

SASOL
reaching new frontiers



***Global Policy for International
Secoundees – Sasol***

2010 SARA Conference

28th October 2010



Company Overview

- Founded in 1950
- Production of synthetic fuels in 1955
- Has operations in 38 countries
- Employs about 34 000 people
- Listed on
 - Johannesburg Stock Exchange
 - New York Stock Exchange





Company Vision

To be a respected **global enterprise**, harnessing our talents in applying unique, **innovative** and **competitive technologies** to excel in selected markets in the **energy, fuels, chemicals** and related sectors in **Southern Africa and worldwide**





HR International Office



Background

September 1998

- Start up of HR International office
- 18 Expats in 5 countries
- No policies, structure or governance

1999

- 38 expats in 7 countries
- Expat policy developed (South African based)
- Structures in development
- Governance introduced

2001

Acquisition of Condea

- 66 expats in 12 countries
- Global policy for International Employees developed (applicable for all home bases to all host bases)
- Structures and processes finalised and implemented
- Benchmarking mainly with SA based multinationals
- Governance underpin all expat activities

Expatriate preparation and cultural sensitisation preparation, language training, full relocation support, ongoing home and office support etc.



Background

2005

- 170 expats in 19 countries
- Focus on return on investment for international assignments
 - *Business case for international assignments*
 - *Selection*
 - *Job fit*
 - *Expat fit*
 - *Family fit*
 - *Country fit*
 - *Repatriation process*
 - *Benchmarking with internationally based multinationals in terms of policy and processes*

2007

- Anticipate 280 expats in 20 countries by end 2008
- Focus on the strategic value of international assignments
 - *Succession planning*
 - *Leadership development*
- Continued focus on successful repatriation and retention
- Grow and develop Sasol's global talent pool
- Continued focus on the ROI of international assignments

Expatriate preparation and cultural sensitisation preparation, language training, full relocation support, ongoing home and office support etc.



Background

2009

- 189 Expats in 20 countries
- Project & host country dynamics influenced repatriation as well as the number of new expatriate assignments.
- Serious consideration given to new expatriate assignments as well as extension of current assignments
 - *Selection of expats*
 - *Cost scenarios used as part of decision-making process*
- Remuneration method reviewed
- Annual increase methodology re-assessed
- Formal benchmarking exercise undertaken

Expatriate preparation and cultural sensitisation preparation, language training, full relocation support, ongoing home and office support etc.



Regional Distribution of Expats - 2010

EUROPE	MIDDLE EAST	AFRICA	ASIA PACIFIC	AMERICA's
<ul style="list-style-type: none"> ● UK ● GERMANY ● ITALY ● DENMARK ● NETHERLANDS 	<ul style="list-style-type: none"> ● QATAR ● IRAN ● UAE - DUBAI ● UZBEKISTAN 	<ul style="list-style-type: none"> ● SOUTH AFRICA ● MOZAMBIQUE ● NIGERIA ● ZAMBIA ● EGYPT 	<ul style="list-style-type: none"> ● INDIA ● CHINA ● MALAYSIA ● HONG KONG ● KOREA ● SINGAPORE ● AUSTRALIA 	<ul style="list-style-type: none"> ● USA
<ul style="list-style-type: none"> ● NORWAY 			<ul style="list-style-type: none"> ● PNG 	



Home Country Spread - 2010

HOME COUNTRY	NO. OF EXPATS
SOUTH AFRICA	108
UK	18
USA	2
SINGAPORE	1
GERMANY	2
MOZAMBIQUE	2
TOTAL	133



Review of Global Policy



Global Policy

The Sasol Global Policy for International Secondees (expats) has always been market related and annual benchmarking is done to ensure that we remain competitive.

Given the global economic challenges in 2008/2009 the focus of the benchmarking exercise was to be more cost effective yet still market aligned.

An in-depth benchmarking exercise was conducted by an independent company. In addition, discussions were held with both senior HR and Line managers as well as Group Tax Services.

