

Master Course Human Resources and Global Mobility Expatise Academy and FEI, Erasmus University, Rotterdam, the Netherlands

PAPER

International Smart Working

How COVID-19 impacted the way of working and International Mobility can be a driver for more flexible working arrangements

&

A pivotal role of Global Mobility in achieving the company's strategic objectives within the Next Normal Framework

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Statement:

The Covid pandemic has taught us that employees can work from everywhere. In the heat of the pandemic many employees decided to return to their home country and continue to work from that location.

Either due to governmental restrictions or because of company imposed rules many employees were forced to remain within their home countries as restrictions prevented people from returning to their assigned host country work locations.

As the Covid pandemic can be considered an extraordinary event, many authorities (such as OECD, European Commission) have issued statements that this extraordinary event should not immediately imply different tax and / or social security treatments.

The effects of Covid are slowly decreasing and both authorities and companies are trying to adapt to a new paradigm, meaning that we are moving to a next normal with hybrid work arrangements.

In other words, one can leverage on the perhaps positive experience from Covid. That is to say, try to maintain the flexible work arrangement that Covid demonstrated can work and more importantly Covid demonstrated that people can really work from everywhere and be still productive.

That experience along with a desire to return, at least partially, to the office, has given rise to new initiatives to make the most use of working from the office and working from home. This flexibility, aimed at increasing employee well-being and ownership is to be further expanded.

In that respect, the initiative to allow International Smart Working is a new step in increasing employee's flexibility aiming at goals rather than mere time spent in the office.

Objective:

The Covid pandemic has shown that there is a strong appetite for new forms of flexibility. Even when employees are assigned to a different Host Location, additional flexibility increases an employee's choice to work from everywhere, creating a sound balance between work and personal objectives.

It is also an enabler for the D&I agenda, as International Mobility programs and ways of work should allow more flexibility to ensure that the work environment is an inclusive environment.

The Global Mobility function plays a central role as a key player to identify new forms of flexibility often requested by both existing and new employees.

Additionally, the new flexibility offered, aimed at preventing the phenomena of great resignation and allowing to become to the company more attractive employer for employees, aims at attracting the best employees.

Therefore, Global Mobility plays a pivotal role in achieving the company's strategic objectives to enhance the DEI & talent agenda.

Motivation:

This paper is focused on a number of questions such as:

- ✓ Can Global Mobility be a facilitator to the company's strategy offering new and more flexible ways of working?
 - ✓ What was the company's experience during Covid-19?
 - ✓ What lessons have been learned during the Covid period?
 - ✓ How can a hybrid working model facilitate additional flexibility in an international setting?
 - ✓ In which way departments (e.g.Talent) can help in accelerating and enabling a company's strategy to increase new and more flexible ways of working?
- ✓ Can employees work from another country and if so, for how long and under which circumstances?
 - ✓ What tax and social security considerations need to be made?
 - ✓ What immigration considerations need to be made?
 - ✓ What other legal/administrative considerations need to be made?
 - ✓ What implementation model would be best to facilitate International Smart Working?
 - ✓ What future developments which may further increase flexibility are developed or under development?
 - ✓ Which new types of moves could be developed?
- ✓ What approach did other multinational Companies adopted (benchmark study)?
 - ✓ Which are the main outcome if principal benchmark studies related to 2021 and 2022?
 - ✓ Is International smart working an advisable or necessary short-term response to the pandemic or a longer-term option for global talent sourcing?

Methodology:

This paper is based on my company's experience during the Covid-19 pandemic and explain how the company can leverage on the gathered experiences from Covid-19.

This has inspired an internal study on the feasibility of International Smart Working. In particular the international tax framework has been studied by identifying multilateral or bilateral tax treaties which create clear rules on taxation rights. This tax study is twofold, both done on a personal as well as a company level. From a company level it is necessary to ensure that the employee's activities do not constitute a Permanent Establishment and on a personal level it is necessary to ensure that taxation rights are not shifted to another location, or when they do that they do not create an additional burden upon the company.

Additionally, the same exercise has been conducted from a social security perspective. Also in this scenario, it is necessary to verify whether multilateral or bilateral treaties exist which create clear rules on where social security is payable. In particular within the EU we can identify the EU Regulation n. 883/2004 which created a clear framework to avoid double taxation, but also non-payment of social security premiums.

Besides tax and social security, it is also necessary to further analyze any immigration implications. It is extremely important that International Smart Working must be legally feasible and hence immigration analysis is required to ensure that employees can actually work from another location.

Finally, some additional administrative topics are to be verified, such as e.g. data privacy requirements, withholding tax obligations, etc.

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INTRODUCTION AT A GLANCE

“Before 2020 a movement was brewing within knowledge-work organizations. Personal technology and digital connectivity had advanced so far and so fast that people had begun to ask, “Do we really need to be together, in an office, to do our work?” We got our answer during the pandemic lockdowns. We learned that a great many of us don’t in fact need to be collocated with colleagues on-site to do our jobs. Individuals, teams, entire workforces, can perform well while being entirely distributed—and they have. So now we face new questions: Are all-remote or majority-remote organizations the future of knowledge work? Is work from anywhere (WFA) here to stay?”

Harvard Business Review

Chapter 1:

International Smart Working framework: From Smart Working to International Smart Working

“Smart Working is not a way to grow an organization’s brand reputation. Smart Working is a way for an organization to survive.”

A. Solimene

1.1 Smart Working definition - What it is and what rights and duties are foreseen

Smart working is a working mode of the employment relationship, established by a personal agreement between the parties (employer and worker) without precise constraints of time or workplace.

The smart working’s definition, which comes from Law n. 81/2017, underlines:

- 1) the organizational flexibility,
- 2) the voluntary nature of the parties who sign the individual agreement and
- 3) the use of tools that allow working remotely.

Agile workers are guaranteed equal treatment - economic and regulatory - as compared to their colleagues who work ordinarily from the office. Therefore, their protection in accidents and occupational diseases is envisaged.

From 15 November 2017, the employer must send the signed agreement through the appropriate IT platform made available on the service portal of the Italian Ministry of Labour and Social Policies.

The Covid-19 emergency has highlighted the usefulness of smart working, although it was not very widespread before the pandemic and therefore, the law has facilitated the use of smart working, introducing "simplified" access to it without the obligation of an agreement between the company and the employee.

Furthermore, due to the Covid emergency, smart working turned out to be the only tool able to ensue business continuity and protect workers’ health. It has become also fundamentally important to ensure the correct performance of smart (remote) working.

The emergency legislation has streamlined its use by companies, partially derogating from the ordinary regulations dictated by Law no. 81/2017 with the introduction of a “simplified” way to use it.

Once the epidemiological emergency is over, companies are wishing to continue using remote working¹.

The following paragraphs resume and summarize all the scientific literature available, with the aim of introducing the concept and all the characteristics of Smart Working.

Finally, the last section will provide a special focus on its implementation in Italy.

It is impossible to find a unique and comprehensive definition of Smart Working to which all researchers agree, being the phenomenon so wide. For this reason, different definitions are provided, each of them highlighting a different characteristic of Smart Working.

“Smart Working is the newly coined term that embraces the entirety of new ways of working opportunities in an integrated manner – be that spatial and temporal autonomy, the required cultural and trust transitions, technological advances, wider intellectual connections and stimuli, social, ethical and environmental sensitivities – all harmonized to suit the individual working style” (Blackwell, 2008).

The second definition allows to make one more step: Smart Working is not a mere matter of flexibility or adoption of new technologies, but it requires a proper shift in terms of organizational culture, from a process-based culture, to a goal oriented one. The following two definitions, provided by the Smart Working Observatory of Politecnico di Milano, introduce two more crucial elements.

“Today, it is possible to rethink organizational work methods thanks to digital technology, the electronic devices which are on the market, and people’s willingness towards interacting through virtual relationships, but the switch to SW is much more than a concept dealing with innovative technology. Indeed, it means questioning various stereotypes related to the workplace, timetable and work tools which allow people to reach both a greater professional efficiency and a better balance between one’s work and private life”. (SW Observatory of Politecnico di Milano, 2018).

