



New Cost of Living Adjustment (COLA) FAQ

1. How is the index constructed?

The index is based on the differences in prices and purchasing power between US Standard City Index to La Serena goods and service index.

The index is then applied to gross salary taking into account escaped taxes of 25% and that of the salary remaining 65% is applied to consuming goods and services. This net salary is then applied to the COLA index to arrive at the COLA amount. See Formula.

The COLA payment will fluctuate according to changes in the index, but will be capped at 10% of salary.

There is a positive effect on salary at a COLA index level of 126 and above, subject to the 10% cap, salaries will not reduce because of the COLA.

2. What is the basis of the index?

The index is based upon the Conservative Living Index methodology (CLP). The CLP methodology is also a Combination of home and host location price comparisons with adjustments to take into account changes in living patterns that result from the expatriate assignment. The CLP methodology assumes a conservative level of expenditure for the expatriate living pattern categories, including Domestic Help, Public Transportation, Recreation & Entertainment, and Food Away from Home.

Expenditure models are still developed for these categories based on Pattern of Living Questionnaire data.

The models that are developed for these categories in the CLP methodology are targeted to cover 50 percent of the responses as reported through the Pattern of Living Questionnaire. The index is based upon the latest 6 months of data.

3. How often is the COLA calculated?

The indexes for Chile are normally updated in May and November of each year. The index will also be updated if the monthly weighted average exchange rate changes by 5%.

4. Why were the 65% reduction factor and the 25% escaped tax factor chosen?

These factors were recommended by the compensation consultants as averages based on experience and to ensure equity across a group of people.

5. Why is this not being implemented for AURA staff currently receiving a COLA?

AURA staff currently receiving a COLA will be 'grandfathered' and continue to receive the COLA on the basis they have in the past. This is a typical practice when there is a change in a benefit structure.

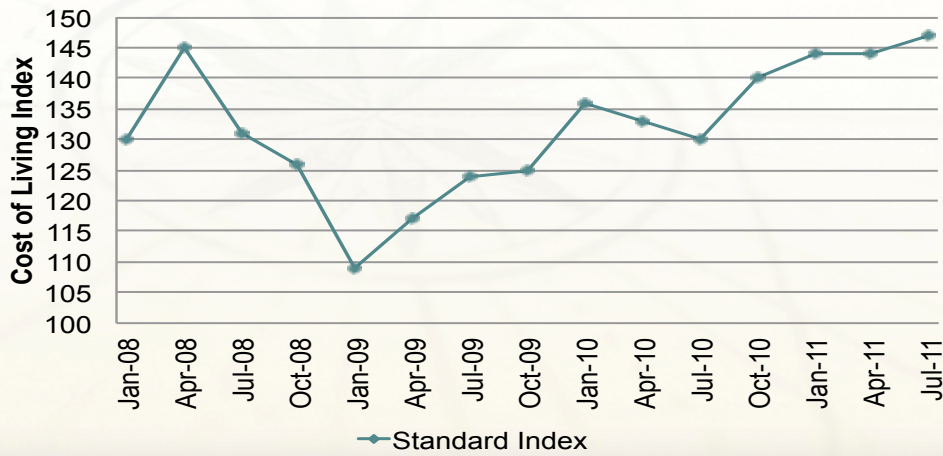
6. What is the formula for the COLA?

$(\text{Base Salary}) * ((\text{COLA index} - 125) / 100) * 0.65$, up to 10% of base salary, and never negative. A COLA index of 100 represents equivalent cost of living between La Serena and the US.

7. How has the index fluctuated during the past 3 years?

COLA index	147	146	145	144	140	133	130	126
net salary increase including the cap	10.00%	10.00%	10%	10.00%	9.75%	5.2%	3.25%	0.65%

Cost of Living Index Fluctuations

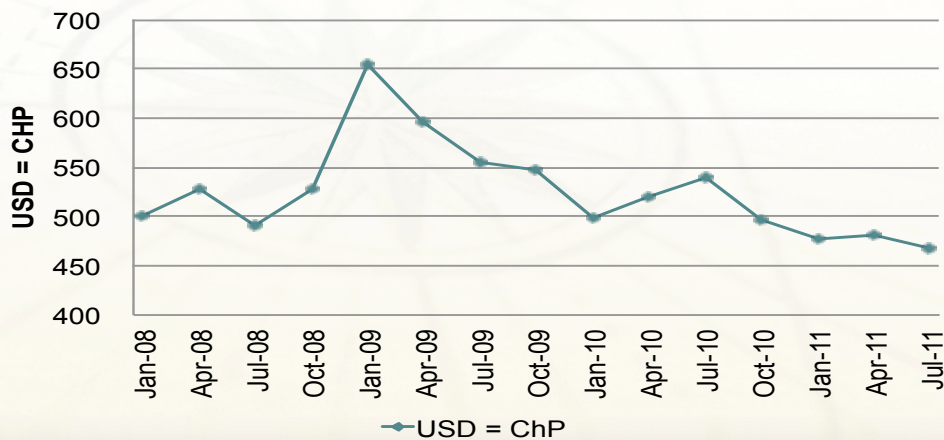


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8. How has the exchange rate fluctuated during the past 3 years?

