reflect any new work processes.
Company L

Annual Benefit Compliance Review Process

The following is Company L’s annual benefit compliance review process. The company requires each local unit to be responsible annually for ensuring that its employee benefit programs are in compliance with all applicable laws and regulations as well as with the provisions of the plans. The benefit compliance review is intended to ensure both legal and plan compliance. The following benefits are included:

- Defined benefit pension plans,
- Defined contribution pension plans,
- Life insurance,
- Disability,
- Medical and dental plans,
- Termination benefits,
- Vacation/leaves and
- Maternity benefits.

Company Type:
Manufacturing

Employee Population Size:
50,000 – 100,000

No. of Countries with Operations:
<50

Governance Structure:
Partially centralized
To: Unit Controllers

Each year, HR Leadership is required to sign-off that it is globally compliant with its benefit programs or indicate any known compliance issues. The Annual compliance review process is required by all units and due DD MONTH in order to complete the sign-off.

The 20XX Benefit Compliance Review is attached (Figure OTH-8-L). Please coordinate the distribution of the checklist to each of the units in your designated region. All completed forms for one’s respective region must be saved into the appropriate region’s folder on SharePoint. Due Date: DD MONTH 20XX

There are 5 questions that must be answered by all and 13 additional questions that are country-specific (only need to be completed by those within the given country). Electronic signatures are acceptable.

Instructions

- Unit HR, Finance or other staff member with responsibility for employee benefit compliance completes the Benefit Compliance Review.
- Human Resource Manager and Controller of their Unit review and sign (electronically).
- Completed documents should be saved to SharePoint by DD MONTH 20XX

Other Information:

- One Compliance Review can be completed for multiple units if the benefits provided are identical and administered centrally.
- Compliance Reviews should be saved to SharePoint with the Unit Code and Description as the name of the file (example: unit code_sample.docx). If the Compliance Review is for multiple units, use a title that clearly indicates who is included in the information.
- As one saves completed files to SharePoint, complete the entry for the unit on the “20XX Compliance Review Summary by Region” document. This will help track what is completed and highlight known compliance issues.
- It is important that this process identifies any existing compliance issues so that we can be sure a proper plan exists to address the issue. Please encourage the units to document all known issues.

Please let me know if you have any questions about the compliance review document or the process for completion.

Thank you.

Benefits Analyst, Global Compensation and Benefits

Figure OTH-8-L. This sample email provides unit controllers guidelines about the annual benefits compliance review.
### 20XX Benefit Compliance Review

<table>
<thead>
<tr>
<th>Required Questions</th>
<th>Answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unit Code(s) and Unit Description(s):</td>
<td></td>
</tr>
<tr>
<td>Name and title of person(s) completing the Benefit Compliance Review:</td>
<td></td>
</tr>
<tr>
<td>1. Does your unit(s) have employee benefits programs that are company sponsored or required by the government?</td>
<td></td>
</tr>
<tr>
<td>2. If your government requires the company to make any contributions to government-provided benefit programs or requires the company to withhold money from employees' pay for purposes of remitting to the government for government-provided benefit programs, have all required contributions been paid in full to the government on a timely basis?</td>
<td></td>
</tr>
<tr>
<td>3. Are safeguards in place to ensure that confidential employee information is adequately protected both internally and with any outside benefit vendors?</td>
<td></td>
</tr>
<tr>
<td>4. Are all plans being accounted for in accordance with all applicable accounting standards [e.g. IFRS, local country, U.S. GAAP, etc.]?</td>
<td></td>
</tr>
<tr>
<td>5. Are there any compliance issues or concerns pertaining to employee benefits? When answering this question, please consider both plan and legal requirements related to the following:</td>
<td></td>
</tr>
<tr>
<td>  - Plan documents and amendments</td>
<td>- Communications</td>
</tr>
<tr>
<td>  - Committees or Board of Trustees</td>
<td>- Appeals process</td>
</tr>
<tr>
<td>  - Review process for pension calculations</td>
<td>- Employee and company contributions</td>
</tr>
<tr>
<td>5a. If the answer to the above question is yes, please explain the action plan to correct the issue:</td>
<td></td>
</tr>
<tr>
<td>Electronic Signature of HR Manager or Benefit Representative who reviewed/completed the Benefit Compliance Review:</td>
<td></td>
</tr>
<tr>
<td>Date of Review:</td>
<td></td>
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<tr>
<td>Electronic Signature of Controller who reviewed/completed the Benefit Compliance Review:</td>
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### Country-Specific Compliance Questions

(Questions vary each year depending on new regulations)

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<thead>
<tr>
<th>Country</th>
<th>Questions</th>
<th>Answer</th>
</tr>
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<td></td>
</tr>
<tr>
<td>Australia</td>
<td>Tax arrangements changes</td>
<td></td>
</tr>
<tr>
<td>Austria</td>
<td>Pension fund law change</td>
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</tr>
<tr>
<td>Brasil</td>
<td>Health care coverage for retirees and unjustified terminated employees</td>
<td></td>
</tr>
<tr>
<td>Chile</td>
<td>Paid maternity leave law changes</td>
<td></td>
</tr>
<tr>
<td>China</td>
<td>Greater workplace protections for female employees changes</td>
<td></td>
</tr>
<tr>
<td>France</td>
<td>Equity of employee benefits changes</td>
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</tr>
<tr>
<td>Ireland</td>
<td>Pension supporting guidance documents change</td>
<td></td>
</tr>
<tr>
<td>New Zealand</td>
<td>Employer tax exemption change</td>
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<tr>
<td>Poland</td>
<td>Paternity leave law implementation</td>
<td></td>
</tr>
<tr>
<td>Singapore</td>
<td>Death, total permanent incapacity and medical expenses limit changes</td>
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<tr>
<td>Switzerland</td>
<td>Social security changes</td>
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<tr>
<td>U.S.</td>
<td>Pension contribution changes</td>
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</table>

Additional Comments:
Resources

All Figures in One Slide Deck

**Company E**

1-E. Global Benefits – Cost Collection Template

**Company G**

2-G. Global Benefit Plan Governance: Overview
3-G. Corporate Support and Guidance
4-G. Summary of Global Governance Review Process
5-G. Summary of Global Governance Review – Sample Country Snapshot

**Company H**

6-H. Pay/Benefits Review

**Company K**

7-K. Internal Assessment RACI Chart

**Company L**

8-L. Benefit Compliance Review Email
9-L. Benefit Compliance Review

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Case Study: Company A

Philosophy/Strategy

Company A, with 70,000+ employees in over 100 countries, has designated its International Compensation & Benefits team to address international governance and benefits issues. Company A has two separate benefits strategies: one for its U.S. employees and another for its employees in foreign countries.

