Globalizing mobility service delivery

26–29 October 2014
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Presenters

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  ► Ernst & Young LLP (UK)
Agenda

► Introductions
► The need for change at BAT…
► BAT, who are we and what do we do?
► Globalizing mobility service delivery
► Dos and Don’ts – aka I wish someone told me earlier..
► Where are you on the journey?
Need for change: Consumer products

<table>
<thead>
<tr>
<th>Changing customer base</th>
<th>Increasing competition</th>
<th>Rising input costs</th>
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<tbody>
<tr>
<td><img src="image1" alt="Graph Icon" /></td>
<td><img src="image2" alt="Competition Icon" /></td>
<td><img src="image3" alt="Currency Icon" /></td>
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<tr>
<th>Currency risk</th>
<th>War for talent</th>
<th>Growing complexity and compliance</th>
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<tr>
<td><img src="image4" alt="Currency Icons" /></td>
<td><img src="image5" alt="Talent Icon" /></td>
<td><img src="image6" alt="Compliance Icon" /></td>
</tr>
</tbody>
</table>
Future growth in the tobacco industry


Value CAGR (2013–2018)

-8%  -4%  -3%  -2%  -1%  0%  1%  2%  3%

Volume CAGR (2013–2018)

Asia Pacific

Eastern Europe

Latin America

Middle East and Africa

Western Europe

North America

Australasia

Size of bubble represents size of the market by volume in 2018

Source: Euromonitor, EY analysis

Globalizing mobility service delivery
Future growth in the tobacco industry

Cigarettes volumes extrapolated

Source: Euromonitor until 2018, EY analysis
Note: Other Asia and China on secondary y-axis
BAT, who are we and what do we do?
BAT, who are we and what do we do?

▶ We are a global tobacco group, with brands sold in more than 200 markets.
▶ Founded in 1902 and still going strong – a leader in 60 markets around the world.
▶ In 2013 we sold 676 billion cigarettes, made in 46 factories in 41 countries.
▶ We employ more than 57,000 people in more than 200 markets worldwide, with many more indirectly employed through our supply chain.
▶ Globally, our business last year contributed more than £33 billion in duty, excise and taxes to governments worldwide.
Mobility at BAT

- Approximately 800 live assignees at any one point in the year.
- High number of transactions due to frequency of moves.
- More than 140 host locations giving 400+ home and host combinations – complexity!!
- More than £200m annual investment in Mobility – annual incremental costs exceed £95m.
- Increasing costs pressures on programme – costs are on the Board agenda.
- “Centrally Managed” approach for senior executives. Formal linking of global talent and mobility
The BAT response to industry challenges

- The company has grown off the back of a number of acquisitions – this brought significant inconsistency and own (local) ways of doing things.
- Current economic and competitive environment required better leverage of scale and reduce the complexity of the organisation.
- A new target operating model for the global organisation is being implemented.
- A new enterprise wide SAP system is being implemented.
- Across BAT and HR, increased desire to leverage shared service and centres of expertise to improve service and become more cost efficient.
Globalizing Mobility Service Delivery
The Global Mobility Project
Where have we come from and what have we achieved to date?
## Goals, Vision, Expected Outcomes & Measures of Success

### Project Goals / Expected Business Outcomes

- **Single System** - Select and implement an appropriate global technology solution (tactical approach) to track assignees, provide dashboards/reporting, with workflow based global processes, cost analysis, vendor management and standard communications
- **Streamlined Processes** - Introduction of simple, consistent, transparent and globally aligned policies and processes
- **Data Management** - Improved quality (integrity and relevance) and efficiency in producing assignee data and insights
- **Risk Management** - Better manage risk. Improved governance and right balance of ownership between the Reward, Global Mobility, HR Business Partners and Talent Functions in the management of assignees
- **Improved User Experience** - Improve the experience for all parties, including assignees. Improved effectiveness of the Global Mobility function by better using technology as an enabler in an effort to ensure a consistent service to the Business and assignees
- **Global Framework** - Implementation of a clear mobility framework and supporting compensation approach – offering flexible options to address a wide range of needs – to create a more holistic approach to total rewards and Global Mobility

***A single technology platform can deliver benefits to the global mobility team and wider business. As a minimum, the technology should deliver improved data visibility, improved reporting, processes consistency and enhanced risk management***