According to the benchmark Sasol is well placed – not upper Quartile but within the so-called “Common Practise” space



Three main recommendations proposed as a result of this benchmarking exercise

- A change in the governance framework for managing expatriates to ensure cost control;
- A change to certain benefits in the global policy which will result in a more cost effective policy and;
- The implementation of an offshore retirement plan to ensure sustained mobility of employees globally



A – Management of Expatriate Assignments

- The strategic intent and drivers for expatriate assignments at Sasol are:
 - *Fulfilment of scarce skills in the host jurisdiction and knowledge transfer;*
 - *Management control and;*
 - *Technical and leadership development*

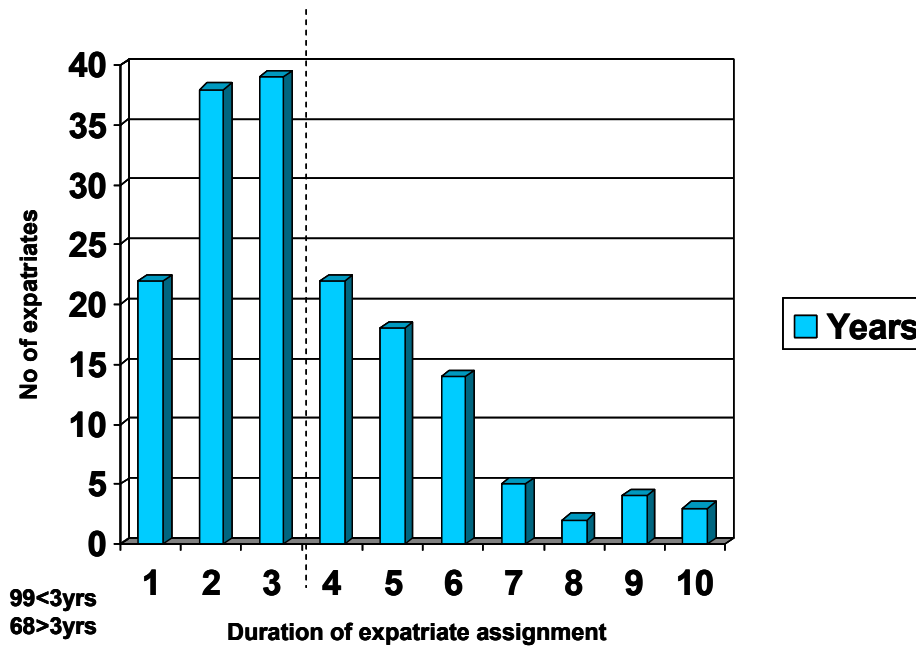


A – Management of Expatriate Assignments

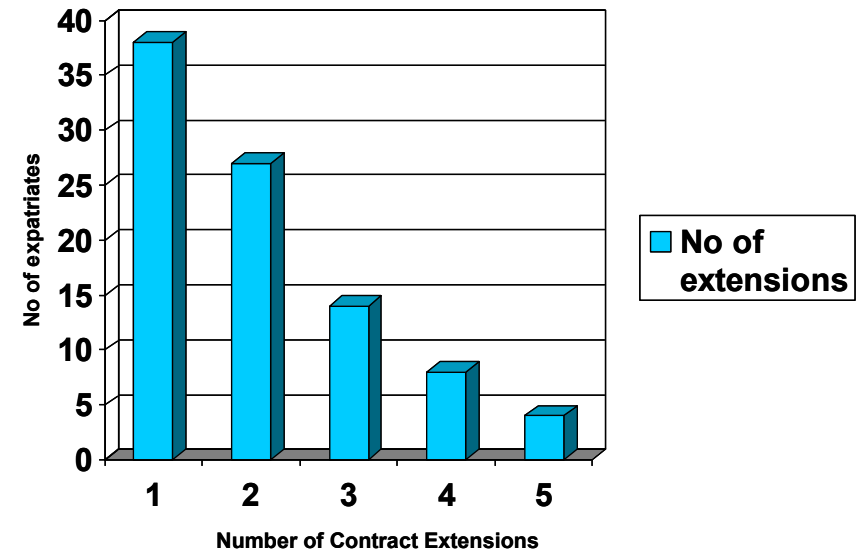
(2008/2009)

The graphs below indicates expatriate assignments are not managed effectively. This is very costly for the company and not sustainable in the long term.