Mission/Charter

The International Compensation & Benefits team mission is to maximize the effectiveness of cash, equity and benefits programs to attract and retain the high-caliber staff needed to maintain the success of the business in the international subsidiaries. This requires a balance between cost effectiveness and competitive appropriateness. The company seeks to align its total remuneration programs with business goals, support globalization and respond to change.

Key business metrics include offering benefits at the median of the local competitor market; customized benefit programs delivered in the most cost-effective manner; high-quality and proactive benefits consulting to the subsidiaries; and client satisfaction.

Benefits that are included in the philosophy are noted below:

- Retirement
- Day Care
- Death
- Severance/Termination
- Medical
- Disability/AD&D
- Dental
- Executive Benefits
- Vision
- Leave Policies
- Vacation
- Multinational Pooling
- Allowances
- Fitness
- Business
- Travel Accident
- Employee Assistance Program
- Tuition Assistance Stock and Employee Stock Purchase Plan
- Car Policies
- Flexible Benefits
- Phone

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International Benefits Philosophy

The company has four guiding principles for plan design, known as the 4 C’s:

- **Competitiveness and Positioning**: The company targets benefit programs to the median position relative to other leading competitors in the local high-tech market. Market position integrates company provided benefits and any existing government provided programs.

- **Compliance**: Programs will comply with local regulatory and legal requirements. Introduction of new programs and modification to existing ones will need to follow established governance guidelines. Ongoing oversight and monitoring required to ensure accurate financial reporting and compliance with the governance framework.

- **Cost**: Employee benefit programs will aim to be delivered in an optimally effective manner, both in terms of financial and administrative efficiency. Programs are designed to meet market competitiveness yet minimize current and long-term company costs or liabilities.

- **Culture**: Both country culture and company culture are important aspects to consider in benefits design. Globally, company culture is to offer a core level of benefits to help protect the health and welfare of employees.

Figure CAS-1-A. This figure outlines the guiding principles of the international benefits philosophy.
Organizational Structure

Company A’s organizational structure for international benefits is centralized. The corporate international benefits team functions as “the consultant” to benefits personnel at the field locations. The team oversees the governance model and is the first rung on the approval process ladder.

Local subsidiary HR staff members have a “line of business” role; that is, they are a Human Resources generalist for a line of business in their country. They also have a geographic role for compensation and benefits. For example, countries with large operations can support having a dedicated compensation and benefits person in the country to manage day-to-day administration of the compensation and benefits plans as well as support and field employees’ questions. Where the company has smaller operations spread among four countries, for example, one person based in one of those four countries is responsible for the day-to-day compensation and benefits administration in all four countries.

Figure CAS-2-A. This figure outlines the responsibilities of the three regional benefit managers.

Company A’s International Benefits Roles and Responsibilities

• **Three Regional Benefit Managers:**
  – Asia Pacific & Greater China Regions, Japan
  – Latin America Region & Canada, Global Programs, & Corporate Liaison
  – Europe, Middle East, & Africa Region

• **Responsibilities:**
  – Manage benefit programs for subsidiaries outside US
  – Develops & implement benefit programs supporting Company A’s strategic goals
  – Ensure cost, compliance, & competitive position of benefit programs
  – Provide Consulting to subsidiary HR, management teams, & regional executives on benefit related issues & programs
As described by the company, this approach has pros and cons, including the following:

- **PROS.** Since the team provides expertise that’s lacking in the field, it is highly valued by the field as a resource. Field personnel need and appreciate the team’s support in such areas as helping them navigate the corporate bureaucracy and seeking to obtain approvals at the right organizational levels.

- **CONS.** With so many countries in which Company A has a presence, the international benefits team is spread thin and “things slip through the cracks.” It is difficult to enforce adherence to the governance model, and subsidiaries that are lax usually only receive “a slap on the wrist.” Budgets are locally owned and so there isn’t corporate support for benefits changes, allowing subsidiaries to shift resources at will and not necessarily to the highest advantage.

The company has an annual salary and benefits planning process during which the governance model for compensation and benefits is confirmed. Discussions focus on the tier to use for a benefit change (described later in the case study), whether the goal is to change benefits or implement new programs within the tiered governance structure, and the business rationale for any proposed benefit changes. For example, to change a benefit, the subsidiary needs to make a business case for the investment and be prepared to discuss trade-offs (i.e., if one area of the benefits program is already above market, it may be acceptable to leave another item below market because it is a warranted trade-off). Local HR personnel are reassured that it is not their responsibility to know the process inside and out. Corporate is there to help walk them through the governance model. It’s very transparent. If it weren’t transparent, the virtual team wouldn’t be able to follow it.
Figure CAS-3-A. This chart depicts the benefits design and approval process timeline through the fiscal year.

Key to acronyms in Figure CAS-3-A:

AA: Achievement Award (Executive Sabbatical Program)

WRP: Worldwide Remuneration Process (described later in case study)
Company Core Benefits

For Company A, protection is a key element and a guiding principle in plan design. Thus, Company A strongly encourages the subsidiaries to offer a minimum level of core benefits, regardless of market prevalence. However, in some newer markets, where there is no infrastructure to support the core package, the company cannot offer the minimum coverage until the marketplace develops. Recently, the company decided that if a benefit becomes taxable to the employee, the company will not reimburse the employee for the additional expense, unless mandated by law. What follows is a summary of benefits offered worldwide.