This definition explains the importance of the digital tools and technology, that are a requisite for the introduction of SW and function as mean of support to it. However, it also highlights how SW, once again, cannot be summed up to the introduction of innovative technologies, but is more an entirely new work philosophy, with the possible benefit of increasing work performances and work life balance.

“Smart Working means thinking about work from a different, clever angle. It questions the traditional links with working times and locations and gives people a greater say in defining their working conditions, while at the same time making them more responsible for the outcome. Autonomy and flexibility and giving people responsibility and trust are the bywords for this new approach to work.” (SW Observatory of Politecnico di Milano, 2018).

¹ The right to smart working and the assessment of task compatibility (Il Quotidiano del lavoro of Il Sole 24 Ore, 1 February 2021 – Alberto De Luca, Alessandra Zilla) – De Luca & Partners (delucapartners.it)

Finally, the cultural shift, allowed by the work processes and practices, through the adoption of the SW levers, will have the effect of making employees more autonomous and accountable for their work. Responsibility and trust are two fundamental elements of the SW philosophy. The previous definitions give a quite complete overview of the complex phenomenon of SW.

1.2 The evolution of flexible working over time

The new frontier of the world of work and its applicability

In this period, more than ever, a tide of change is impacting the world of work; employees are no longer working from the “office”, but proving their extreme flexibility and adaptability, have succeeded, together with their employers, in turning their homes (or other location) in their places of work. This evolution can be summarized with a single expression: flexible working or smart working, as it is commonly called in Italy. Despite having applied it autonomously and effortlessly ourselves, the question more frequently asked in this period is: what does it imply, exactly?

Smart working - this new tool which is proving the best and more flexible way of working - actually is representing our future at a global level and the new frontier of the world of work.

Smart working originated in the 70s and was introduced in Italy only when Law n. 81/2017 entered into force and laid the foundations for its adoption. Specifically, smart working is a way of carrying out the employment relationship, regulated by an agreement between the parties, without specific obligations as concerns the working time or place. (questo l’avevi già messo qualche pagina fa. Forse è meglio togliere questo capoverso).

With smart working, work is carried out partly from the corporate premises and partly remotely, without a fixed workstation and within the limits of the maximum duration of the daily and weekly working times, as set forth under the law and collective labor agreements. In other words, basing on a dedicated agreement, the employee carries out part of his working activity from the ordinary place of work and part remotely, in any other place of his choice.

The above in compliance with the maximum daily and weekly working time limits set forth by the law and national collective labor agreements and with the employee’s right to disconnect at the end of the contractual working time. Usually, smart working implies the need to enter into a dedicated individual agreement, to be notified electronically to the Ministry of Labor and Social

Policy on the website Cliclavoro². Smart working should not be confused with teleworking: the latter implies the performance of work exclusively from the employee's domicile.

Smart working can be considered as a flexibility tool, not only with reference to the performance of one's working activity, but also as concerns the obligations relevant to safety on the workplace. Actually, in flexible working such obligation is considered to have been complied with by the mere provision by the employer of a written notification outlining the general and specific risks connected with the specific ways in which the working relation is carried out.

The employee, in turn, is required to cooperate for the implementation of the prevention measures provided for by the employer and indicated in the abovementioned notification. As far as the employee's rights are concerned, the protection against accidents at work still applies to smart working, as well as the same economic and regulatory conditions, which should not be lower than those applied to employees carrying out the same tasks exclusively from the corporate premises. Furthermore, the right to lifelong learning can be granted to flexible workers.

As mentioned above, smart working has nowadays become (like it or not) a new flexibility tool allowing many people to carry out their job, due to the Covid-19, or Coronavirus, public healthcare emergency affecting Italy.

Being used as a flexibility tool during the Coronavirus pandemic, smart working has undergone some minor changes to make it more widely and promptly applicable. First of all, the Decree of the President of the Council of Ministers dated 25 February 2020 recommended the use of smart working wherever possible in the first regions identified as "red zones" (Lombardy, Veneto, Piedmont, Friuli Venezia Giulia, Liguria, Emilia Romagna), with reference to businesses located in said regions and employees residing there, even though working outside said zones, without the need of specific individual agreements.

Subsequently, with the worsening of the situation and the extension of the state of emergency, the Decree of the President of the Council of Ministers dated 1 March 2020 extended the recommendation to adopt flexible working on the entire national territory. In particular, for the entire duration of the state of emergency (to date established up to 31 July 2020), the Government recommended the use of smart working for all employment relationships, even in lack of the individual agreements.

Finally, given the effectiveness of this tool, not just in terms of performance of the working activity, but also as a way to contain the spread of the virus, the future regulatory measures (first of all, the so-called Relaunch Decree) will provide for working parents employed in the private sector and with at least one child below 14 years old the right to carry out their work

² <https://www.cliclavoro.gov.it/>

remotely up to the end of the state of emergency. To date, lots of companies have made use of this new way of working (about 570k employees in Italy)³.

The reasons behind the widespread adoption of smart working can be found not only in the fact of “having no alternatives”, but in the socio-economic benefits that it allows to obtain. Flexible working is undoubtedly a tool granting employees a better work-life balance, especially to working women; this is a way to grant welfare, allowing employees to truly organize their working activity without renouncing to private commitments or to their free time to spend with their families, thus improving their life quality, health and personal well-being.

It also turned out to be a way for companies to attain cost savings; by correctly applying smart working, the employer also obtains some benefits in terms of energy consumptions and purchase/lease of working spaces. And as a last note, the environment is also benefitting from smart working; with employees no longer commuting, sharp reductions in Co2 emissions have been recorded.

In conclusion, in the light of the positive data recorded⁴ it is clear that smart working, discovered and experienced in such a difficult period for our Country, proved to be today’s flexibility tool and a new frontier for tomorrow’s work, a new way to guarantee equality between women and men, in which professional skills and meritocracy (in the end) prevail.

1.3 Advantages and disadvantages related to smart working: pre and during Covid-19 era

Some takeaways in the era of Covid-19

1.3.1 Smart working & cybersecurity

Further to the spread of the Coronavirus and of the consequent lockdown the Authorities imposed, all organizations have found themselves having to adopt remote working. Remote working, thus, is not the result of a strategic conscious decision, but comes from a forced choice; this has led many companies - not ready to work in this new way yet - to quickly implement technical and organizational solutions that would ensure their business continuity.

A snapshot of pre-Covid 19 smart working in Italian businesses - as illustrated by a research by the Smart Working Observatory of the Politecnico University⁵ in Milan, whose data were up to October 2019 - portrayed an uneven Italian reality, with a clear differentiation between Large Enterprises and Small Medium Enterprises.

³ The “Rilancio” Decree’s conversion law: news about smart working at the time of Covid-19 (Guida al Lavoro de Il Sole 24 Ore, 31 July 2020 – Vittorio De Luca e Antonella Iacobellis) – De Luca & Partners (delucapartners.it)

⁴ The right to smart working and the assessment of task compatibility (Il Quotidiano del lavoro of Il Sole 24 Ore, 1 February 2021 – Alberto De Luca, Alessandra Zilla)

⁵ Home working and Data Protection (Top Legal Focus Privacy & Data Protection, February 2021 – Vittorio De Luca, Elena Cannone)

The report clearly highlighted that - though smart working was common for more than half of the Large Enterprises (about 70% of these already had more or less formal agile working methods in place or were about to start such initiatives) - the level of maturity of Italian SMEs was much lower. Only 12% of them had already started structured projects and 18% was about to do so. This backwardness of SMEs was mainly due to the difficulty of applying the 'agile work' model to their own business reality and to the internal resistance of the management.

Since the end of February 2020, however, the pandemic emergency that has hit us has disrupted the business framework; everyday life is ravaged and, consequently, so it is our way of working: smart working has become a mandatory choice. As always happens when contingency solutions are adopted without the necessary preparation, one can obtain the expected benefits by working on the effectiveness of the solutions, though sometimes failing to consider the efficiency of the solutions themselves, facing risks that are not adequately assessed, managed, and monitored.

