

Emailed to Employees on March 12, 2015:

The compensation task force (CTF) has been meeting every few weeks to review the school-wide compensations issues that we outlined in our last email. As a reminder this team includes Chris Agnew, Jeff Buchanan, Linda Lindsey, Rachael Price and myself.

In our last communiqué we outlined our process to include five steps:

- Identifying Issues
- Fact gathering
- Brainstorming solutions
- EDT approval
- Implementation

We are pleased to announce that we are at the implementation step with a new non-US faculty pay scale. In the future we will take the US faculty pay scale and recalculate each non-US faculty pay scale in January using the previous twelve-month exchange rate average for that currency. This calculation will occur after any compensation increase adjustments have been made to the US version.

This will not be the basis of the instructor pay scale in all locations. Using the US version as the basis for local instructor pay scales does not meet minimum wage or other labor law requirements in some of our operating areas. The Australia, New Zealand and Sweden pay scales are currently higher than the US version and will continue to be so. Therefore, we will continue to have instructors working side by side at different wages even if they are in the same position with the same number of weeks. Each fall we will analyze the situation and put the appropriate wage system in place for these operating areas.

When calculating the local non-US faculty pay scales we will also take into account other mandatory benefits. For example, if a country requires that we pay a holiday bonus we will factor this in when calculating the daily pay rate. We will not use the US version and add these benefits on top, but will account for the benefits as part of the salary package.

The school initially adopted a local currency system as a result of instructor feedback. Faculty were frustrated by being offered a contract in US dollars and then discovering that the exchange rate had changed (for better or worse) by the time that they worked the contract. We agreed that the exchange rate fluctuation should be borne by the school. We then set instructor pay scales in local currency and only adjusted them based on school-wide compensation increases. This system has faced challenges as our instructor pool evolved into a more mobile workforce with global work opportunities for NOLS. The current system created a situation where instructors looked to see where the value of their contract was most advantageous, and this was sometimes not in their own country. When the exchange rate changed to the instructors' favor this was not an issue, but in the past few years (in some of our operating areas) the exchange rate was not favorable for some local currency earners.

The new system addresses this issue. The pay scale will be based on the US version. The school will still bear the exchange rate fluctuation within the calendar year and it will be reassessed annually. We recognize that it has taken time to find a viable solution. Therefore, we intend to revise the non-US faculty pay scales effective September 1, 2015. This is timed to coincide with the start of the fiscal year and we can budget accordingly. However, from that point forward non-US faculty pay scales will be recalculated in January.

This solution is not without disadvantages. In some years the pay scale could decrease compared to the previous year. By using the US version and the twelve-month exchange rate average there will be points in time when the US dollar weakens and the local currency value of instructor pay goes down. However, the alternative of basing non-US instructor pay scales and compensation increases on local comparables is more complex to administer and might create disincentive for instructors to work in their home countries during that operating season and travel globally to teach for NOLS during their home country's off-season.

The CTF will now turn its attention to some of the in-town wage issues and the impact of inflation on compensation increases. We will communicate with you when we have something to report.

We ask for your patience and understanding as we continue to work on these complex issues.