**Medical**
- Premiums paid 100% by the company
- Cost sharing encouraged via coinsurance, co-payments or deductibles
- Inpatient and outpatient medical covered at minimum 50% for employees
- Catastrophic illness coverage where possible (HIV/AIDS, cancer treatment, organ transplant)
- The following preventive treatments are covered by the company:
  - Flu shots
  - Infant immunizations (limited to children under age 6)
  - Infant/well-baby care

**Life Insurance – 12x monthly base salary**

**Short-term disability**
- Monthly base pay salary continuance at 60% (integrated with social benefits)

**Long-term or permanent disability (differs by country based on availability of benefits)**
- Monthly base pay salary continuance at 50% (integrated with social benefits) or
- 24x monthly base salary paid as lump sum (total permanent disability)

The following are benefits promoted regardless of market practice:

**Dependent coverage**
- Dependents should be covered to the extent possible, and when it is culturally appropriate and/or market-driven.
- When dependent coverage is not market practice, subsidiaries should facilitate the benefit offering at full cost to the employee.
- Same-sex partners/spouses should be covered as long as it is permissible by law.
- Regardless of market practice, an employee's parents are not eligible for company paid benefits unless required by law.

**Employee assistance programs (EAP)**
- EAPs help employees manage personal or work-related problems that may affect job performance. Therefore, they are supported by the benefits philosophy.

**Fitness programs**
- The company encourages wellness programs such as subsidized health club memberships, since these programs have been shown to promote employee health, morale and productivity.
Governance Process

The Worldwide Remuneration Process (WRP) is the governance model that provides a common framework and timeline for assessing existing and potential compensation and benefits (C&B) programs. It assesses the business impact of C&B programs in terms of business productivity metrics, such as the following:

- % of operating income
- % of revenue
- Year-over-year change
- Cause of change

The WRP aligns C&B planning with the corporate financial planning cycle and serves as a business plan for C&B organization. Each year, an in-depth review is completed for “named” countries that are selected annually by the C&B organization with input from the leadership team (International HR Director, President of International, Corporate VP of HR, Corporate Business Group VPs, Corporate CFO, and CEO). The selection criteria for the “named” countries include but are not limited to the following:

- Revenue
- Growth potential
- Employee population
- Strategic locations

The final output of this process is shared with the leadership team in a slide deck format.

The company’s governance process is designed to do the following:

- Create a consistent annual approval process for managing benefit changes;
- Align international benefit programs to the company’s global philosophy;
- Provide visibility and decision-making responsibility to appropriate levels and subject-matter experts;
- Ensure that corporate standards for retirement/pension programs are followed and that associated assets and liabilities are reported to comply with government regulations; and
- Deliver a consolidated view of total annual Profit & Loss impact for benefit changes regionally & worldwide in time for Finance’s budgeting cycle.

The scope of the governance process encompasses the total rewards package, which includes retirement, all benefits, perks, allowances and time off. It also is applicable to new benefits programs, modifications to existing programs and design/funding changes that impact future liabilities of the company. Since budgets are locally owned, there is no global prioritization process for plan development or plan changes.
Exceptions to the governance process include the following:

**Permitted**
- Fast-moving environment in which the market shifts unexpectedly
- Insurance renewals that are not aligned to the fiscal year cycle and require plan redesign
- Legislation changes (may require adjustments to existing plans or implementation of new plan)
- Inflationary changes (cost of existing programs increase at contract renewal, with no change to plan design)

**Prohibited (unless meeting above criteria)**
- Significant medical plan change (not related to inflation)
- Revising makes and models of cars, or eligibility criteria for car program
- Increasing meal or other allowances
- Introducing a new benefit plan
Approval Processes/Matrices

Company A uses a four-tiered approval process, with tier-one approvals made at the local level and tier-four approvals made at the corporate level.

**Tiers Defined**

- Tier 1: Low materiality and low risk
- Tier 2: High materiality and low risk
- Tier 3: High materiality and/or high risk
- Tier 4: Exceptional materiality and risk, and/or corporate policy impact

Cost is evaluated as a percent of total payroll for the subsidiary or a threshold of $100,000 USD (whichever is met first). Risk factors are those that create long-term obligations (e.g., a retirement plan), have a local legal impact and/or impact a corporate policy. Benefits with a high-cost impact or with potential high risk to global corporate policies are considered tier four. In addition, retirement policies and plans, except for changes in vendors, require corporate (tier-four) approval.

Any offices seeking to implement benefit changes related to child care (risk factors), flex benefits (systems impact), severance payments and retiree medical programs must go through tier four. All benefit changes, meaning those at tier 1-3 that don’t have to be seen at the corporate level, go through the local finance staff (e.g., country finance manager, country manager, top-level country HR staff person) and then to the regional level (e.g., finance leader, regional vice president and regional HR leader). At every step, a finance staff member is involved.

Most small health care benefits decisions can be made at the local/regional level, or tier one. The deciding factor for determining tier is materiality on a cost basis and risk factors. Company A considers the changes on an aggregate basis. For example, a subsidiary may request 10 small changes, all of which are at tier one. However, because there are numerous requests, the company adds the cost basis across all the small changes. If the combined total meets the threshold of materiality, those changes would jump tier levels based on the dollar amount.

Company A looks at the total rewards package, instead of individual silos (e.g., benefits) alone. Company A is strict regarding retiree medical programs, and there is a tier-four retirement committee that weighs retirement benefits. The committee has representatives from treasury, tax, finance, legal and international HR departments.
Figure CAS-4-A. This chart shows where various benefits fall on the four-tier system.

The WRP, or Worldwide Remuneration Process, has two phases. The first phase entails an extensive review of the company’s top 15 revenue-producing countries regarding:

- Existing programs and practices;
- Extent to which principles of the philosophy are met in terms of market competitiveness and core benefits; and
- Changes desired for the following year.

This 4-month process comes to a conclusion 7 months prior to the beginning of the next fiscal year, which is when the changes go into effect. The process allows the governance committee a chance to review the changes over the end-of-year holidays and determine a course of action.

