

IMPACT OF EXCHANGE RATES ON EXPATRIATE REMUNERATION

When host currency strengthens compared to the expatriate's home-country currency, the Goods and Services Differential (also called Cost of Living Allowance or COLA) increases proportionately to keep the assignment-location spendable income stable (the expatriate needs more home-country currency to meet the predetermined assignment-location spendable income in local currency).

When host currency weakens against the home-country currency, the Goods and Services Differential likewise decreases proportionately, again to keep the assignment-location spendable income stable (the expatriate needs less home-country currency to meet the predetermined assignment-location spendable income in local currency).

The pay delivery currency or pay split is an important component to the impact of exchange rate fluctuation and expatriate remuneration as this can enhance the positive or negative impact.

KEY MONITORING ASSUPMTIONS

Monitoring Test #1: If the exchange rate fluctuated by more than +/- 4.0% over the course of 4 weeks, an update to COLA would be triggered

Monitoring Test #2: If the exchange rate fluctuated by more than +/- 8.0% over the course of 2 weeks, an update to COLA would be triggered

If one of the above criteria has been met, a new recalculated index and new exchange rate will populate in the Tables section (column J or K for the index and N or O for the FX rate). This is intended as a guidance only and we still recommend to look at specific cases individually, by analysing the overall impact on your assignees, for example:

1. Are these changes impacting these employees in a negative way, or are they benefiting from the new exchange rates?
2. Is the change likely to persist or does the exchange rate movement indicate that it may revert back?
3. What is the main reason for the currency turmoil? Often times sudden changes are triggered by political instability, natural disaster or health crisis. This can often result in high inflation, limited availability of goods and increased costs. In such cases allowing for a temporary windfall experienced by the assignee could be a sensible option.

SUMMARY

Currency pairs that reached the change threshold this week:

A total of 6 location combinations have hit the first monitoring threshold of more than +/- 4.0% over the course of 4 weeks

A total of 5 location combinations have hit the second monitoring threshold of more than +/- 8.0% over the course of 2 weeks. Please note that some combinations may have hit both thresholds, in which case the highest one will be presented.

As a result, exchange rate and index data for the following 13 location combinations require action:

Home country	Host country	Home currency	Host currency	Latest change %
South Africa	Australia	ZAR	AUD	-13.24%
South Africa	United Kingdom	ZAR	GBP	-11.67%
South Africa	Singapore	ZAR	SGD	-9.49%
Mexico	Colombia	MXN	COP	-8.37%
Mexico	United Kingdom	MXN	GBP	-6.81%
Mexico	Canada	MXN	CAD	-4.51%
Mexico	United States	MXN	USD	-4.08%
Canada	Mexico	CAD	MXN	4.78%
Nigeria	South Africa	NGN	ZAR	5.78%
United Kingdom	Mexico	GBP	MXN	7.39%
Germany	South Africa	EUR	ZAR	8.69%
Switzerland	South Africa	CHF	ZAR	8.84%
Colombia	Mexico	COP	MXN	9.14%

Currency pairs close to reaching the change threshold:

Additionally, we recommend to pay close attention to fluctuations of the following currency pairs, as they are likely to hit one of the thresholds next week, in case the change is sustained:

Home country	Host country	Home currency	Host currency	Latest change %
Nigeria	Australia	NGN	AUD	-8.97%
Brazil	Australia	BRL	AUD	-8.54%
Nigeria	Colombia	NGN	COP	-8.18%
South Africa	Germany	ZAR	EUR	-7.97%
Hong Kong	Brazil	HKD	BRL	4.45%
Poland	South Africa	PLN	ZAR	6.04%
Australia	Poland	AUD	PLN	8.67%
Australia	Nigeria	AUD	NGN	9.03%
Australia	Brazil	AUD	BRL	9.33%