As the hoped-for return to a new normal gets closer, albeit not immediately and with timescales not yet well defined, many companies are trying to make the most of what they have learnt of the situation. The use of agile work - moving from its application in an emergency to its regular and conscious use - is certainly a priority item among the many topics on the agenda.

This decision, in order to be truly conscious, must bring with it the analysis of all the critical factors arisen; agile work amplifies a series of risks, including cybersecurity risks, which are good to know in order to be able to face them, manage and mitigate them. Which risks can compromise confidentiality, integrity, and availability of corporate information? When it comes to cybersecurity, the issue must be addressed from both an organizational and technical point of view.

These are just some of the aspects that need to be properly analyzed, but they are not the only ones. Businesses shall also address organizational and personal risks related to people, employees and collaborators that the pandemic emergency has led to isolation, lack of confrontation, exchange of information with one's desk neighbors. All this has led to a further spread of phishing and social engineering attacks such as, by way of example, fake emails from entities usually considered reliable to try to steal sensitive personal information.

Once the risks have been identified, businesses must then act on how to mitigate them, either through actions aimed at decreasing their likelihood to occur or, whenever this is not possible - the pandemic emergency being such case - by acting on limiting the impact, should a risk occur. Here again, the subject must be addressed from both a technical and organizational viewpoint.

1.3.2 Smart working as a cost management strategy

Cost management is a set of actions – many of which almost always preventive ones – aimed at identifying and managing the causes of costs with some very precise aims. Among the objectives of cost management strategies, we can count:

- Capturing links between costs and value creation;

- Increasing the effectiveness of business decisions while safeguarding their overall efficiency
- Combining short-term and long-term effects.

In a disruptive moment like the present one, conditioned by the deep changes the Covid-19 pandemic emergency has brought with it, cost management actions – like any other urgent action – have to be:

- Accelerated;
- Adapted to ongoing changes

It is therefore inevitable that any action aims to put the client at the center of the strategy. In the era of Covid-19, one of the solutions proposed and implemented to allow a large number of workers to continue their daily tasks is smart working, the only effective way for most companies to preserve part of their operations while protecting the safety of their workforce. However, how can smart working become a strategic lever to implement cost management activities while maintaining client centrality?

The areas of impact of smart working are many, obviously not all immediately relevant for this pandemic emergency but, in principle, all of them can be considered as strong mitigators:

Cost item	Cost impact	Covid-19 impact
Fixed workstations	Direct savings related to office rentals and related costs (conciierge, security, cleaning, etc.)	Not immediate. Nonetheless, it becomes relevant should it be necessary to resort to additional resources to implement recovery plans.
Parking spaces	Direct savings related to parking spaces rental and related costs	Partially immediate, it depends on the type of contract in force and on subsequent agreements between the parties
Company Canteen	Direct savings related to the interruption of food supply contracts and company canteen services	Partially immediate, it depends on the type of contract in place and on subsequent agreements between the parties
Utilities and telephone services	Direct savings related to the decrease in consumption	Immediate, especially for consumption rates. For flat rates it depends on the type of contract in place
Guests reception	Direct savings related to the dematerialization of meetings	Immediate
Travels and business trips	Direct savings related to the dematerialization of meetings	Immediate
Company flat	Direct savings related to the dematerialization of the employment relationship	Partially immediate, it depends on the type of contract in place and on subsequent agreements between the parties

The above table only mentions some of the savings that can be achieved through the smart working operational leverage; their quantification clearly varies and has to be considered on a case-by-case basis. There are several studies conducted by various institutions, either scientific or professional ones, which have attempted to quantify the economic impact of this activity.

The Telework Research Network is one of the most authoritative international observatories on this topic and - through a survey conducted on some of the main Western countries (including the USA, Canada, and the UK) - it has estimated that a single employee can generate general savings up to 10 thousand euros per year, should he/she be a 100% “smart” worker. It is clear that, especially in the long term, it is necessary to consider three further aspects that affect smart working as a cost management lever:

Lever	Type of impact	Significance of the impact
Technological infrastructure	Capex Increase	High
Productivity	Increase in operating margin	Medium
Flexibility	Increase in operating margin	Medium / Low
Reduction in Human Resources	Increase in operating margin	Low
Organisational changes/ adjustments	Reduction in operating margin	Low

Smart working is the new frontier of cost management; and it is indeed from the new rules smart working is imposing on the labor market that cost management activities will have to start.

1.3.3. Advantages and disadvantages related to smart working: pros and cons

Smart Working Beyond the COVID-19 Emergency – The Challenge is to Change the Mentality

Smart working is an increasingly popular concept.

According to International Data Corporation in 2022 about 65 percent of the European workforce will be made up of mobile workers, a revolution that could involve about 10 million people in Italy⁶.

It goes without saying, in certain circumstances, working from home can be very advantageous, but bear in mind that there are risks at the psycho-physical level for workers who wish to adopt this model. Here's a list of the pros and cons.

There are many advantages in creating a home-office environment.

Studies carried out by industry⁷ experts have shown that work from home can significantly reduce accumulated stress and allow better performance of the tasks assigned. In the Nordic countries smart working is widespread because it is believed that the employee who has this privilege demonstrates a closer connection to the company.

In short, it seems that avoiding morning traffic while travelling to and from work, having one's own space and timing to perform a specific job, not having to encounter annoying colleagues every day or be locked into the schedule on the timecard, etc. has a positive effect on productivity.

In short:

- Less stress
- More time for work, but also for oneself
- Farewell to extra expenses such as: petrol, public transport tickets, parking, etc.
- You don't need to punch in anymore.

However, we also have to deal with the many disadvantages, such as continuous availability and the risk that work overlaps one's private life. You may find friends or family in your home while working and you have to make a choice to the detriment of either your emotional life or work life. Therefore you have to consider the ability of each individual to concentrate in an environment abounding in positive stimuli such as their own home and the innate need for socialization of those who make it better by working as a team. Finally, there is the risk of spending many more hours working at home than an office with a fixed schedule.

In short:

- Work more
- The working environment is the same as the home environment
- Little real contact with people

⁶ https://www.bgt-grantthornton.it/globalassets/1.-member-firms/italy-bernoni/tophic/pdf/tophic-maggio__rev_eng.pdf

⁷ Lavoro e formazione nell'epoca delle pandemie. Una riflessione sull'esigenza di ripensare format, strumenti e processi (Work and training in the era of pandemics. A consideration on the need to rethink formats, tools and processes) in Harvard Business Review Italia, March 23, 2020 - Granelli Andrea

- Easy distractions
- Loneliness during working hours
- Low interaction with the work team
- Growth of distraction factors
- Lack of separation between work and home environment

In conclusion, the real challenge, which lies in the background with respect to the issue of the sudden pandemic which inspired the use of Smart Working, is to be able to complete a real cultural revolution that introduces a new way of implementing the working relationship between the employee and the employer – in addition to how work is organized.

1.4 Post Covid -19 era and Next Normal (New Normal)

The Need for Radical Organizational Change

The introduction of proper Smart Working, as the “new normal” work model, requires the preparation of radical organizational changes, and even more changes to work processes, procedures, and business planning.

This is why, in order to start to move in this direction, it will first be necessary for employers to review their methods for measuring the work performance.

In this line of thought, companies could start by defining what concrete results are – in addition to precise performance indicators as a way of monitoring increases in productivity, profitability, quality, efficiency, and innovation. For example, the volume of production compared to employees could be measured – or the turnover per employee, the gross operating margin per product, compliance with delivery times or reduction in processing times – as by way of example. This would entail the need for a radical change by employers, also in reference to methods of control and verification of the work activity.

Another point to consider is that the remuneration system would also require a radical revision. On this front it would tend in the direction of a reduction in fixed remuneration in favor of an increase in the variable components of remuneration to be linked to the achievement of the objectives.

Furthermore, it would also be essential to provide, through agreements (individual and / or collective), a reward system for productivity (which also makes use of the tax relief provided for in Italy). In parallel, a sanctioning system would also need to be established which would allow, in case of failure to achieve the results (and in any case of minimum productivity levels) by workers, the possibility of not only revoking Smart Working (in addition, of course, the non-recognition of the premium) but also allow for the application of disciplinary sanctions – including dismissal for poor performance (which would become easier to apply). However, it should be taken into consideration that this last point could be a real obstacle and a possible point of confrontation with Italian trade unions, in particular in reference to civil servants.