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Figure CAS-5-A. This figure outlines the objectives of the International Retirement Plan Committee.

Changes to retirement plans follow a different timeline. The Retirement Committee meets in September and March each year. The WRP cycle for the Phase I countries runs from September to December. Phase II runs from January to March. New retirement plans go through the WRP approval cycle first as a “request for feasibility study.” If the new plans are approved during this cycle, they go to the Retirement Committee during the March session. They are given the final go-ahead for the feasibility/design phase of the project at the conclusion of the March committee meeting. At the next WRP cycle, subsidiaries come forward with their final proposal. If the proposal is ready in time for the September committee meeting, it is presented, and final approval would come then. Otherwise, the proposal waits until the March session.
Figure CAS-6-A. This chart depicts the organizational structure and approval process for the Retirement Committee and the Retirement Advisory Committee.

As part of developing its new governance process, Company A addressed its unclear approval practices by developing the aforementioned four-tiered approval system for benefit changes. WRP for the top 15 countries means that benefit changes at all tiers have visibility all the way to the CEO level. The CEO is not formally a part of the process, but he/she does have veto power on all benefit changes in these countries. The other (non-top) countries have changes visible to the CEO level only for tiers three and four.

The approval matrix is outlined in a slide deck that is shared through Web-based seminars as well as live meetings.
Figure CAS-7-A. This chart depicts the benefits approval process for non-focus countries.

There is a project team that works on a PowerPoint deck that is presented to the leadership team (International HR Director, President of International, Corporate VP of HR, Corporate Business Group VPs, Corporate CFO and CEO). “Slide owners” are those who want to bring a proposal forward; each proposal has a slide in the presentation. For example, the Regional Compensation & Benefits Managers who are responsible for Latin America obtain from all the local subsidiaries what they want to change in their salary or benefits plan. The Regional Compensation & Benefits Managers are the “slide owners” for all of those slides/changes. They create the slides for the deck using a template that is provided so that everyone’s slides look exactly the same. The template walks users through the compensation and benefits philosophies and the guiding principles. A sample slide from this exercise is depicted as follows:
**International Benefits - World Region**

### Executive Summary

Below are proposals for key initiatives in the WRP named countries. These proposals have been vetted with Regional Benefit Managers and local HR. Some final approvals may still be pending.

There are no key initiatives for the third Major Country in FY08.

### Financial Impact

<table>
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<th>Initiative(s)</th>
<th>Implement</th>
<th>Annualized</th>
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<td>Opex Cost</td>
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<tr>
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### Recommendations

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<tr>
<th>Country</th>
<th>Benefit</th>
<th>Proposal / Rationale</th>
<th>Implementation Date</th>
<th>Estimated Incremental Cost</th>
<th>As a % of Fixed Pay</th>
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</thead>
<tbody>
<tr>
<td>Major Country</td>
<td>Tuition Reimbursement</td>
<td>Implement tuition reimbursement program for Masters degree programs per market practice. Reimburse XX% of tuition related costs up to annual maximum of $XXX USD per employee.</td>
<td>Jul-07</td>
<td>$XXX</td>
<td>XX%</td>
</tr>
<tr>
<td>Major Country</td>
<td>Tuition Reimbursement</td>
<td>Implement tuition reimbursement program for Masters degree programs per market practice. Reimburse XX% of tuition related costs up to annual maximum of $XXX USD per employee.</td>
<td>Jul-07</td>
<td>$XXX</td>
<td>XX%</td>
</tr>
<tr>
<td>Retirement Plan</td>
<td></td>
<td>Implement Defined Contribution retirement plan per market practice &amp; pre-approval during FY07 WRP. Employees can contribute up to XX% base pay. Company A will match XX% up to XX% maximum.</td>
<td>Jul-07</td>
<td>$XXX</td>
<td>XX%</td>
</tr>
</tbody>
</table>

### Considerations

1. Approval will be secured with GM, Regional Finance, and RVP prior to implementation.

   **Effective Date - See Recommendation**
   
   **Owner:** XXX

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**Figure CAS-8-A.** This chart shows a sample executive summary of benefits changes in one of three world regions. Please note that this figure is a simplified version of the actual tool. The PowerPoint-based tool has more detail.
Legal Compliance/Audits

Company A relies on consultants to assist with legal and regulatory compliance in the countries where it has employees by alerting the company to important legislative issues requiring attention. Company A recognizes that the better approach would be for the company to do its own research on these issues and be proactive, but so far this has not happened. When the corporate office receives information from the consulting firms, it is shared with local HR staff members, who are encouraged to let corporate know of any needs they may have for support. If there is no HR person in country, it is up to finance (in the country) to achieve compliance and corporate supports for them.

The international benefits team does not conduct legal audits of the programs. The company has an internal audit team—separate from its international benefits team—which conducts audits using a standard template. Subsidiaries are audited every other year on the basis of their performance and legal and compliance issues, as well as against company policies. The audit team also partners with local legal counsels to evaluate how well local subsidiaries follow legal mandates not related to benefits but to how they conduct business. If there are specific issues related to benefits that arise, the audit team connects with the appropriate benefits manager for that region. The benefit change template (described earlier) is used as a reference point to track back and understand how and why changes were made, particularly those that get flagged as being off base in an audit.