### Measures of Success

- Talent MI to support strategic business decisions
- One Global Platform - delivery of a ‘one stop-shop’ via means of a Technology Solution (system) by July 2014.
- Globally aligned Global Mobility processes
- Globally aligned Global Mobility policies
- Suite of defined Global Mobility categories and compensation packages – signed off and rolled out to the business

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### Three phases to improving our Global Mobility capabilities:

<table>
<thead>
<tr>
<th>Global Mobility Roadmap</th>
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<tbody>
<tr>
<td><strong>Refocus</strong></td>
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<tr>
<td>Create a new vision for Global Mobility and how the program supports the GM enabled business strategy</td>
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<tr>
<td><strong>Transform</strong></td>
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<tr>
<td>Upgrade Global Mobility processes, systems and policies to make Global Mobility a strategic partner</td>
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<tr>
<td><strong>Rebrand</strong></td>
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<tr>
<td>Change how the business and employees view Global Mobility</td>
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***One BAT World***

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[Image with logos]
The Global Mobility Project

What have we achieved on our journey so far?

- In January, we launched a new **Global Mobility Framework**
  - This introduced a ‘Development’ assignment category (for grades 34-36) to facilitate international movement at lower grades in support of the Talent agenda and business growth, at a sustainable cost.
  - We also introduced a differentiated settlement support package for ‘employer initiated’ vs. ‘personal request’ Local to Local moves (i.e. permanent transfer).

- We launched a consolidated **Global Mobility Long Term Assignment Policy** and a **Short Term Assignment Policy**, aimed at providing global alignment, enhanced clarity and improved accessibility for assignees and the HR community.
  - As part of this consolidation, we took the opportunity to refresh some of our policies.

- We launched the **Global Mobility branding** to ensure consistency and improved communications.
The Global Mobility Project

- To ensure our Global Mobility offering is fit for the future and in order to implement the global technology solution successfully, we have taken the opportunity to review our approach to assignment compensation.

- In particular, we have reviewed the assumptions underpinning the Balance Sheet to ensure our methodology is sustainable and in line with market best practice.

- The revised methodology will apply to new assignments initiated after 1 July. All current assignees will be maintained under the current compensation approach. A detailed review of the impact is currently being undertaken.

- To support the new ways of working, the new technology solution is now LIVE.

- The new tool will drive globally consistent processes and will allow us to track our assignee population more readily, as well as providing the business with improved reporting.

- To better support HR in management of assignees, a ‘Toolkit for HR’ has been launched (via Interact) providing a user-friendly, step-by-step guide to HR responsibilities at each stage of the assignment lifecycle.

- Also, to better support a globally consistent “assignee experience” a set of communication tools have been launched (available via Interact) aimed at making the process clearer and simpler for assignees.
A snapshot of reporting/costs
A snapshot of assignee comms

ASSIGNMENT STATEMENT

Effective Date
1-Aug-14

Reason for Update (if applicable)
Initial Illustration

ASSIGNEE INFORMATION

Name: 5546C246
Current title: VP
Job Title: Compliance Head
Number of Children: 2
Number of Pets: 1

Assignment Start Date: 1-Aug-14
Assignment End Date: 31-Jul-15

Home Country: United Kingdom
Home City: London

Host Country: China
Host City: Beijing

ASSIGNMENT COMPENSATION SUMMARY

FMTS: 50,500

FMTS


Bases: 1


Legal Entity: British American Tobacco (Hong Kong) Limited
Host Legal Entity: HK China Tobacco

Assignment Benefits

Relocation Support
Family Support
Relocation Allowance
COLA: 41,835.68 (end 2014)

Cultural Orientation

Yes

Immigration Services

Language Lessons

Pre-Assignment Visit
40 hours per eligible person

Temporary Accommodation (Home)
3 Nights

Temporary Accommodation (Hotel)
14 nights

Transportation of Domestic Pets
30 nights

Transportation of Household Goods & Personal Effects
max 2 (cats & dogs only)

49 ft container

On-Assignment Benefits (Annual)

Dependent Education Assistance

Home Leave

Host Company Car Benefit

Host Country Housing Allowance

International Medical Insurance Provider

Allianz

Rest & Recuperation

Tax Services

COMMENTS

[1] Host Spendable = Home Spendable x COLA Index x Exchange Rate
What will it mean?

