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Bonus Policy 2007

Reports to the CEO and Group Management Team

The purpose of this document is to outline the bonus policy for Levels I & II in (the company). This bonus policy is only for 2007 and is focused primarily on ensuring that we get the business 'up and running' and that agreed synergies are realized.

This bonus policy is for all Level I & II personnel (reports of the CEO and Group Management Team) and will equal **30%** of base salary with a maximum achievable bonus of 33% of base salary. This 30% bonus will be split into two components for 2007:

- **80%** financials
- **20%** personal bonus targets

The 80% financials will be based on budgeted targets. When 90% of the target is reached, the bonus will be paid out proportionately up to 110% of the bonus amount. (Example provided on following page.)

Performance below 90% of budgeted targets will result in no bonus for that target; performance above 110% of budgeted targets will result in no additional bonus. In other words, there is a threshold of 90% for activating a bonus payout and a 'cap' on bonuses at 110%.

This bonus set up seeks to be sensitive to the context of the merger process and to recognize that there is an urgent need to re-focus on the business while following up on our commitments to the identified synergies in the business.

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Guidelines Personal Bonus:

- Each component of the personal bonus needs to be given a weight by the CEO.
- The employee should be included in the wording and set up of the personal goals
- Each bonus component that rises to the 90% threshold will trigger a bonus payment.
- Each bonus component that exceeds the 110% cap will be calculated at 110%.
- There will be no more than three bonus targets for the personal bonus.
- At least one of the personal targets must be related to **synergy realization**.
- At least one of the personal targets must be related to **integration**.

Guidelines Financial Bonus:

- Each bonus component of the personal bonus is proportionately weighted.
- Each bonus component that rises to the 90% threshold will trigger a bonus payment.
- Each bonus component that exceeds the 110% cap will be calculated at 110%.
- The bonus components for *corporate management team* are:
 - **EBIT**
 - **ROACE**
 - **Cash Flow**
- The bonus components for *BU MDs* in (list of countries here) are:
 - **Production cost**
 - **Cash**
 - **volumes**
 - **ROACE**
 - **Synergy targets**
- The bonus components for the *BU MD* in (list country here) is:
 - **EBIT %**
 - **ROACE**
 - **DOP/DOS**
 - **Synergy targets (25% of the 80%)**

Assessment and Scoring Guidelines

Management is allowed to score people objectively as they see fit, but the following guidelines are useful:

All goals should have some SMART¹ component – even ‘soft’ goals should have some clear criteria upon which they can be judged and have a clause describing the *intention* of the goal.

Suggested Rating Scale for Assessment:

- | | |
|---|-----------------|
| • Performance Significantly Exceeded Target | 110% ‘cap’ |
| • Performance Exceeded Target | 105% |
| • Performance Met Target | 100% |
| • Performance Met Most Expectations | 90% ‘threshold’ |
| • Performance Below Target | 0% |

¹ SMART – Specific, Measurable, Attainable, Relevant, & Timed

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Example of Bonus Calculation:

Base Salary:	€ 100 000
Bonus %	30 %
	⇒ 20 % Personal Targets
	⇒ 80 % Financial Targets

					Bonus Payout	
Personal Targets		Achieved	Weight	Weighted Score (=Score*Weight*20% of base salary)		
	Realized Synergies	90 %	60 %	11 %	€	3 240
	Re-align department	110 %	20 %	4 %	€	1 320
	Recruit 3 new staff	66 %	20 %	3 %	€	-
					Pers. Bonus Paid	
					€	4 560
Financial Targets		Achieved	Weight	Weighted Score (=Score*Weight*80% of base salary)		
	Group EBIT	125 %	25 %	22 %	€	6 000
	Group Cash Flow	85 %	25 %	17 %	€	-
	Group ROACE	90 %	25 %	18 %	€	5 400
					Fin. Bonus Paid	
					€	11 400
					Total Bonus	
					€	15 960

In this example, the *personal targets* achieved at 90% and 110% pay out at those levels, but the 66% achieved on the Recruiting target does not meet the threshold of 90% and is therefore calculated at "0". This person will receive €4.560 in bonus for his-her achievements on the Personal Bonus Targets.

The *financial target* of 90% and Group ROACE will be paid out at 90%, but the Cash Flow target of 85% does not meet the threshold and will be calculated at "0". The target Group EBIT achievement went to 125%, but will be only be calculated at the maximum of 110%. This person will receive €15.960 for his-her achievements on the Financial Bonus Targets.

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Timing

- Bonus contracts should be agreed with the CEO and Group HR. This should take place by (date).
- Payout of 2007 bonuses will occur after presentation of 2007 numbers in 2008 (date)

FAQs

- Why do we have a bonus? – Bonuses are designed to compensate employees for reaching targets agreed in cooperation with management in relation to the strategy and other organizational goals.
- Why has the bonus set up changed from last year? – In an effort to be sensitive to the needs of our shareholders and of the market, we decided to construct a bonus policy that was heavily weighted toward financial, integration, and synergy realization. A second reason is that we will use this transition year to come up with a bonus policy that is best in class, reflects our strategy, and makes (company) a great place to work.
- Why was the 90% to 110% bandwidth of bonus payout chosen? – After some discussion, it was decided to design a bonus that was triggered by the high performance we expect (90% threshold) but one that also rewarded those who exceeded their goals (110%).