Data privacy and security audits are also carried out by an IT team that is dedicated to HR. In addition, Company A has a standard vendor agreement that it uses worldwide for managing privacy and security issues. Figure CAS-9-A shows the language from this agreement.
Treatment of confidential information.

a. In general. Subject to the other terms of this agreement, each of us agrees:
   - We will not disclose the other’s confidential information to third parties; and
   - We will use and disclose the other’s confidential information only for purposes of our business relationship with each other.

b. Security precautions. Each of us agrees:
   - To take reasonable steps to protect the other’s confidential information. These steps must be at least as protective as those we take to protect our own confidential information;
   - To notify the other promptly upon discovery of any unauthorized use or disclosure of confidential information; and
   - To cooperate with the other to help regain control of the confidential information and prevent further unauthorized use or disclosure of it.

c. Sharing confidential information with affiliates and representatives.
   - A “representative” is an employee, contractor, advisor or consultant of one of us or one of our respective affiliates.
   - Each of us may disclose the other’s confidential information to our representatives (who may then disclose that confidential information to other of our representatives) only if those representatives have a need to know about it for purposes of our business relationship with each other. Before doing so, each of us must:
     - ensure that affiliates and representatives are required to protect the confidential information on terms consistent with this agreement; and
     - accept responsibility for each representative’s use of confidential information.
   - Neither of us is required to restrict work assignments of representatives who have had access to confidential information. Neither of us can control the incoming information the other will disclose to us in the course of working together, or what our representatives will remember, even without notes or other aids. We agree that use of information in representatives’ unaided memories in the development or deployment of our respective products or services does not create liability under this agreement or trade secret law, and we agree to limit what we disclose to the other accordingly.

d. Disclosing confidential information if required to by law. Each of us may disclose the other’s confidential information if required to comply with a court order or other government demand that has the force of law. Before doing so, each of us must seek the highest level of protection available and, when possible, give the other enough prior notice to provide a reasonable chance to seek a protective order.

4. Length of confidential information obligations.

a. Termination. This agreement continues in effect until one of us terminates it. Either of us may terminate this agreement for any reason by providing the other with 30 days’ advance written notice. Termination of this agreement will not change any of the rights and duties made while this agreement is in effect.

No other use or disclosure of confidential information. Except as permitted above, neither of us will use or disclose the other’s confidential information for five years after we receive it. The five-year time period does not apply if applicable law requires a longer period.

Figure CAS-9-A. This figure shows a sample of the privacy language used in Company A’s vendor agreements.
Communications

Company A has a thin (3-person) corporate benefits team. Anyone with Compensation and Benefits responsibilities in the regions is considered part of the virtual team. Information about the company’s philosophy and governance process, along with updates, is communicated to the virtual team on an annual basis or as needed due to staffing changes. The approval matrix is outlined in a slide deck that is shared through Web-based seminars as well as live meetings.

The international benefits philosophy is located on the HR Intranet. It contains:

- Mission statement
- Guiding principles
- Formal approval process
- Core benefits
- All other benefits
- Glossary
- One page summary matrix

In the case of the annual review of benefits, local HR is responsible for coming to the Regional Benefits Manager, International Benefits, proactively with requests from employees (such as for a retirement plan). Then the Regional Benefits Manager does an in-depth analysis of market data to see if the data support the request—in this case, having a retirement plan. Local HR works with the Regional Benefits Manager to develop a proposal for what they want to do based on the information collected. From there, they have to get buy-in from the general manager and finance director in that country. The Regional Benefits Manager, International Benefits, then gets final approval through the governance model.
Financial Oversight

Each quarter, or at the 6-month mark, Company A’s retirement team provides the finance offices at the subsidiaries with a template for pensions and a targeted date for completing it. The template includes a review of valuation methodology and assumptions, valuation results, expense and funding strategy, asset investment strategy and performance against benchmarks. There are two defined benefits pension plans, and there is oversight for both (the others are defined contribution plans).

Regarding health care, death and disability benefits, Company A has a renewal process in place that regional benefits managers attempt to follow. The company works with both global and local brokers on a quarterly basis to look at all plans coming up for renewal, targeting plans that require corporate involvement. Renewals generally can occur without corporate involvement, unless the subsidiaries have issues that need to be addressed. If this happens, it typically occurs at the eleventh hour.

As noted previously, the Worldwide Remuneration Process (WRP) assesses the business impact of C&B programs in terms of business productivity metrics, such as:

- % of operating income
- % of revenue
- Year over year change
- Cause of change

The WRP aligns C&B planning to the corporate financial planning cycle.
Figure CAS-10-A. This chart shows how the company outlines its total remuneration costs around the world. Please note that this figure is a simplified version of the actual tool. The PowerPoint-based tool has more detail.
Key Learnings

- Involve people from the field early on in the process. This company has a “virtual team” upon which it can draw. Regional staff members need to participate in the development of processes, obtain local buy-in and sell the process at the local level.
- The corporate international benefits team functions as “the consultant” to benefits personnel at the field locations. Since the team provides expertise that is lacking in the field, it is highly valued by the local staff as a resource.
- The development of a governance process significantly improved the company’s prior unclear approval process by defining tier levels for approval. This approach has resulted in greater efficiencies and visibility for benefits changes to the appropriate levels in the organization.
Case Study: Company F

Philosophy/Strategy

Company F, with 30,000 employees in 75+ countries, has a market-based benefits philosophy/strategy that is aligned with the company’s overall business objectives and company values. This drives the creation of its guidelines in different countries. While Company F strives for consistency within each market, it allows for variation from country to country. However, one central principle that supersedes individual markets and crosses borders is Company F’s commitment to benefits cost sharing with all employees.

Company F has developed what it calls its Total Rewards Philosophy or function (see bulleted items, below) at the corporate level and with regional representation.

- The company provides competitive, market-based pay that allows it to attract and retain valued employees.
- Base pay is tied to local competitive pay practices at market levels in the countries where Company F operates.
- Benefits are market-based and targeted at or above competitive practices in those markets.
- Variable pay fluctuates based on organizational and individual performance.
- The combination of base pay incentives and benefits supports the achievement of the company’s business goals and the alignment of interests between employees and stockholders.

Note: Financial oversight is provided within the corporate Total Rewards function.

Objectives of the Global Benefits Strategy

- Provide a proactive framework for developing and executing a global benefits strategy that enables the company to attract, retain and localize its workforce.
- Provide guidelines to allow for the consistent and effective management of global benefit programs, and ensure that these programs are aligned with the company’s business objectives and values.
- Respond to the fiduciary requirements and the scrutiny faced, in general, by U.S. multinationals.