For Global Mobility
- The ability to manage the movement of assignees effectively and efficiently
- Central visibility over the global assignee population and costs
- The ability to proactively influence key stakeholders with relevant, quality data

For HR
- The new technology tool will provide the HR community (HR Business Partner’s, Talent and Shared Services) with improved, timely management information, which will create consistency and efficiency in the way we manage our assignees across the globe

For Assignees
- A greater understanding of Global Mobility through clear communications
- Access to simple, transparent and globally consistent policies and practices
- Consistent treatment based on globally shared data

Any direct impact on current assignees as a result of changes to compensation approach, policy or process will be communicated as appropriate.
Organisational model / roles & responsibilities

Who does what in the “new world”
Organisational Model

What has changed?

- Creation of a centralised “Global” team of Executives and Administrators responsible for the end-to-end assignment management process

- All administration (generation of cost projections, assignment documents, etc.) is now conducted from the UK and there is a single “Host”-led Executive accountable for each move

- Global Mobility Managers remain in-region in order to maintain key relationships with stakeholders and the End-Markets

- “On-the-ground” logistical support will continue to be provided by our network of GM End-Market Contacts to ensure local knowledge and effective relocation support can be maintained

- A UK-based “Central Operations” role has been created with responsibility for overseeing global governance and for managing technology, global vendors, processes and projects
GM tools
Tools for GMT, HR and assignees
Interact: GM Homepage

What:
Interact-based Global Mobility microsite

Purpose:
Source of information relating to Global Mobility for assignees & HRBPs, including:

- Global Mobility Framework
- Global Mobility Policies
- Guide to Global Mobility for Assignees
- Checklist for Assignees
- Useful Information for Assignees (e.g. ECA Country Guides, Allianz Worldwide Care Information, etc.)

Primary users:
Assignees and HR Business Partners
What:
Interactive PDF illustrating the Global Mobility Framework criteria and the mobility package elements associated with each package type

Purpose:
To allow HRBPs to ensure that only suitable employees are identified for a potential move and that they are offered the right mobility package type

Primary users:
HR Business Partners
Interactive PDF illustrating the Global Mobility Framework and the mobility package elements associated with each package type.

**Purpose:**
To allow HRBPs to ensure that only suitable employees are identified for a potential move and that they are offered the right mobility package type.

**Primary users:** HR Business Partners.
Global Mobility Policies

Long term & short term policies

What:
Long and short term Global Mobility policy documents

Purpose:
To provide assignees with a comprehensive guide to the financial and administrative aspects of their assignment. The Global Mobility policies are competitive, reflect BAT’s compensation philosophy and take into account regular external benchmarking, to offer a consistent and transparent approach to mobility, whilst providing flexibility to meet the needs of our diverse population of assignees.

Primary users:
GMT, HRBPs and assignees
Welcome Email for Assignees

Introductory email for assignees

Welcome Email for Assignees

What:
Introductory email to assignees (to be issued by the relevant GM Executive)

Purpose:
Providing assignees with key information to help them as they plan and prepare for their move, including:
- Tools available via Interact
- Details of pre-assignment briefing
- Guide to Global Mobility for Assignees including further detail on the Assignment Statement
- Key contacts and roles & responsibilities
- Actions and next steps

Primary users:
New assignees
Guide to Global Mobility
Long term & Short term booklets

Assignment Benefits
What benefits do we offer long term assignees?

Welcome
...to the BAT Global Mobility Programme and congratulations on being offered an International Assignment!

Introduction to Global Mobility...

Assignment Compensation
What is our approach to long term assignment compensation?

Assignees

Primary users:
Assignees and potential assignees
Guide to My Assignment Statement

Included in Guide to Global Mobility (Long term & Short term guides)

What:
Long and short term guides for assignees

Purpose:
To provide assignees with a guide to the information presented within their Assignment Statement (i.e. total assignment package), including a high level overview of the methodology used to calculate their compensation summary and the factors (i.e. assignment type, grade, family size, etc.) determining their benefits entitlement

Primary users:
Assignees
Checklist for Assignees

Long term & short term checklists

### What:
Long and short term checklist for assignees

### Purpose:
To provide assignees with guidance as to things they need to do/consider at each stage of their assignment – designed for guidance purposes only (i.e., the checklists and suggested timelines are not exhaustive and are in no way contractual)

### Primary users:
Assignees

<table>
<thead>
<tr>
<th>Starting your assignment</th>
<th>Checklist activity</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assignment agreement</td>
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<tr>
<td>Assignment statement</td>
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<td>Assignment briefing</td>
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<tr>
<td>Concerns - mental health</td>
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### Starting your assignment