Hence, the introduction of Smart Working will require a profound rethinking of the organization of times, spaces and ways of working in addition to the foundations on which the relationship between an employee and their employer is based.

1.5 Implementation of Smart Working on an International Level

#NewWaysOfWorking

With a huge increase in companies operating remotely over the last few years, the importance of proximity to the office is becoming a thing of the past. Without the need to attend a physical workplace, many workers are reconsidering their ideal location to work from, and for many that ideal location isn't even within the same country as their employer.

Due to the COVID-19 pandemic, many employees had to work from home. In our globalized world, many international employees have maintained a home in their country of origin, i.e. in a different country than the country where they had been originally working. Now, it is clear that remote work (smart working), including remote work from abroad, is and will be in demand from many employees. Thus, employers must start considering how to satisfy these requests without exposing their companies to any risks.

Remote work (smart working) is a term, which covers various forms of work from a different place than the office, chosen by the employee. Typical kinds of remote work are:

- (i) Work from home, local or abroad;
- (ii) Telework – work from anywhere;
- (iii) Workation – work from a holiday destination; or
- (iv) Virtual assignments – where an employee of one group company works in the team of another group company, which is itself a separate entity and located in another country.

Each of these situations can trigger specific risks for the employer and could result in significant additional costs.

The risks are related to the following:

- Labor law, health and safety rules, and financial reimbursement for work from home
- Personal Income Tax and the related obligations on both the employer and the employee
- Social security and health insurance

- Immigration
- Corporate Income Tax – permanent establishment
- VAT
- Transfer Pricing
- Regulatory issues

When setting up remote work rules and policies, employers should always analyse the risks and factors that affect them. This includes analyzing the actual situation in the company. The employers should consider whether they already have a system in place for managing remote work, and whether it covers all of the above factors and potential risks. To be able to evaluate these risks, they can further consider inter alia: What is the most frequent type of remote work used or required? What country is the most frequent in the case of remote work from abroad? How many employees are actually involved?

The employer should also consider practical issues such as the availability and working hours of the employee (different time zones), and the channels of communication.

Additional and detailed information regarding the International Smart working framework will be provided within the next paragraphs.

Chapter 2:

Set up of International Smart Working Guiding Principles: Compliance Guidelines

Tax and Legal Analysis

2.1 Introduction

The Guiding principles are designed to set out in my Company the general compliance principles for International Smart Working and are providing an overview of the main compliance implications connected with the approval of International Smart Working Request.

The guidelines and matrices have been created with the main purpose to provide a general overview and awareness of applicable rules and available treaties in terms of Immigration, Tax and Social Security, but it is important to mention that local nuances and specific regulations may apply and therefore the specific country to country combination analysis might be needed and a precise analysis of the compliance risks connect to any specific International Smart Working Request should be conducted on a case-by-case basis.

2.2 Immigration

An employee who intends to submit an ISW Request to work in a jurisdiction different than the Ordinary Work Location must ensure that he/she has the right to work in the ISW Location taking into account nationality and immigration status.

Specifically, while an employee may travel freely to different countries for tourism or business purposes (e.g. to attend meetings or events) with only the passports or via an electronic authorization, this would not necessarily provide any right to work in a foreign country.

Working in violation of local immigration laws can have serious consequences for the employee as well as legal and reputational consequences for the Company.

The immigration matrices aim to offer guidance in identifying where the “right to work” needs to be confirmed or obtained and assume that employees have nationality of the country where they are employed.

However, as a general rule, employees are allowed to perform work in their country of employment and in any other country where they have citizenship rights (e.g. employees with dual passport are immediately eligible for ISW in two different countries).

EU/EEA/EFTA employees may benefit from freedom of movement and employment rights within every EU/EEA/EFTA country. In any other circumstances, e.g. in America and Asia, the right to work and any other immigration requirements have to be verified by the employee.

EU Posted Workers Directive vs ISW: from a general labor law perspective, ISW is not considered as a provision of services and, as such, this does not fall within the Posted Workers Directive enforcement. However, it cannot be excluded that certain EU countries may in the future take stricter positions and require that also international smart-workers comply with the Directive requirements (e.g. notify start/end of ISW period, review and adapt wage to local requirements etc.).

2.3 Personal Income Tax

According to the international taxation legislation, employment income is subject to taxation in the Country of residence and in the Country where the respective work activity is carried out (i.e. the “Source Country”). In case of double taxation, employee has the right to claim a tax relief in the Country of residence.

A tax exemption in the Source Country is often provided, under certain conditions to avoid the taxation of short terms and occasional employment activity abroad, as well as to limit the administrative burden (i.e. when the employer neither resides nor has a permanent establishment in the source Country).

This generally occurs anytime work activity is carried out for a short period of time due to the employee’s personal reasons (e.g. familiar ties, leisure) and without any links with employment’s duties, business reasons or employer’s request and no cost recharge to the destination country.

Such exemption allows the employee to remain subject to taxation only in the residence’s Country (which is assumed to be the same as the Ordinary Work Location) as long as a defined period of time is not exceeded (generally 183 days), the remuneration is paid out by the Company which bears the employment’s costs.

At the same time, the employment relationship remains in place with the Group’s entity located in the residence’s Country that also bears risks and responsibilities for the results produced by the individual’s work as well the employee is not integrated in any other businesses’ organization other than the one located in the respective residence’s Country.

ISW policy is applicable only to International Smart Working scenarios in line with the above rules and principle.

Based on the above principle and ISW’s policy, the matrices have been created with the purpose of providing a general overview of the existing double taxation treaties and applicable rules.

Every matrix is regional based and assumes that the employee is tax resident in the Ordinary Location of employment. Any other combination between regions and residency status are excluded from the scope of this analysis and require a more detail analysis before approval.

As the applicable rules and regulation might vary from Country to Country, a case-by-case analysis is always recommended being an employee's responsibility to ensure personal circumstances fit with ISW's policy.

The employee who requests an International Smart Working period will be responsible for his/her own income tax return filing obligations in the relevant jurisdictions. The Company will not cover any costs related to the employee's personal tax filing and/or income tax liabilities incurred while (or as a direct or indirect result of) working remotely from the International Smart Work Location, and this cost will be at employees' responsibility.

If the employee earns income of any kind from a source other than the Company, the employee will be solely responsible for all taxes due on such income in either the Ordinary or the ISW Location.

2.4 Social Security

With reference to social security contribution, the company policy is to maintain eligibility for Ordinary Work Location country social security benefits, wherever feasible and practicable.

Should a certificate of coverage be required to ensure no social security contributions are payable in the ISW Location the employee is responsible for applying and retrieving the above-mentioned certificate.

Where additional fees are incurred by the Company in reviewing the ISW Request, such as legal fees or tax advisor fees, the employee will agree to meet the cost of such additional fees upon approval of ISW request.

The applicable procedure is as follows:

- Within the EU and EEA countries, Switzerland and UK the A1 certificate should be requested according to Article 13 or 16 of the EU Reg. 883/2004.
- Request for an A1 certificate, according to EU Reg. 987/2009, has to be made by the employee in country of residence. The exact procedure and the form to be used may vary from country to country and should be verified by the employee.
- In case the working period is in a different Region, the related procedures and forms should be verified on a case-by-case basis.
- With respect to America and Asia region, in the matrices indications can be found on the existence of a totalization agreement. To determine the applicable legislation it would be required to analyze every circumstance on a case-by-

case basis.

2.5 Corporate tax: Personal Establishment Analysis

In general terms and for the purpose of the ISW request approval only instances where the employee does not generate a corporate taxable presence in the ISW Location can be permitted. In this regard the employee is required to follow the guidelines provided in the ISW Framework and Policy to avoid the performance of activities that could trigger corporate tax obligations in the ISW Location.

The rules below are an indication on how to identify and mitigate the risks of generating a taxable presence in the ISW Location in general terms. To avoid any risks, a precise assessment of a specific country combination, company presence, applicable legal framework and employee role and responsibility should be performed.