Guiding Principles

Competitiveness:

- Compensation and benefits programs are targeted at the 50th percentile, relative to competitors in each country/region. To determine competitive practice, programs at the company are compared with those offered by companies in both the same-industry sector and also in other industries.
- Benefits are not intended to be a strong differentiator in Company F’s rewards package.
- To avoid duplication of benefits and unnecessary cost, as Company F’s benefit programs are being developed they are compared to social benefit plans and programs available in each country.
Compliance:
• All benefit programs must operate in compliance with local laws and regulations, including any applicable U.S. regulations (i.e., Sarbanes-Oxley, FAS 87, etc.).

Cost:
• Benefits expense is balanced against value and competitive practice.
• Benefit programs should minimize company cost and future liabilities to maintain a sustainable level of benefits, while also maximizing corporate and individual tax benefits.
• Global vendor relationships are leveraged where possible.

Consistency:
• Benefit programs offered within a country should be consistent across all business units there, unless there is a clear rationale for differences. However, benefit plans may differ from one country to another.

Culture:
• Benefit programs will be aligned with the local culture and meet the needs of employees to the extent possible.

Communications:
• The company strives to ensure that employees receive complete and timely communications regarding the company’s benefit programs.

Protection:
• Company-sponsored benefit programs, in concert with local social benefit plans, serve to protect the basic welfare of employees and provide adequate security in the event of catastrophic personal injury, illness or death.

Shared Responsibility:
• The company encourages employee participation in benefit programs through education and cost sharing.
Organizational Structure

Historically, Company F’s benefits structure has been decentralized, with decisions made at the local/regional level. Now the company has what is best described as a decentralized/centralized structure, with decisions made both regionally and globally based on the approval matrix. Under Total Rewards, the corporate role involves ensuring that all benefit plans are aligned with the company’s benefits philosophy and guiding principles for plan development/changes. Corporate also ensures that all benefit plans adhere to the approval matrix.

CAS-11-F. This chart depicts which structural level manages various benefit programs.
CAS-12-F. This chart shows the organizational structure for governing global Total Rewards plans (e.g., retirement).
Guidelines for Plan Design

All newly developed benefit programs within Company F should be aligned with its Guiding Principles outlined earlier in the case study. In addition, Company F has general guidelines for designing benefit programs, as well as guidelines that are specific to the areas of health care and retirement.

General

- The types of programs to be offered are driven by local market practice and should be aligned with global benefits philosophy.
- Normally, risks should be insured through an external insurance policy. Competitive bids should be obtained before a provider is selected, and preferred providers should be considered in the selection process.
- Participation in benchmarking surveys should be done on a periodic basis to ensure program competitiveness.
- Eligibility should be limited to full-time and part-time employees working at least one half of the full-time schedule, unless dictated by local law.

Health Care

- Plans should cover only members of the employee’s immediate family (legal spouse, as defined in the specific country, and dependent children).
- Age limits should be in place for covering dependent children; typically providing coverage through age 19 and up to age 25 if a full-time student. Age limits may vary by country based on local laws and insurer’s criteria.
- For local plans, coverage should be provided by a local insurer (or global preferred provider) through an insured arrangement unless the number of covered lives supports self-insurance. A complete cost/benefit analysis should be conducted before self-insuring the benefit.
- Coverage outside the home country should be provided in those instances where adequate treatment cannot be obtained locally. Care should be taken to determine where this extended coverage should be available as well as the amount of the benefit in order to balance cost and value.
- The company should not pay expenses in excess of the benefit provided through the plan.

Retirement

- New plans should be defined contribution plans unless this is not permissible under local law. Defined benefit plans should be frozen to future participation and replaced, if possible, with defined contribution plans.
- Unless otherwise mandated, company-sponsored retirement plans should only be offered in countries where the company is well established and business plans indicate that operations will continue in that country for the foreseeable future.
- Where legal conditions allow, employees should be encouraged to contribute toward their own retirement, and contributions should be on a tax-deferred basis. Employer contributions will be based on market practice, cost and tax effectiveness.
- Benefits should fully vest within five years, unless market practice or local legislation dictates otherwise.
- Normal retirement age should take into account market practice, Social Security, retirement age and tax consequences.
Case Study: Company F  |  Guidelines for Plan Design

- Where permitted by law, plans should allow employees a reasonable choice in the selection of investment funds and investment styles. Fund performance should be communicated to participating employees on a regular basis.
- Fund assets should be professionally managed, and monitored by company management, to ensure an appropriate rate of return.
- Plans should be fully funded and funding levels should be reviewed and evaluated on a regular basis. The forfeiture of any unvested contributions should be used to offset future company contributions.
- Employees may not be an active participant in more than one company-sponsored retirement plan at any one time.
Approval Processes

Company F has a relatively new framework for approving all benefit plans. The processes are the same for Health and Welfare and Retirement, with the exception of approval levels that may differ. As of mid-2008, this framework has been implemented globally. Initially, it was communicated via WebEx and in face-to-face meetings, but it is also the responsibility of the regional Total Rewards staff to communicate it to HR and Operations on an ongoing basis. It specifies that any defined benefit plan, new plan or plan modification whose annual cost exceeds $500,000 must be approved at the corporate level. The following figures illustrate the steps involved in the approval process and the responsibilities of key groups.

Total Rewards Strategy
Global Plan Approval Process

<table>
<thead>
<tr>
<th>Plan Development or Modification</th>
<th>Recommendation/Authorization</th>
<th>Approval Level 1</th>
<th>Approval Level 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global COE related Plans/Policies &gt; $500K+</td>
<td>Global Total Rewards COE</td>
<td>Region VP Council</td>
<td>Administrative Committee</td>
</tr>
<tr>
<td></td>
<td>Region Council</td>
<td>Functional Council</td>
<td></td>
</tr>
<tr>
<td>Global COE related Plans/Policies ≤ $500K</td>
<td>Global Total Rewards COE</td>
<td>Country/Area Leadership Team</td>
<td>Region VP Council</td>
</tr>
<tr>
<td></td>
<td>Region Council</td>
<td></td>
<td>Or Functional Council</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Or Country President</td>
</tr>
</tbody>
</table>

CAS-13-F: This chart shows the decision-making levels of the approval process.
Global Benefits Strategy
Annual Project Plan

♦ Establish annual project plan
  ♦ Region Total Rewards, in conjunction with Region HR, establish project plan each year.
  ♦ Project plan aligned with business goals and objectives while also addressing issues related to competitive position and/or legislative requirements.
  ♦ Business case template must be completed for each project submitted for the annual project plan.

