



Planning the bonus

This is just one approach you could take to calculate a Bonus relating to Performance

1. A bonus should be considered an element of remuneration that is linked to performance and a bonus scheme should have a number of quantified, demanding, but realistically achievable targets covering key areas of performance including quality of service.
2. It should reward achievement and over achievement of targets. Half the reward being used for over achievement. Any under achievement of targets impacts on any bonus gained, however it should not affect basic pay award.
3. A number of special targets, fundamental to the aims and objectives of the Company and the division that cover a broad range of factors should be specified.
4. In brief, this bonus scheme is an incentive scheme, which is both challenging and measurable. The targets will vary year by year according to the priorities for that year set by the Company.

Designing the Bonus Formula

- 1 The bonus can be calculated as follows:

	Under Achievement	Near Miss	Meeting Target	Over Achievement
Reward	-X%	0%	+X%	+20%

In assessing under achievement, Near Miss and Meeting Board's Targets, the awards would not be fractioned but for Over achievement they would be proportioned. If all of the set targets are met X would equal 10% of salary, and if the set targets were over achieved the maximum bonus earned would be 20% of salary.

Example of Targets

Targets	% Award
1. Increasing the budgeted surplus (before market losses and depreciation) by 10%	15%
2. Increasing trading income by 20%	20%
3. Achieving new customers to the equivalent value of those customers expired/lost business	20%
4. Ensuring administration paperwork is up to date and data entries within customer database are maintained and valid	15%
5. General sales administration management including timely submission of bids, orders, quotations	20%
6. Personal Improvement	10%
	100%