2.5.1 Creation of a Permanent Establishment (PE) – technical definition

In principle, an employee working in a country other than the Ordinary Work Location could trigger corporate tax liability for the employer by creating a corporate taxable presence of the employer (Permanent Establishment) in the ISW Location.

Should the two Countries be covered by a Tax Treaty, the existence of a PE will be, generally, determined according to the provisions of that Tax Treaty. By contrast, in the case where the two Countries have not entered into a Tax Treaty, the existence of a PE will depend on the local rules of the ISW Location.

In the case where the Tax Treaty between the Ordinary Work Location and the ISW Location is patterned after the OECD Model, a PE may generally arise under two different scenarios:

- a fixed place of business PE; or
- a dependent agency PE.

The existence of a fixed place of business PE risk is, in general, associated with, alternatively, the availability of premises (such as an office space) or the authorization granted to the employee to carry out his or her work from home (so-called home office).

A higher dependent agency PE risk is, in general, associated with more senior roles and the ability to (i) conclude contracts and/or negotiate terms and conditions thereof, (ii) accept orders/proposals to enter into standardized contracts, and (iii) solicit business resulting in the conclusion of contracts.

Both PE risks are in general affected by the degree of permanence (i.e., in certain circumstances, 30 days in a year can result in a deemed ongoing stay, which in turn can lead to a significant increase of the PE risk profile). Moreover, the dependent agency PE risk also depends on the frequency of stays.

To prevent the risk of Permanent Establishment the employee is required to:

- i) Work from a country other than the Ordinary Work Location on an occasional and extraordinary basis only. The maximum number of days is limited up to 30 days in EU countries or 15 days in extra-UE countries over a 12-month period. This number of days should be concentrated to the best extent possible in a single period. Where possible, the stays in the foreign country should not follow a material recurrent pattern (e.g., monthly / bi-monthly pattern)
- ii) Avoid the negotiation, conclusion, and signing of contracts, the acceptance of orders/proposals, and the solicitation of business.
- iii) Avoid access to any Employer offices or other premises in the foreign country.
- iv) Avoid to meet any clients or to be part of any board/committee meeting in the ISW Location during the ISW Period, even if remotely.
- v) Avoid to perform any activity attributable to a Permanent Establishment of the Employer in the ISW Location.

Chapter 3:

International Smart Working: Business case

3.1. International Mobility Innovation Journey

The current context, also impacted by the covid pandemic, highlights a low propensity to international and cross-functional mobility of people managers and talents.

Within the period 2022-2024, International Mobility becomes a key factor to build a more diverse work environment and to support other HR strategic initiatives focused on D&I, Wellbeing, Employer Branding, Value Proposition and Talent Management.

In order to boost International Mobility for Group Talents and ensure Senior Managers and Future Leaders development towards a diverse, inclusive and global mindset, Group Reward function and Group Talent Management initiated an innovation journey within my company.

3.1.1 International Smart Working – First approach

Within the framework definition of Countries' hybrid work model in the next normal, we have analyzed the level of flexibility & constraints connected to the possibility to perform international smart working in a country different from the ordinary work location.

International smart working may imply compliance risks and administrative requirements at individual and company level (e.g. fiscal, social security, permanent establishment, immigration).

According to our analysis in progress and emerging market practices, setting a pre-defined days limit for international smart working can avoid compliance risks and administrative requirements, within countries in regions regulated by a common bilateral agreements' framework (e.g. EU & Austria/CEE Countries, Asia, US, South America):

- *E.g. Max 30 smart working days per year within each the EU different from the ordinary work location (to be verified at local level with regard to countries specific rules e.g. hybrid work model, union agreements, safety measures)*

We are continuing monitoring the evolving practices emerging in the market:

No international smart working

Set a pre-defined «days limit» and case-by-case compliance assessment

Set a pre-defined «days limit» avoiding compliance administrative requirements with NO case-by-case assessment

Fully flexible managing compliance administrative requirements and impact on contractual framework

3.1.2 Possible implementation models

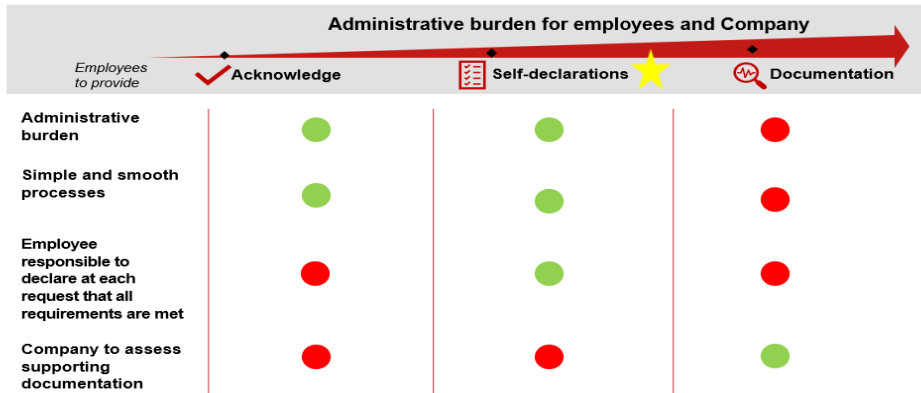
In order to ensure full compliance it is important that employees are aware of possible compliance implication at individual and corporate level and that they confirm to be compliant with the rules set by the policy to avoid compliance risk.

For the time being we identified 3 possible processes with increasing level of administrative burden for employees and the Company.

Employees to acknowledge and approve International smart working rules and compliance requirements only once (e.g. through the Smart Working Policy or an ad hoc agreement).

Employees to submit a specific International Smart Working authorization request and to release, at each request, a self-declaration confirming that all compliance requirements listed are met. Employees are well informed and responsible for the compliance with International Smart Working rules, therefore avoids compliance risks through a smooth process and limited administrative burden for the Company.

Employees to support the authorization request with supportive documentation proving that the compliance requirements are met (e.g. return ticket flights, passport etc.). Company to assess documentation and possibly authorize explicitly.



3.1.3 Framework

Within the Next Normal hybrid work model, the possibility for employees to perform International Smart Working can further enhance employees' flexibility, work-life balance and wellbeing.

Considering the key role of the office in the hybrid work model, to ensure business effectiveness, International Smart Working has to be occasional and properly authorized by the Line Manager considering managerial criteria.

Moreover, in order to avoid compliance risks and administrative requirements (e.g. fiscal, social security, permanent establishment, immigration) International Smart Working has to be clearly disciplined:

- **Pre-defined number of days & Country perimeter**
- **Prohibited activities**
- **Employee responsibilities**

As for the hybrid work model, the defined framework for International Smart Working has to be considered as "experimental", valid for a limited timeframe with the possibility to enhance it, if necessary.



3.1.4 Discipline and eligibility

We analyzed possible compliance implication and administrative requirements connected to International Smart Working and deemed that the following discipline avoids any risk:

- Setting a pre-defined maximum smart working days limit (holidays/weekend excluded) within Country perimeter avoids fiscal implication risks:

For employees of Companies within EU, the threshold could be 50 smart working days in each EU Country, however, we recommend to set a limit of 30 smart working days per year due to the key role of the office and to apply a prudent approach. Outside Europe the limit is 15 smart working days per year.

For other Regions specific analysis has to be run locally to define the maximum smart working days considering bilateral agreements in place and local regulations.

- Ruling the International Smart Working as occasional/extraordinary/exceptional avoids Permanent Establishment risk:

To be more prudent, during international smart working employees are not allowed to negotiate, conclude or sign contracts in the employer's name

- Ruling that employees have the responsibility to ensure that they have the permission to work in the given Country, obtaining required immigration clearance (e.g. visa, work permit) and/or other required permissions, avoids immigration and/or regulatory risks

Eligible Employees (All employees eligible to smart working) have also the responsibility to comply with their employment contract and all applicable rules, codes, regulations or law in the ordinary work location and in the International Smart Working Country (e.g. confidentiality, health & safety and data security).