♦ Budgeting
  ♦ Costs for consulting or outsourcing captured in annual budget; refer to budgeting guidelines for appropriate cost allocation.

♦ Obtain approval for project plan as outlined in approval matrix

CAS-14-F. This figure outlines how annual project plans are developed and approved.
Global Benefits Strategy

Business Case Template

<table>
<thead>
<tr>
<th>Business Case</th>
<th>The business case explaining the reason for developing (or making changes to) a plan.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plan Design</td>
<td>A detailed description of the plan design and a comparative analysis of proposed plan vs. market practice.</td>
</tr>
<tr>
<td>Financing (investment, funding and accounting)</td>
<td>A description of how the plan is to be funded (local tax implications and cost impact for both the company and the employee).</td>
</tr>
<tr>
<td>Compliance</td>
<td>An analysis of the legal implications to the company.</td>
</tr>
<tr>
<td>Consistency</td>
<td>If a new plan, confirm there will be a consistent plan design for all divisions within the country.</td>
</tr>
<tr>
<td>Legacy Issues</td>
<td>Relevant plan history, including past proposals, etc.</td>
</tr>
<tr>
<td>Administration</td>
<td>How will the plan be administered?</td>
</tr>
<tr>
<td>Communication</td>
<td>How will the plan be communicated?</td>
</tr>
<tr>
<td>Other</td>
<td>Supporting documentation from consultants.</td>
</tr>
<tr>
<td>Contact Details</td>
<td>Who are the contacts for all divisions?</td>
</tr>
</tbody>
</table>

CAS-15-F: This business case template shows the important details to include when getting approval to implement a new benefits plan or change an existing one.
**Global Benefits Strategy**

Benefit Plan Development/Modification – Outside Project Plan

![Diagram](Image)

- **Country HR Manager**
- **Local Country Management**
- **Regional Benefits Function**
- **Region Council**
- **Administrative Committee**

*If project is not part of annual project plan:* Liaison with Regional Total Rewards function to ensure concept buy-in

Ensure concept buy-in from local Country Management - across all divisions

Liaison with Regional Comp/Ben Function to
- obtain buy-in from Global Total Rewards
- obtain buy-in (approval) from Region VP Council – front/back end
- obtain buy-in from other corporate groups when necessary

Liaison with Global Total Rewards to
- obtain approval at Corporate level, if required

CAS-16-F: This chart outlines the roles and responsibilities of colleagues in getting approval to implement a new benefits plan or change an existing one outside of the annual project plan cycle.
Benefits Reporting

The company uses an Internet-based database to capture plan design and financial details for all benefit plans globally. The local country HR Manager is responsible for ensuring that details for each benefit plan are entered in the database on a timely basis. In the event there is no country HR Manager, the Area HR Manager ensures that the data are provided. The Total Rewards Manager for each region has ultimate responsibility for ensuring that this occurs in each country.

Key Learning

Due to the ever-changing global environment, global governance is a work in progress that requires continuous vigilance, ongoing evaluation and constant communication among the different organizational levels.
Resources

All Resources in One Slide Deck

Company A

1-A. International Benefits Philosophy: Guiding Principles

2-A. International Benefits Roles and Responsibilities

3-A. Benefits Cycle

4-A. Tier Strategy

5-A. International Retirement Plan Committee Objectives

6-A. International Retirement Plan Committee Structure

7-A. Approval Model Non-WRP Countries

8-A. World Region Executive Summary

9-A. Privacy Language in Vendor Agreement

10-A. Total Remuneration Summary

Company F

11-F. Global Benefits Strategy Structure

12-F. Total Rewards Strategy Governance

13-F. Global Plan Approval Process

14-F. Annual Project Plan

15-F. Business Case Template

16-F. Benefit Plan Development Modification – Outside Project Plan
Overall Key Learnings

- **Top-level corporate sponsorship helps ensure global focus.**
- **Regardless of the nature of your governance structure (whether centralized, decentralized, etc.), identify your philosophy, strategy and essential guidelines for benefit design across all sectors of the company.** For example, if your company places a high value on preventive wellness programs, encourage this aspect of benefit design throughout the organization.
- **Appoint key partners first and then establish the governance framework.** A strong base of partners can be leveraged to build future governance initiatives.
- **In developing a structure for governance and in designing benefits, involve people in the field and at the grassroots level, and involve them early in the processes.** Local HR and others can be virtual teams and will help make it possible to achieve local buy-in. In addition, ongoing partnerships with regional staff can lead to better relationships.
- **Allow for flexibility and be open to change in governance structure.** For example, you may start out with a decentralized governance structure and decide in order to reach your corporate goals you need to move to a more centralized model, or vice versa.
- **In designing benefits for regional operations, try to balance local needs and realities with overarching corporate goals and objectives.** For example, if employee cost sharing is part of your company’s philosophy, make sure it’s reflected in benefits design at operations in all geographical areas.
- **Give local stakeholders responsibility for items that are really important to them, when possible.** This empowerment helps build engagement.
- **Regularly stay abreast of and comply with the legal responsibilities and constraints found in each market.**
- **Strive for benefit design that is market competitive, but understand that you may not be able to achieve it in all benefit areas.** Given many other factors that impact benefits, you may be below market in one area (e.g., retirement) and above market in another area (e.g., paid time off).
- **Value communications and stay focused on how messages are conveyed internally.** Although online communication is efficient and generally effective, there are times when a face-to-face meeting is required. For example, when implementing approval and auditing guidelines or during renewal discussions in each region, an initial high-level, person-to-person meeting may go a long way in ensuring that rules and guidelines are followed.
- **Address governance often.** As staff members change, messages can be lost.
- **Make sure your company has an approval process for benefit design and redesign in place.** Communicate this process to operations on a regular basis and, if necessary, monitor compliance.
- **Call on local contractors—brokers, actuaries, etc.—to assist your company in creating and implementing benefit design policies.** However, be sure to assess and measure vendor results at workable intervals (annually, biannually, etc.).
- **Develop a strong partnership with legal, finance and HR Compensation and Benefits.** Involving other necessary staff up front means smoother and quicker implementation at the back end. This team effort captures efficiencies and allows for shared recognition of achievements.
Key Learnings

- **Schedule a governance review at least annually.** This will allow you to fine-tune your policies and continually improve the quality of the mechanisms and processes that support the well-being of employees and contribute to the company’s financial health.

