

Document 5: Compensation, Payroll, and Promotions

In this document, we explain how **compensation and payroll** work, as well as our approach to raises, bonuses, and promotions. We know that understanding how and when you get paid is extremely important. We also want to be transparent about opportunities for advancement and salary increases. Topics covered include pay schedules and methods, paycheck deductions, bonus eligibility, and the process for promotions or transfers.

Pay Schedule: Our company operates on a bi-weekly payroll schedule. This means you will receive your paycheck **every two weeks**, typically every other Friday. Each paycheck covers the two-week pay period that ended about one week prior to the pay date. We will provide you with a payroll calendar so you know all the pay dates for the year.

Payment Method: We use direct deposit for payroll. On your first day, you'll have the opportunity to set up direct deposit by providing your bank account details. Your paycheck will be automatically deposited into your account on payday. If you prefer, we can also split your pay into multiple accounts (for example, some into checking, some into savings). In rare cases, if direct deposit isn't set up in time or if there's an issue, we can issue a physical check. You can view your pay stubs and payroll information through our HR portal.

Salary and Wages: The compensation offered to you is outlined in your offer letter. For **salaried employees (exempt)**, your annual salary is divided across the pay periods for consistent paychecks. For **hourly employees (non-exempt)**, your pay will be based on the hours worked in each pay period, including any overtime pay if applicable. Overtime (time-and-a-half for hours beyond 40 per week) is paid according to labor laws. All required taxes (federal, state, and any local taxes) and other withholdings (like your portion of benefits premiums, 401(k) contributions, etc.) will be deducted from each paycheck. You can see these deductions itemized on your pay stub.

Pay Deductions and Adjustments: We comply with all laws regarding paycheck deductions. Typical deductions include federal and state income tax, Social Security and Medicare (FICA), and any benefit premiums or retirement contributions you have elected. We do not make any unauthorized deductions. If you ever notice a discrepancy on your paycheck or believe there's an error (for example, missing hours or incorrect deduction), notify HR/payroll immediately so we can investigate and correct it. You will receive a W-2 form by the end of January each year summarizing your earnings and deductions for tax purposes.

Bonuses: Our company may offer discretionary **bonuses** to reward exceptional performance or company success. For example, we have an annual performance-based bonus program: if the company meets its financial targets and you meet or exceed your performance goals, you could receive a bonus at year-end. Bonus amounts vary by role and individual contribution. These bonuses are not guaranteed; they depend on both company profitability and your personal performance. Any bonus criteria will be communicated in advance (typically during performance

review season). Additionally, we sometimes issue spot bonuses or awards for special achievements (like completing a major project successfully). All bonuses, if awarded, are typically paid through payroll and subject to taxes.

Promotions and Salary Increases: We are committed to providing career growth opportunities. **Promotions** can occur as the result of strong performance, acquiring new skills, or a new role opening up. When you are promoted to a higher-level position, you will receive a new compensation package commensurate with that role (this often includes a salary increase). We also conduct **annual performance reviews** (see Document 8) during which we consider merit-based salary increases. Each year, the company sets a budget for raises which are then distributed based on performance ratings, market benchmarks, and other factors. If you are performing well, you can generally expect a fair increase in your salary in line with company guidelines and market standards. We strive to reward high performers to retain talent.

Payroll Details and Contacts: Payday is a time to celebrate your hard work! If you have any questions about your pay, taxes, or anything related to compensation, our Payroll department (payroll@ourcompany.com) is available to help. You can also check the HR portal for resources like FAQs on how to read your pay stub, how to change your tax withholding (W-4 form), etc.

Stock Options or Equity (if applicable): Since we are a private mid-sized company, certain senior roles may receive stock options as part of their compensation. Details on any stock or equity program, if it applies to you, will be provided in a separate addendum. If we ever go public or if there's an equity plan, we'll provide documentation on how those work (vesting schedules, exercising options, etc.). For most employees, compensation is primarily salary plus potential bonuses.

Transfers and Job Changes: If you move to a different role or department internally, HR will provide a new offer letter or transfer letter outlining any changes to your compensation. We post internal job openings on the intranet and encourage qualified employees to apply – we love to promote from within.

In summary, we want you to be confident that our pay processes are fair, timely, and transparent. We aim to compensate employees competitively and reward those who help the company succeed. If you ever have concerns about your compensation, please discuss them with your manager or HR. They can provide clarity or consider adjustments when justified. Your talent and effort are valuable to us, and we believe in paying our team fairly and on time.