Example of main clauses for an EU Country (Compliance conditions):

1. The employee is allowed to work remotely abroad within the following smart working days limit per calendar year:
 - Up to 30 days within EU Region
 - Up to 15 days outside EU Region
2. For the entire duration of the international smart working the employee cannot negotiate, conclude or sign contracts
3. For the entire duration of the international smart working has to be able to legally work in the selected remote work location considering local immigration rules and regulatory requirements

Disclaimer clauses

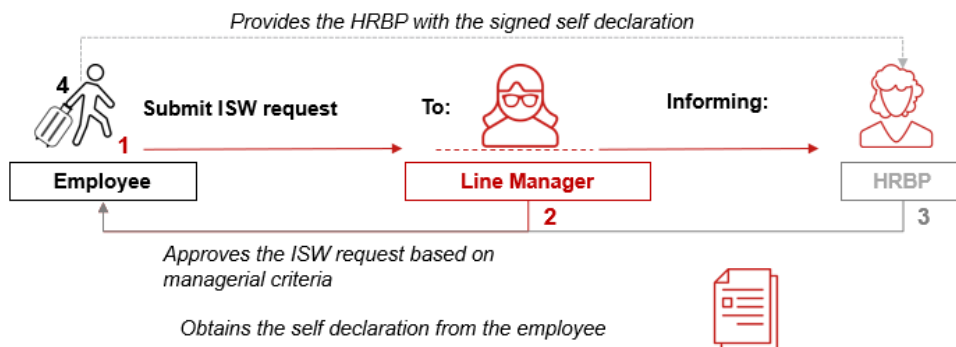
All Employees are expected to adhere to all requirements under their contract of employment and under all applicable rules, codes, regulations or law in the Ordinary Work Location and Remote Work Location in line with applicable Company policies.

The Company will not cover costs related to the Employee's personal expenses, personal tax filing and/or income tax liabilities incurred while (or as a direct or indirect result of) working remotely from the Remote Work Location.

Employees under international assignment agreement require a specific evaluation of feasibility of International Smart Working.

3.1.5 International Smart Working process

At local level, the process to obtain employee's signature on the self – declaration can be more structured and automatic (e.g. implemented on the HR system) or managed on a case-by-case basis (e.g., via e-mail). Whichever model is selected, the following steps are followed:



In order to support employees to manage any International Smart Working request and, possibly, to discipline International Smart Working at local level, we have prepared the following tool-kit:

- Guiding principles: set of rule employee could use to complement local smart working policy with International Smart Working discipline
- Compliance appendix: summary of compliance aspects considered to design the International Smart Working framework and the self declaration
- Self declaration template to be translated in local language and provided by employees for each International Smart Working request in order to confirm they will comply with the rules listed in the document

3.1.6 Proposed implementation models with self–declaration

To ensure that the Company is far from any kind of responsibility and that employees are fully aware of their duties and responsibilities, a self-declaration form will be implemented where employees confirm to commit with all specific requirements

International Smart Working authorization process and self declaration can be managed:

- with the support of local HR where it is considered as **extraordinary/exceptional** (i.e. case by case managed) **or**
- using *HR system where it is considered as **occasional** (i.e. foreseen and managed via HR system)*

I, [employee name], having read and acknowledged the International Smart working policy, by signing this declaration confirm that:

- By performing smart working days in this Country I do not exceed the limit set by the international smart working policy (e.g. 30 days within EU, 15 days outside EU)
- During the International Smart Working days that I will not negotiate, conclude or sign contracts on behalf of my employer
- I have all the required permits to legally work in this Country for the entire duration of the International Smart Working (e.g. Visa, licenses required)
- I will adhere to all requirements under my contract of employment and under all applicable rules, codes, regulations or law in the Ordinary Work Location and Remote Work Location in line with applicable Company policies

Employee Signature

3.2. International Smart Working Guiding Principles

Introduction and objectives

Within the Next Normal context, new working models focused on flexibility of the workplace, new balance between work and private life, business continuity and environmental sustainability are emerging.

The International Smart Working (“ISW”), is a new flexible and dynamic working solution, aimed at promoting a work culture based on ownership, results and accountability of the employee.

Depending on different factors, e.g. local legislations, discussions with Union representatives, other specific local considerations, the approach ISW at local level can be based on different models:

1. ISW is explicitly allowed by the Union Agreement and/or the domestic SW policy and specific processes are defined to manage the occasional ISW requests
2. ISW is not mentioned by the Union Agreement and/or the domestic SW policy and any ISW request are managed as extraordinary
3. ISW is prohibited by the Union Agreement and/or the domestic SW policy and ISW request are managed as exceptional

Whichever model is applied at local level, the following Guiding Principles ensure any compliance or administrative requirement at local level is avoided.

This framework is created to support local HR by providing global guidelines on how to approach ISW requests avoiding any compliance or administrative requirements for the employee and the employer.

It applies to any employee who is employed or is performing his/her job duties in an ordinary work location in accordance with his/her employment terms and conditions, but wishes to make a request to travel internationally for personal reasons, to perform his/her job duties and/or work-related activities outside the ordinary work location for a short-term period of time on an occasional basis.

Due to the complexity of the regulatory and compliance requirements the framework should be integrated and harmonized to local Smart working policies.

3.2.1. Guiding principle 1: Approval process of International Smart Working Request

Any International Smart Working request must be pre-approved by the relevant Line Manager, who will be required to verify that from a management and operational perspective the ISW request is not limiting or conflicting with the employee work activities and responsibilities.

The employee is required to submit any request for ISW through the company HR portal or in writing, together with a self-declaration confirming that they are compliant with the ISW guiding principles below reported.

3.2.2. Guiding principle 2: Permitted activities

The employee is responsible to ensure that the International Smart Working request if approved, will not limit his/her ability to work in accordance with his/her ordinary employment terms and conditions (e.g., he/she is able to regularly access employee and/or customer data necessary to perform his/her work activities).

During the ISW Period not all the work activities are permitted due to regulatory and compliance restrictions applicable in the ISW Location. As an example, the following limitations apply:

- a) Activities subject to regulatory and/or other license requirements under any applicable rules, codes, regulations, or law in the International Smart Work location.
- b) negotiation or signature or conclusion of contracts on behalf of the employer while working in the International Smart Work location.

3.2.3. Guiding principle 3: Duration

To ensure business effectiveness and considering the key role of the office in the hybrid working model, an International Smart Working period has to be occasional and limited in time depending on the countries involved.

The maximum number of days should be limited up to 30 days in EU countries or 15 days in extra-UE countries over a 12-month period. This number of days should be concentrated to the best extent possible in a single period. The stays in the same foreign country should not follow a material recurrent pattern.

No extensions to the International Smart Working period will be approved. In the event that the employee is unable to return on the expected date, the employee will be required to follow the terms and conditions of the Company in this specific circumstances.

3.2.4. Guiding principle 4: Applicable contract and conditions

The employee will continue to be legally employed by the Company (i.e. his/her employing entity in the work location) during the ISW period and will not receive any additional compensation unless required by local regulations and consequently the payroll set-up will not be impacted.

In particular, the Company will not cover any costs related to the employee's personal expenses, travel costs or family member support incurred while working remotely from the ISW location.

The employee will follow working hours and public holidays as of the employment contract effective in the ordinary work location. In case of substantial difference in time-zone the company will expect a degree of flexibility from the employee to ensure business continuity.

For any other details related to the organization of the work activities, availability and disconnection from work and roles and responsibilities of the employee the domestic Smart Working policy applies.

Furthermore, the Company will not make available office space or otherwise pay for any workspace during the International Smart Working period.

3.2.5. Guiding principle 5: Employee responsibilities

International Smart Working must be performed in compliance with immigration, labor law, social security, individual tax and corporate tax rules and regulations. This framework is designed to avoid or mitigate risks arising from the performance of international smart working abroad.

Immigration

The employee who intends to submit an ISW request to work in a jurisdiction different than the ordinary work location will need to ensure that he/she is legally allowed to work without any form of visa, work permit or license. If this is not the case the employee is responsible to follow the required immigration procedure to obtain the proper visa, work permit or license to legally work in the jurisdiction where he/she intends to work.