- **Recognize that improving governance may require a significant investment in time and fees.** Ensuring good governance can be costly, and pay-off is often hard to measure.

- **Learn from and benchmark with your peers.** With the large number of multinational companies as members, the Global Business Group on Health provides an excellent forum for trading ideas about governance issues and sharing resources.

- **Global governance requires ongoing evaluation and constant communication.** It’s a work in progress, due to the ever-changing global environment.
Global Benefits Governance Survey Results

The purpose of this survey was to determine how global companies govern their health and welfare benefits around the world. The survey also looks at benefit budget ownership and approval.

2016 Sample Size = 48
2012 Sample Size = 32
2007 Sample Size = 19

Of our 48 respondents, a majority are either centralized or partially centralized for decision making for international benefit design and vendor management (Figure SUR-1).

![Figure SUR-1. International Benefits Management Structures, 2007, 2012, 2016](image-url)
NOTE: Governance structures are defined as the following:

- **Decentralized:** Decisions on plan design and vendor selection are made locally with minimal or no input from corporate HQ.
- **Regionally centralized:** Decisions are taken at a regional level but not necessarily reported back to corporate HQ.
- **Partially centralized:** Some decisions are reported to corporate HQ based on established dollar limits or other agreed upon thresholds.
- **Centralized:** All decisions regarding benefits outside the US must be approved by the corporate HQ prior to implementation.
- **Other:** Some combination of the four options listed above.

Companies are becoming more sophisticated with their global governance policies (Figure SUR-2). When comparing 2012 to 2016, companies are evolving from having retirement benefit specific governance policy to one that includes health & welfare benefits. The percentage of companies who don’t have global governance policies at all hasn’t changed much across the 3 survey years.

**Figure SUR-2.** Defined Process to Govern Health and Welfare Benefits Outside the U.S., 2007, 2012, 2016
Plan design and financing/funding are most common components of companies’ global benefits governance process (Figure SUR-3). Plan administration decisions and benefit changes in labor agreements were new additions to the 2016 survey.

Figure SUR-3. Components Included in the Governance Process, 2007, 2012, 2016
Global Benefits Governance Survey Results

The most common triggers for approval process in governance model are spending threshold, deviations from market practice and benefit type (Figure SUR-4).


Other 2012 responses:
- New program or change to an existing program
- Approval is based on amount of change
Corporate HR executive and corporate benefits manager are the most common party responsible for approving global benefits (Figure SUR-5).

<table>
<thead>
<tr>
<th>2016</th>
<th>2012</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate HR Executive(s)</td>
<td>Corporate HR Executive(s)</td>
<td>Corporate HR Executive(s)</td>
</tr>
<tr>
<td>Regional Team</td>
<td>Corporate Benefits Manager</td>
<td>Corporate Benefits Manager</td>
</tr>
<tr>
<td>C-Suite</td>
<td>C-Suite</td>
<td>Local Team</td>
</tr>
<tr>
<td>Corporate Benefits Manager</td>
<td>Global Governance Committee</td>
<td>Corporate Finance</td>
</tr>
<tr>
<td>Global Governance Committee</td>
<td>Local Team</td>
<td>Regional Team</td>
</tr>
</tbody>
</table>

Figure SUR-5. Responsible Parties in Approval Process, 2007, 2012, 2016

Audits of governance models are not common (Figure SUR-6).


NOTE: In 2016, seven companies performed an audit.
HR and Legal departments typically review the governance process (Figure SUR-7). Other responses include rewards group, external consultants, and c-suite.

58% of companies have made a change or are considering one to the global benefits governance (Figure SUR-8).

Consistency of benefits management, risk and changes in broader governance philosophy are factors companies considered when changing their global benefits governance approach (Figure SUR-9). Other responses include empowering strong local talent and changes in leadership directives.

For a majority of companies (54%), global procurement assists with decision making process for international market health and welfare purchases (Figure SUR-10).

![Figure SUR-10. Global Procurement Assistance in Decision-Making Process for Non-U.S. Health and Welfare Purchases, 2007, 2012, 2016](image)

Almost two-thirds of companies communicate governance processes, guidelines and structures either regularly or making it available (Figure SUR-11). Half of those companies consider their governance communications effective (Figure SUR-12).

![Figure SUR-11. Internal Communication of Governance Structure, Process, and Guidelines, 2007, 2012, 2016](image)
Penalties for non-compliance with governance guidelines is not prevalent for any of the years provided (Figure SUR-13).

Figure SUR-12. Effectiveness of Communication, 2007, 2012, 2016

Global Benefits Governance Survey Results

2016 Penalties responses:
- We educate, but our structure with regional C&B COEs appears to provide good visibility to changes being contemplated
- There are no penalties, but noncompliance would require changes to be made back to compliance or an exemption depending on circumstances
- Appropriate level of HR and business leader is advised

Regarding benefits budgets, 44% of companies have the local group own it (Figure SUR-14). The most common parties responsible for budget approval are the local team, regional team, c-suite, corporate HR executives, and corporate finance (Figure SUR-15).

![Figure SUR-14. Benefits Budget Ownership Structure, 2016](image)

![Figure SUR-15. Top 5 Responsible Parties in Budget Approval, 2016](image)
Resources

All Figures in One Slide Deck

Organizational Structures

Global Philosophy and Strategy

Approval Matrices

Other Governance and Tracking Tools

Case Studies