<table>
<thead>
<tr>
<th>Category</th>
<th>Checklist activity</th>
<th>Notes</th>
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</thead>
<tbody>
<tr>
<td>Assignment agreement</td>
<td>Read the Global Mobility Long Term Assignment Policy and Long &amp; Short Term Checklists</td>
<td></td>
</tr>
<tr>
<td>Assignment statement</td>
<td>Review your Assignment Statement to make sure it reflects and conveys your assignment expectations and scope to your Global Mobility team. Write down the key dates and scope of your assignment</td>
<td></td>
</tr>
<tr>
<td>Assignment briefing</td>
<td>Complete the Global Mobility briefing with your Global Mobility and Global Mobility team</td>
<td></td>
</tr>
<tr>
<td>Immigration</td>
<td>Complete the immigration process in a timely manner and provide the necessary documentation to your Global Mobility team</td>
<td></td>
</tr>
<tr>
<td>Tenure</td>
<td>Adhere to your assignment agreement and stay for the duration</td>
<td></td>
</tr>
<tr>
<td>Host country research</td>
<td>Research your host location and meet the cultural and business environment through various activities</td>
<td>&quot;</td>
</tr>
<tr>
<td>Concerns - mental health</td>
<td>Address any mental health concerns</td>
<td></td>
</tr>
</tbody>
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[Image of the checklist page with tabular and list content]
### Toolkit for HR

**Interactive toolkit**

**Interact: Toolkit for HR**

**What:**
Interact-based Global Mobility toolkit for HR

**Purpose:**
To provide HRBPs with a user-friendly, step-by-step guide to HR responsibilities at each stage of the assignment lifecycle, including links to all tools/information/forms required to support the necessary processes.

**Primary users:**
HR Business Partners (or equivalent, specific to each End Market)

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**Starting an Assignment**

1. **Initiation - led by the market driving the move**
   - Click to access the Global Mobility Framework and review the assignment profile to ensure only suitable candidates are identified as potential assignees and are matched to the right package type.
   - If you require a high level "What if..." scenario costing for a specific region, email GlobalMobility@bat.com stating Home/Host location.
   - Complete the Assignment Initiation application, submit it to GlobalMobility@bat.com.
   - If you require an Assignment Cost Estimate, please submit it to GlobalMobility@bat.com.
   - A valid Assignment Cost Estimate is required to make sure all potential associated costs are clearly identified.

2. **The market driving the move**
   - Ensure the necessary approvals for the assignment are in place.
   - At the Appointment Approval confirmation, email GlobalMobility@bat.com.
   - Complete the Assignment statement (providing full assignment package) to the assignee, along with links to the Global Mobility Interact homepage.

3. **Assessing the assignment**
   - The Assessment of Home & Host HRBP is led by Home & Host HRBP.
   - The Home HRBP & GM End Market Contact is led to a Pre-Assignment Briefing — attendance is mandatory (time zone permitting).
   - Global Mobility, the Global Mobility Executive will follow up with a Pre-Assignment Briefing to ensure the assignee is aware of the necessary arrangements for both the assignee and their family (if applicable).
   - An exception request needs to be raised, followed by a detailed request and an email to GlobalMobility@bat.com.

4. **Finalising the assignment**
   - Once all assignment terms & conditions have been finalised, the Home HRBP will receive a scanned copy of the signed Assignment Letter for their records.
Dos and Donts

AKA I wish someone told me earlier...!
Where are you on the journey?
Where are you on the journey?

► BAT transformation from end market to regional and centrally managed mobility.
► Quick exercise so where are you on the journey, some live benchmarking…
► 3 simple steps:

1. Take a magnetic card – write your company name, no of assignees (average on assignment during a year) and FTEs deployed in Mobility.
2. Place on magnetic chart to best illustrate your current position.
3. Draw an arrow on the chart next to your to show likely direction (if any) in next 3 years.
Where are you on the journey?

Level in organisation mobility is operationally managed (who agrees and signs?)
Where are you on the journey?

- BAT transformation from end market to regional and centrally managed mobility.
- Quick exercise so where are you on the journey, some live benchmarking…
- 3 simple steps:
  1. Take a magnetic card – write your company name, no of assignees (average on assignment during a year) and FTEs deployed in Mobility
  2. Place on magnetic chart to best illustrate your current position
  3. Draw an arrow on the chart next to your to show likely direction (if any) in next 3 years
Any questions…?