Individual tax

The employee who requests an International Smart Working period will be responsible for any filing obligations in the relevant jurisdictions. The Company will not cover any costs related to the employee's personal tax filing and/or income tax liabilities incurred while (or as a direct or indirect result of) working remotely from the International Smart Work location, and this cost will be at employees' responsibility.

If the employee earns income of any kind from a source other than the Company, the employee will be solely responsible for all taxes due on such income in either the ordinary or the ISW location.

Social Security

With reference to social security contribution, the company policy is to maintain eligibility for ordinary work location country social security benefits, wherever feasible and practicable.

Should a certificate of coverage be required to ensure no social security contributions are payable in the ISW location the employee is responsible for applying and retrieving the above-mentioned certificate

Permanent establishment and corporate tax

During the International Smart Working period the employee commits not to:

- a. Negotiate, conclude, sign contracts, or otherwise accept orders/proposals binding on the Employer, and solicit business on behalf of the Employer.
- b. Access any Employer offices or other premises in the ISW Location.
- c. Meet any clients or to be part of any board/committee meeting in the ISW location during the ISW period, even if remotely.
- d. Perform any activity attributable to a Permanent establishment of the employer in the ISW Location.

3.2.6. Guiding principle 6: Employee safety and security

In selecting the International Smart Working location, the employee should familiarize with the Company Global Travel Rules and ensure that the selected location is not an Excluded Country and the compliance with the Security Group Guideline in the International Smart Working location, is guaranteed.

The employee must also ensure that selected ISW workplace is a safe place from both health and safety point of view and for technology use. It is the employees' responsibility that the ISW request will not result in a breach of workplace safety regulations applicable in the ordinary work location.

It is strongly recommended that the employees participate in a mandatory safety training and have read the relevant information (home country Safety Vademecum) available on the company intranet in relation to the Smart Working.

The Employee will (subject to the terms of any applicable plan rules) remain eligible to participate in Company insurance plans as per his/her existing employment terms and conditions and will be wholly and exclusively responsible for taking out, at his/her expense, any further health and travel insurance relating to the ISW Period if necessary.

3.2.7 Guiding principle 7: Cyber security and data protection

All employees are expected to adhere to all requirements under their contract of employment, International Smart Working agreement and under all applicable rules, regulations or law in the

ordinary work location and International Smart Working location related to confidentiality, data security and protection in line with applicable Company policies and domestic Smart Working policy.

It is required that employee complete a mandatory training on data security and have read the relevant information available on the company intranet, before applying for ISW.

Chapter 4:

International Smart Working framework adopted by principle multinational Companies: Benchmark study

4.1 How multinational companies evolved their approach to international smart working during 2021 and 2022

During 2021⁸ Survey conducted by Mercer more than three-quarters of all respondents reported supporting International Remote Working.

This highly topical survey collected data from:



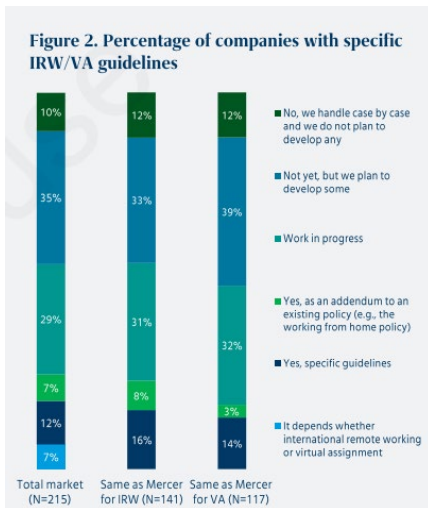
During the COVID-19 crisis, many employees have been forced to work from home, and managing a remote workforce has become a priority for companies. The globally mobile workforce has been equally affected by this new development. The 2021 Mercer International Remote Working Survey was conducted between the end of January and early March 2021 and aims to understand how multinational companies are handling international remote working.

Report Highlights

- More than three-quarters of all respondents report supporting International Remote Working RW
- Close to 20% of companies have already developed specific guidelines (12%) or an addendum to an existing policy (7%).
- More than 60% of participating companies cite bringing jobs to people and expanding the talent pool as key actual or expected advantages of introducing virtual assignments or international remote working.

⁸ 2021 - 2022 International Remote Working spot survey : [International Remote Working and Virtual Assignments Survey | Mercer](#)

- Four in ten companies indicate that their remuneration approaches for virtual assignees are identical to those for local employees in the same physical location.



The 2022 International Remote Working Spot Survey (Report) explores how multinational companies furtherly evolved their approach to international remote working, focusing on employee-requested moves.

How do multinational companies manage a remote global workforce these days? Is remote working a short-term response to the pandemic or a longer-term option for global talent sourcing?

In total, 362 companies participated in this survey, 224 allow international remote working out of which 201 internationally and 23 domestically only.

56% of all participants allow international remote working but 32% only in some countries and 30% only where they have legal entities.

International Remote working (IRW) is typically (by 80%) offered for a limited number of days; however, 31% offer as an open-ended/permanent relocation.

61% track where international remote workers are, 50% track how long, but 81% can only track manually.

Mobility team's responsibilities with regards to international remote working are primarily around policy settings (64%), formal communication of terms and conditions (55%) and compliance of proposed terms and conditions (52%).

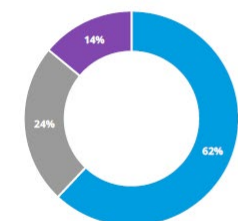
Improve employee value proposition, engagement is the top driver for offering International Remote working, rated 3.2 on average on a scale from 1 to 4 (key driver).

Organizations are typically satisfied (43%) or very satisfied (18%) with their offering of International Remote working but a quarter do not have any opinion.

89% do not have any metrics to track the success of international remote working.

International Remote Working (IRW)

Does your company allow international remote working?



- Yes
- No, not currently
- Not decided yet, still under evaluation

N=362

Where is international remote working allowed?



N=224

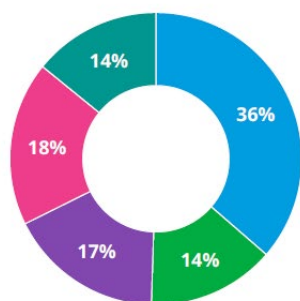
In which countries?



N=72

Guidelines

Do you have guidelines for international remote working?



- Yes, specific guidelines
- Yes, as an addendum to an existing policy (e.g., the working from home policy)
- Yes, but work in progress
- Not yet, but we plan to develop some
- No, we handle case by case and we do not plan to develop any

In the most of the cases it is the employee who owns responsibility for ensuring compliance rules (immigration, tax) are conformed once the international smart working request has been approved by both HR and line manager for a limited number of days (i.e. a temporary) one time or per year. Factor affecting the duration of international remote working are mainly linked to the Location (e.g., As long as compliant with local work permits, as long as not incurring tax liability) and nature of the job.

Mostly International Smart working is subjected to the Approval which means that the employee must submit a formal declaration and get approval from line management. In other cases is

granted only on an exceptional bases or is required a Centralized approval, mere declaration or Laissez-faire.

The top reasons (drivers) why offer international remote working are linked to improving employee value proposition (engagement), Enhance employee experience, Overcome family issues, talent retention, Access to key talents that are not mobile, Remote work abroad is a key driver in recruiting etc.

CONCLUSIONS

Global Mobility has a pivotal role in achieving company's strategic objectives within the Next Normal Hybrid work model and is furtherly enhancing interest of the most companies for employees' well-being and work life balance, giving the opportunity to work from everywhere within a specific set of rules and conditions.

The pandemic context pushed a hybrid work model with focus on results rather than a physical presence in the office. It forced us to re-think the overall International Mobility guidelines framework and to focus on expatriates' flexibility within a next normal framework.

The possibility for employees to perform International Smart Working can further enhance employees' flexibility, work-life balance and wellbeing.

International Mobility function among different companies took the opportunity to introduce smart innovative solutions for short & virtual mobility during the pandemic context, simplifying processes, and increasing transparency. In some cases, a change to approach and create a new way to attract talents over the world was needed by creating a so-called Borderless Talent Market and International Smart Working Framework which allows employees to frequently work remotely from a Country different from their ordinary work location based on the predefined agreed conditions.

