

Bonus Structure

Policy Number: HR-COMP-003 **Effective Date:** January 1, 2021 **Last Updated:** January 15, 2024 **Owner:** Total Rewards Team **Applies To:** All bonus-eligible employees globally

Overview

NovaTech Solutions offers annual performance bonuses to recognize individual and company achievement. This document explains how bonuses work, eligibility requirements, and payout calculations.

Bonus Eligibility

Eligible Employees

- All full-time employees
- Must be employed as of December 31 of the performance year
- Must be employed on the bonus payout date (typically March)
- Minimum 6 months of service in the performance year

Ineligible for Bonus

- Part-time employees (< 0.75 FTE)
- Contractors and temporary workers
- Employees on Performance Improvement Plans at year-end
- Employees who resigned before payout date

Target Bonus by Level

Level	Target Bonus (% of Base Salary)
L1	5%
L2	5%
L3	10%
L4	15%
L5	15%
L6	20%
L7	25%
L8	30%

Target bonus is the bonus amount when both individual and company performance meet expectations.

Bonus Calculation

Formula

$$\text{Actual Bonus} = \text{Base Salary} \times \text{Target \%} \times \text{Individual Modifier} \times \text{Company Modifier}$$

Example Calculation

- Base salary: \$150,000
- Level: L4 (15% target)
- Individual rating: Exceeds Expectations (115% modifier)
- Company performance: Met goals (100% modifier)

$$\text{Bonus} = \$150,000 \times 0.15 \times 1.15 \times 1.00 = \$25,875$$

Individual Performance Modifier

Based on your annual performance rating:

Rating	Modifier
Exceptional	150%
Exceeds Expectations	115%
Meets Expectations	100%
Developing	50%
Below Expectations	0%

Company Performance Modifier

Based on NovaTech's annual financial and operational goals:

Company Performance	Modifier Range
Exceptional (>120% of goals)	125-150%
Exceeds (105-120% of goals)	110-125%
Meets (90-105% of goals)	90-110%
Below (<90% of goals)	50-90%
Significantly Below (<75%)	0-50%

Company performance is determined by the Board and executive team based on:
- Revenue targets - Profitability goals - Customer metrics - Strategic milestones

Bonus Range

Your actual bonus can range from 0% to approximately 225% of target:

Scenario	Individual	Company	Result vs Target
Maximum	150%	150%	225%
Strong	115%	125%	144%
Target	100%	100%	100%
Reduced	50%	90%	45%
Minimum	0%	Any	0%

Proration

Partial Year Employment

If you joined mid-year, your bonus is prorated: - Proration based on months employed - Start date in first half of month = full month - Start date in second half = excluded month

Example: Start date August 15 = 4 months (Sep-Dec) = 4/12 proration

Leave of Absence

Extended unpaid leave may affect proration: - Leave < 30 days: No proration - Leave 30-90 days: Prorated by months worked - Leave > 90 days: Prorated by months worked

Role Change

If you changed levels mid-year: - Prorated at each level's target - Example: L3 (Jan-June) → L4 (July-Dec) = blended target

Bonus Timeline

Date	Activity
January	Performance year ends
February	Performance reviews completed
Late February	Company results finalized
Early March	Bonus calculations completed
Mid-March	Bonus amounts communicated
March 15 (typical)	Bonus paid with regular payroll

Bonus Payment

Payment Method

- Paid as lump sum via regular payroll
- Direct deposited to your bank account
- Separate line item on pay stub

Tax Treatment

- Bonuses are taxable income
- Subject to supplemental wage tax withholding
- May be taxed at higher rate initially
- Reconciled on your annual tax return

401(k) Treatment

- Bonus is eligible for 401(k) contribution
- Automatic contribution at your elected rate
- Company match applies per normal rules

Special Situations

Acquisition/Merger

If NovaTech is acquired or merges:

- Bonus obligations typically honored
- Terms may be modified by acquiring company
- Communication provided if changes occur

Termination Before Payout

- Voluntary resignation: No bonus
- Involuntary termination (not for cause): Prorated bonus may be paid
- Termination for cause: No bonus
- Death or disability: Prorated bonus paid to estate/employee

Bonus Clawback

Bonuses may be subject to clawback in cases of:

- Financial restatement
- Discovery of misconduct
- Compliance violations
- As required by law

Discretionary Adjustments

In rare cases, bonuses may be adjusted at leadership discretion: - Extraordinary individual contribution - Unusual circumstances - Retention considerations

Adjustments require VP+ and HR approval.

Communication

What You'll Receive

- Your target bonus percentage
- Company modifier (when announced)
- Individual modifier (with performance review)
- Final bonus amount (before payout)

Questions

If your bonus differs from calculations: 1. Review your performance rating
2. Verify proration if applicable 3. Contact your manager for explanation 4. Escalate to HR if needed

Sales and Commission Roles

Employees in commission-eligible roles may have different bonus structures: - See Sales Compensation Plan (HR-COMP-010) - Variable compensation may replace or supplement bonus - Territory and role-specific plans apply

Frequently Asked Questions

Q: Is a bonus guaranteed? A: No, bonuses are discretionary and depend on individual and company performance.

Q: What if I'm promoted mid-year? A: Your bonus is blended based on time at each level.

Q: Can I negotiate my target bonus? A: Target bonuses are set by level and not individually negotiated.

Q: What if the company has a bad year? A: Company modifier adjusts downward, potentially to zero in extreme cases.

Q: Does parental leave affect my bonus? A: Paid parental leave typically doesn't affect bonus. Extended unpaid leave may result in proration.

Q: When will I know my bonus amount? A: Final amounts are communicated approximately 1 week before payment.

Contact

For bonus questions, contact the Total Rewards team at total-rewards@novatech.com or your HR Business Partner.

Related Documents: Annual Review Process (HR-COMP-002), Salary Bands and Levels (HR-COMP-001), Sales Compensation Plan (HR-COMP-010)