

# **Annual Bonus Program**

**Document ID:** HR-COMP-015 **Effective Date:** January 1, 2024 **Last Reviewed:** March 2024 **Owner:** Human Resources **Applies To:** All Eligible Employees

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## **Program Overview**

NovaTech's annual bonus program rewards employees for individual performance and company success. Bonuses are tied to both personal contributions and overall company performance.

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## **Eligibility**

### **Eligible Employees**

- Full-time employees
- Hired before October 1 of the performance year
- In good standing (no active PIP)
- Employed through bonus payment date

### **Ineligible Employees**

- Part-time employees (<30 hours/week)
  - Contractors
  - Interns
  - Employees hired after October 1
  - Employees on PIP at year-end
  - Employees who resign before payment date
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## **Bonus Targets**

### **Target Percentages by Level**

Level	Target Bonus (% of Base)
Individual Contributor 1-2	5%
Individual Contributor 3-4	10%
Individual Contributor 5-6	15%
Manager	15%
Senior Manager	20%
Director	25%
VP	30%
C-Level	40-50%

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## Bonus Calculation

### Formula

Actual Bonus = Base Salary × Target % × Company Multiplier × Individual Multiplier

### Company Multiplier

Based on company performance against annual goals:

Company Performance	Multiplier
Exceptional (>120% of plan)	1.25 - 1.5
Strong (100-120% of plan)	1.0 - 1.25
On Track (80-100% of plan)	0.75 - 1.0
Below Plan (<80% of plan)	0 - 0.75

Company multiplier is determined by the Board based on:  
- Revenue achievement  
- Customer growth  
- Strategic milestones  
- Market conditions

### Individual Multiplier

Based on performance rating:

Performance Rating	Individual Multiplier
Exceptional	1.25 - 1.5
Exceeds	1.0 - 1.25
Meets	0.75 - 1.0
Developing	0 - 0.5

Performance Rating	Individual Multiplier
Below	0

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## Example Calculations

### Example 1: Strong Company, Exceeds Rating

Base Salary: \$100,000  
 Target Bonus: 10%  
 Company Multiplier: 1.1  
 Individual Multiplier: 1.15

$$\text{Bonus} = \$100,000 \times 10\% \times 1.1 \times 1.15 = \$12,650$$

### Example 2: Below Plan Company, Meets Rating

Base Salary: \$100,000  
 Target Bonus: 10%  
 Company Multiplier: 0.6  
 Individual Multiplier: 0.85

$$\text{Bonus} = \$100,000 \times 10\% \times 0.6 \times 0.85 = \$5,100$$


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## Performance Metrics

### Company Goals (Example)

Metric	Weight	Target
ARR Growth	40%	\$78M → \$105M
Customer Count	20%	2,847 → 3,500
Net Revenue Retention	20%	115%+
Product Milestones	20%	As defined

## **Individual Goals**

Set during annual goal-setting process: - 3-5 measurable objectives - Aligned with team and company goals - Reviewed quarterly - Final assessment at year-end

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## **Timeline**

Date	Activity
January	Goals set for current year
April	Q1 check-in
July	Mid-year review
October	Q3 check-in
December	Year-end performance review
February	Company results finalized
March 1	Bonuses paid

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## **Proration**

### **New Hires**

Employees hired during the year receive prorated bonuses:

Hire Date	Proration
Jan 1 - Mar 31	100%
Apr 1 - Jun 30	75%
Jul 1 - Sep 30	50%
Oct 1 - Dec 31	Not eligible

### **Leaves of Absence**

Extended leaves (>3 months) result in prorated bonus based on active work time.

## **Promotions**

If promoted during the year: - Pre-promotion period: Previous target % - Post-promotion period: New target % - Weighted average applied

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## **Payment**

### **Timing**

Bonuses are paid in March following the performance year.

### **Method**

- Paid through regular payroll
- Subject to standard tax withholdings
- Deposited to direct deposit account

### **Tax Implications**

Bonuses are taxed as supplemental income: - Federal supplemental rate: 22% (up to \$1M) - State taxes vary by location - FICA taxes apply

Consider adjusting W-4 if bonus is significant.

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## **Special Situations**

### **Departing Employees**

- Must be employed on payment date
- Resignation notice doesn't affect eligibility
- Termination for cause: Not eligible

### **Team Changes**

- Rating from current manager applies
- Previous manager input considered
- HR reviews for fairness

## **Acquisition/Restructuring**

Terms may be modified in case of: - Company acquisition - Significant restructuring - Other extraordinary events

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## **Discretionary Adjustments**

In exceptional circumstances, adjustments may be made: - Outstanding individual contribution - Market circumstances - Strategic priorities - Retention needs

Adjustments require VP + HR approval.

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## **Communication**

### **Manager Responsibilities**

- Discuss bonus expectations during goal-setting
- Provide regular performance feedback
- Communicate final bonus with performance review
- Explain calculation and rationale

### **Employee Access**

- View target bonus in Workday
  - Track goal progress throughout year
  - Review final bonus in March
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## **FAQ**

**Q: Is the bonus guaranteed?** A: No. Bonuses are discretionary and depend on company and individual performance.

**Q: Can I negotiate my target bonus?** A: Target percentages are set by level. Changes typically require promotion or level adjustment.

**Q: What if I disagree with my multiplier?** A: Discuss with your manager first. Appeals can be made through HR within 30 days.

**Q: Are bonuses included in my offer letter?** A: Yes, target bonus percentage is included in your offer.

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## Contact

- **Compensation Team:** compensation@novatech.com
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  - **Questions:** #hr-questions on Slack
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*Related Documents: Performance Management (HR-EMP-005), Annual Review Process (HR-COMP-010), Career Framework (HR-CD-001)*