On top of the introduction of the International Smart Working Policy in my company in particular we have introduced additional 5 New policies and Innovative solutions, being:

- 1) (Virtual Assignment;
- 2) Virtual International Experience;
- 3) Mini Mobility;
- 4) Hybrid assignment
- 5) International hiring flex.

A simplification approach has been adopted by increasing communication & transparency and an information awareness campaign has been launched involving local Mobility Experts,

Reward professionals, Talent community and other HR functions. More digitalized solutions have been adopted and cost saving approach through new mobility policies has been ensured.

International mobility framework has been adapted to the new hybrid working model and aims at avoiding any compliance risks by the launch of a strict International Smart Working Policy.

The outcome in my company's experience is a completely new International Mobility framework enabling to support People Strategy initiatives focused on D&I, Wellbeing, Employer branding, Value Proposition, Talent Management, etc.

At a global level International Mobility function as of today furtherly enhanced the central and pivotal role among the companies focusing on expatriates flexibility in a global framework becoming also in most of the companies the responsible function for International Smart Working guidelines setting offering to the employees, when allowed, this additional flexibility to perform the working activities outside their ordinary work location based on specific conditions and rules.

Global Mobility function definitely had a development boost and differently from the past left its mere executive role, becoming a part of the Group Strategy assuming a role of business advisor.

Furthermore, considering the context in which we live both as a company and as individuals has changed faster than ever over the past few years externally we have faced and are facing new and difficult challenges, and we have not shied away from internal challenges either, making the decision to evolve our way of working and move increasingly towards new hybrid approaches.

Taking all of this into consideration, a lot of companies acknowledged that hearing from the employees more frequently and collecting their feedback has never been so important.

A dedicated Pulse Survey's has been launched among different companies as a reaction to the Next Normal framework with the aim to strengthen the listening approach towards the employees, creating moments to keep in touch and receive more frequent input from all employees creating an even better place to work.

Focus is how engaged the employees are currently feeling, which experience of the Next Normal the employees has experiences so far and whether they feel satisfied became very important for a major part of companies.

Within the Next Normal the increased use of smart working brings the opportunity to introduce increased level of flexibility work-life balance and wellbeing for employees. International Smart Working has furtherly opened the opportunity to be even more flexible and allow employees to exceptionally perform smart working abroad in a Country different from their ordinary work location, which will benefit both company as the employee, taking the best of both worlds.

APPENDIX - MATRIX

Immigration Matrix

Europe

In the table below a matrix on Immigration compliance framework for the European Region

	Any EU Country	Montenegro	Russia	Serbia	UK
Any EU Country					
Montenegro					
Russia					
Serbia					
UK					



- Clear to travel: right to work confirmed for EU nationals within European Union Member States.
- Employees holding citizenship of the destination country are not subject to verification of right to work and immigration limitations





Potential compliance issue: right to work to be confirmed and proper immigration permits to be secured by employee prior to travel


America

In the table below a matrix on Immigration compliance framework for the America Region

	Argentina	Brazil	Canada	Chile	USA
Argentina					
Brazil					
Canada					
Chile					
USA					


















































































 Potential compliance issue: MERCOSUR countries can obtain right to work via simplified procedures, but still are required to apply for immigration permits


 Potential compliance issue: right to work to be confirmed and proper immigration permits to be secured by employee prior to travel




 Employees holding citizenship of the destination country are not subject to verification of right to work and immigration limitations

Asia

In the table below a matrix of the available Double Tax Treaty and related compliance framework for the Asia region.


























	China	Hong Kong	India	Indonesia	Malaysia	Singapore	Thailand	Vietnam	UAE
China									
Hong Kong									
India									
Indonesia									
Malaysia									
Singapore									
Thailand									
Vietnam									
UAE									




 Potential compliance issue: MERCOSUR countries can obtain right to work via simplified procedures, but still are required to apply for immigration permits

-  Available exemption: Double Tax Convention in force with rules for employment income in line with OECD Model
-  Potential compliance issue: Double Tax Convention in force with rules for employment income different from OECD Model
-  Exemption might not be available / Double Tax Convention not in force

America

In the table below a matrix of the available Double Tax Treaties and related compliance framework for the America Region.

	Argentina	Brazil	Chile	Canada	USA
Argentina					
Brazil					
Chile					
Canada					
USA					

-  Available exemption: Double Tax Convention in force with rules for employment income in line with OECD Model
-  Potential compliance issue: Double Tax Convention in force with rules for employment income different from OECD Model
-  Exemption might not be available / Double Tax Convention not in force

Asia

In the table below a matrix of the available Double Tax Treaties and related compliance framework for the Asia Region

	China	Hong Kong	India	Indonesia	Malaysia	Singapore	Thailand	UAE	Vietnam
China	Grey	Green	Green	Green	Green	Green	Green	Green	Green
Hong Kong	Green	Grey	Yellow	Green	Green	Red	Green	Green	Green
India	Green	Yellow	Grey	Green	Green	Green	Green	Yellow	Green
Indonesia	Green	Green	Green	Grey	Green	Green	Green	Green	Yellow
Malaysia	Green	Green	Green	Green	Grey	Green	Yellow	Green	Green
Singapore	Green	Red	Green	Green	Green	Grey	Green	Green	Green
Thailand	Green	Green	Green	Green	Yellow	Green	Grey	Green	Green
UAE	Green	Green	Yellow	Green	Green	Green	Green	Grey	Green
Vietnam	Green	Green	Green	Yellow	Green	Green	Green	Green	Grey


- Available exemption: Double Tax Convention in force with rules for employment income in line with OECD Model
- Potential compliance issue: Double Tax Convention in force with rules for employment income different from OECD Model
- Exemption might not be available / Double Tax Convention not in force


Social Security Matrix

Europe

In the table below a matrix of the available Social Security Treaty and related compliance framework for the Europe Region.

	China	Hong Kong	India	Indonesia	Malaysia	Singapore	Thailand	Vietnam	UAE
China	Grey	Yellow	Red	Yellow	Yellow	Yellow	Red	Red	Yellow
Hong Kong	Red	Grey	Red	Red	Red	Red	Red	Red	Red
India	Red	Yellow	Grey	Yellow	Yellow	Yellow	Red	Red	Yellow
Indonesia	Red	Yellow	Red	Grey	Red	Red	Red	Red	Red
Malaysia	Red	Yellow	Red	Yellow	Grey	Red	Red	Red	Red
Singapore	Red	Yellow	Yellow	Yellow	Yellow	Grey	Red	Red	Red
Thailand	Red	Yellow	Red	Yellow	Yellow	Yellow	Grey	Red	Yellow
Vietnam	Red	Yellow	Red	Yellow	Yellow	Yellow	Red	Grey	Yellow
UAE	Red	Yellow	Red	Yellow	Yellow	Yellow	Red	Red	Grey

 No Social Security agreement


 Country Specific:


1. **Hong Kong** does not impose any social security taxes to foreigners
2. **India** has not entered into a social security agreement with Singapore. However, benefits under a social security agreement are sought to be provided through a Comprehensive Economic Cooperation agreement (CECA) between India and Singapore
3. **Indonesia:** Expatriates are required to participate if they work in Indonesia for more than six months
4. **Malaysia:** Employer and employee contributions to the SOCSO of Malaysia are compulsory for Malaysian citizens only.
5. Only Singapore citizens are required to contribute to the CPF
6. The UAE does not impose social security taxes on foreign nationals. UAE-national employees and nationals from the other Gulf Cooperation Council (GCC) countries contribute to retirement and pension funds in accordance with specific regulations.

America

Table below represents a matrix providing a picture of available Social Security Conventions and related compliance framework for the America Region.

	USA	Canada	Argentina	Brazil	Chile
USA	Grey	Green	Red	Green	Green
Canada	Green	Grey	Red	Green	Green
Argentina	Red	Red	Grey	Green	Red
Brazil	Green	Green	Green	Grey	Green
Chile	Green	Green	Red	Green	Grey

 Social security totalization agreement

 No Social Security agreement

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