Duration of Expatriate Assignments



Number of Contract Extensions per expatriate



* 50% of expatriates have had one or more contract extensions



A – Management of Expatriate Assignments

- In the long term, the greatest cost saving for the company lies in the effective management of expatriate assignments.
 - *Business case for every initial expatriate assignment*
 - *Rigorously reconsider and scrutinize the business case for every assignment extension*
 - *Consider the employment of a local*



A – Management of Expatriate Assignments

- There should be a compulsory plan for the end of the assignment and options should consider the needs of both the company as well as the employee and should be mutually agreed:
 - *expatriate returns to home country or;*
 - *expatriate moves to another assignment in another jurisdiction or;*
 - *the expatriate is localised*
 - *If vacated, the position is filled with a local or another expatriate*



A – Management of Expatriate Assignments

Recommendation:

- A governance structure be implemented to manage expatriate assignments:
 - *Positions as well as the duration of the assignment must be approved.*
 - *The expatriate status across the group be monitored per annum.*



B – Change in Global Policy

- Given the economic challenges, the following changes in the Sasol Global Policy for International Secondees were implemented to ensure a more cost effective yet still market aligned policy:
 - *Upset, settling-in and re-settlement allowances (Capped at Level 3)*
 - *Location and Hardship allowances (Cancel for Qatar, reduce for Mozambique)*
 - *Interim accommodation (1 month instead of 2 months)*
 - *Home leave allowance (New method)*
 - *Remuneration methodology – Moderate Exchange and COL effect*
 - *Service provider agreements for:*
 - Cultural preparation
 - Work permits
 - Relocation assistance
 - Taxation
 - Furniture removal
 - Medical examinations
 - Medical aid benefits



Summary of Cost Saving proposals

Benefit	Potential saving per annum -
	Rm*
Capping of relocation allowances	R 1,0
Reduce interim accommodation time frame	R 4,2
Cancel hardship allowance for Qatar	R 3,2
Reduce hardship allowance for Mozambique	R 0,2
Review of home allowance (new methodology for calculation)	R 9,4
Re-negotiations with service providers (still to be fully quantified)	R 9,9
TOTAL	R 27,9

* Assumptions:

Potential cost saving based on sixty new expatriate assignments per annum (based on history), assuming three year contracts and assume levels, salaries and host countries to be similar to current expatriates on assignment



B – Change in benefits in the Global Policy - continued

Components of the Policy that were reviewed but no changes proposed

Benefit

Vehicle benefits in host country

Accommodation in host country

Schooling

Spouse assistance

Medical benefits (medical aid, medical examinations, and evacuation)

Repatriation assistance

Remuneration methodology
annual salary increase methodology

Reasons for no changes proposed

market related

market related
will review L2 & 3 benefits in China and India

market related

market related and any change would result in negligible savings

compulsory benefits

key to keep unchanged in terms of our retention strategy

key to keep unchanged in terms of our attraction & retention strategy



Effect of Volatility in Exchange Rates

- The exchange rate movements had an impact on Cost of Living indices.
- In six months, September 2008 to March 2009, 12.3% and 13 % lower package for Iran and Qatar respectively
- Introduced a modified Cost of Living formula, provided by ECA, in order to moderate the effect of a “windfall” for the employee or the company.



Lessons learnt

- Change management – When & How
 - *Communication of changes implemented in September / October 2009*
 - *General communication to all expatriates.*
 - *Host country HR managers assisted with communication and fielding questions from expatriates.*
 - *Salary calculation methodology – Modified Cost of Living Index*
 - *Exchange rate for salary receipt – Six month average to average of immediate preceding month*
 - *Extension of secondment agreements – phased in approach*
 - *Home leave allowance – phased in over a 12 month period*



Lessons learnt

- Lack of global database poses a compliance and governance risk
- Implementation of changes in policy benefits at risk due to manual payroll administration
 - *Calculation and capturing of payments*
- Review and update of supporting documentation e.g. assignment contracts to align with changes in policy



Challenges that we face

- *Company structures (pro-active alignment of immigration process with corporate and individual tax implications, cost re-imbusement agreements etc)*
- *Policies – under review to accommodate the rapidly changing business environment as well as change in expatriate profile*
- *Integration of international assignments into the talent management process*
- *Trailing spouses, dual careers*
- *Tracking of expatriates (avoid ‘stealth expats’ and to remain compliant from a legal and tax perspective)*
- *Secondments to Joint Ventures*



Questions?