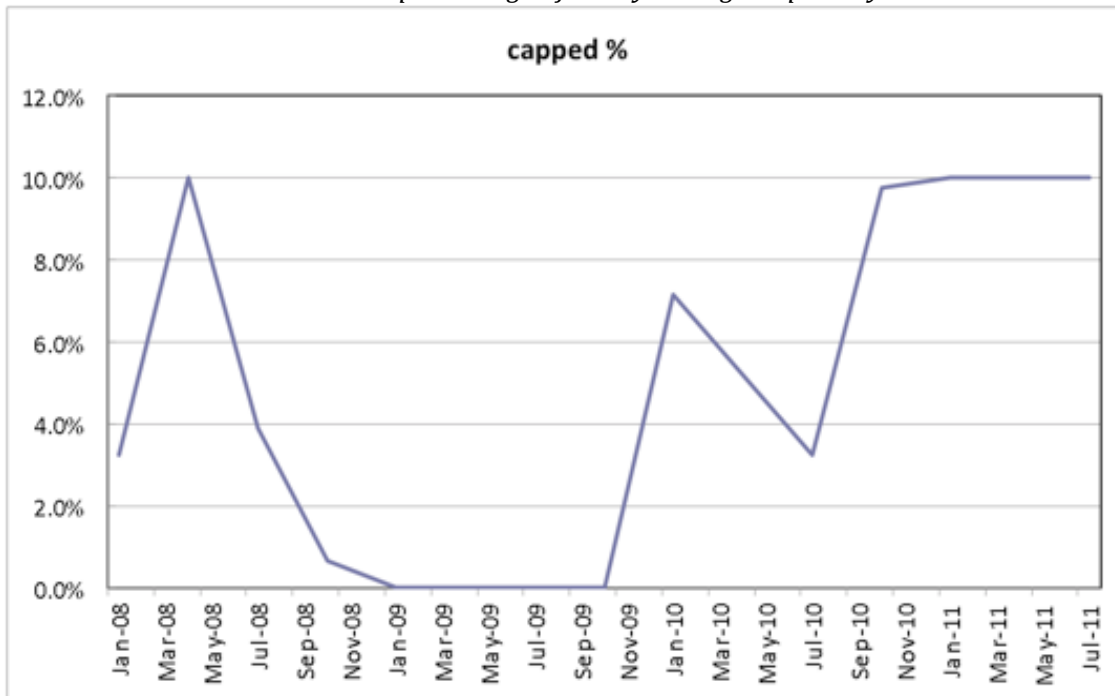
Exchange Rate Fluctuation



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9. What would the COLA have been as a percentage of salary during the past 3 years?



10. What will I see in my payroll statement, a separate line for the COLA?

The COLA will be a separate line item in your pay statement. It is not included within base salary.

11. Is the COLA payment taxable?

The taxation of the COLA is treated no differently from other earnings and does not change tax status.

12. Does the COLA payment change my other benefits?

The new COLA policy and payment are not included in the calculations for any other benefits, such as retirement contributions.

13. Does the 10% cap apply to every paycheck or is it a limit for the whole year?

The 10% cap applies to each paycheck; at any given time the maximum percentage of salary the COLA will be 10% of salary. Salaries will not be reduced through the application of the COLA.

14. Where is the money to pay for the COLA coming from?

The COLA is paid for from our funding contributions and the budgets derived from these. There is no additional funding for the COLA.

15. Why does the COLA only apply to 65% of salary?

This percentage was recommended by the compensation consultants as the proportion of salary a typical international employee spends on good and services.

16. How, exactly will the COLA be paid and how often?

The COLA will be paid as part of the usual payroll process and will be paid bi-weekly according to the prevailing index. **The COLA will be effective from 1 January, 2012.**

17. What is the rationale for capping the COLA at 10%?

We are balancing meeting employee needs providing a benefit that reduces the impact of exchange rate volatility while facing unprecedented budget challenges.

