

Remuneration Policy

1. Purpose

The policy and related guidelines has been developed for establishing and agreeing salaries across the Group particularly in relation to the agreement of any salary increase.

2. Principles

The following principles have been considered in determining this policy:

- 2.1 To provide a simple and common approach for the authorisation of remuneration.
- 2.2 A requirement to balance the needs of both the Company and employees in a fair and consistent way in relation to:
 - 2.2.1 Annual increases
 - 2.2.2 Remuneration upon hire
 - 2.2.3 Remuneration for internal job change (either through transfer or re-evaluation)
 - 2.2.4 Anomaly remuneration adjustments
 - 2.2.5 Controls and authorisations required

3. Reasons prior to Authorisation

The reason for making an adjustment in remuneration must apply to one of the following categories:-

3.1 Annual increases

3.1.1 The process for determining the total percentage based on annual increase across the group is a complex one taking account of a number of factors:

- 3.1.1.1 Cost of living increases for the country in question
- 3.1.1.2 Performance of the Group as a whole
- 3.1.1.3 Performance of the business unit in the previous year
- 3.1.1.4 Ability of the business unit to fund an increase
- 3.1.1.5 Implications of statutory obligations for annual increases such as minimum wage

3.1.2 The Group will communicate the total percentage base during the budgeting exercise and the management for the Business Unit will have the responsibility for determining implementation.

- 3.1.3 Within this percentage maximum the following proportions should be determined by the Business unit:-
- 3.1.3.1 Percentage to be accredited to cost of living
 - 3.1.3.2 Percentage to be accredited to merit or job enhancement increases (see 3.4 of this policy)
- 3.1.4 If the full amount of the increase is to be accredited to the cost of living increase, then the decision to apply merit increases must be as far as possible balanced by the implementation of reduced increases (below the total percentage base) to reflect poor performance/new starters who are in their probationary period.
- 3.1.5 The total percentage base increase budgeted for the unit must not be exceeded unless authority has been obtained from the CEO.
- 3.1.6 Where relevant the percentage base must be discussed and agreed with the union negotiating body for the business unit with the aim to remain within the value agreed by the Group.
- 3.1.7 Any delays in the application of the annual increase will be accounted for by a back date in pay subject to the delay in reaching agreement.

3.2 Remuneration upon hire

- 3.2.1 The remuneration proposed for the role should be stated clearly in the Recruitment Authorisation Form and authorised in line with the procedure outlined in the HR_001_RecruitmentAuthorities procedure.
- 3.2.1 The level of this remuneration should consider the following points:
- 3.2.1.1 Remuneration of previous job holder
 - 3.2.1.2 Market forces on the competitive level of the role being recruited
 - 3.2.1.3 Internal equity
 - 3.2.1.4 Size of job
 - 3.2.1.5 Level of management (if applicable) and therefore the % of the management bonus
 - 3.2.1.6 For France only the salary evaluation as identified through the Corbin Method.
- 3.2.2 Having completed the recruitment process:-
- 3.2.2.1 Should it be necessary to offer the successful candidate a **higher** remuneration than previously

authorised, further authorisation in line with the recruitment authorisation procedure is required in advance of making the offer.

- 3.2.2.2 Remuneration offered and accepted by the candidate that is the same or lower than the figure authorised will not require further authorisation.

3.3 Remuneration for job changes

- 3.3.1 Existing employees who transfer to another position or have their current position re-evaluated, would fall into one of the following categories:-

3.3.1.1 *Lateral Change*: Defined as no change in organisational level. Typically no remuneration increase or a very modest increase will be authorised.

3.3.1.2 *Promotional Change*: Defined as an increase in organisational level of one level or more. A clear promotion must be indicated through general announcement.

3.3.1.3 *Demotion*: Defined as a decrease in organisational level of one level or more. Approach to remuneration decrease will vary depending on the reason for the demotion.

3.3.1.4 *Voluntary Change*: Job change at the employee's request and adjustment to remuneration will depend on whether the move is lateral or a demotion.

3.3.1.5 *Poor Performance*: Poor performance may necessitate a move to a less demanding position in other words a demotion. A decrease in remuneration in this instance would be appropriate.

3.3.1.6 *Reorganisation*: Decrease in level as a result of reorganisation in accordance to business needs. Salary protection which may include "red-circling" may be appropriate.

- 3.3.2 Evidence for any such adjustments must be detailed in writing and submitted as part of the authorisation process before advising the employee of the potential change.

- 3.3.3 For France only the process of downgrading should be in accordance with the agreed Corbin Method – refer to HR for more details.

- 3.3.4 Financial incentive awarded for covering a more senior role (acting up in role) should not be submitted as a salary increase but as a temporary allowance whilst the more senior role is being undertaken. This payment will be removed once cover ceases. If the upgrade is made permanent 3.3.1.2 will apply.

3.4 Anomaly adjustments:-

3.4.1 Situations where anomaly remuneration adjustments may be appropriate are:-

3.4.1.1 *Merit*:

To adjust for measured exceptional performance (as justified and supported by previous and current performance reviews)

3.4.1.2 *Job enhancement*:-

To allow for a staged transition to a higher salary in line with a change in job accountabilities within a stated time period subject to the achievement of measured performance indicators.

3.4.1.3 *Market conditions*:-

To adjust for proven market conditions and within approved salary bands.

3.4.1.4 *Equity*:-

To remedy internal equity issues within the department – this is unlikely to become an authorised adjustment unless very clear evidence is presented.

3.4.2 Evidence for any such adjustments must be detailed in writing and submitted as part of the authorisation process before advising the employee of the potential change.

4. Authorisation Process

Authorisation for all of the above categories of adjustment in remuneration must be obtained in accordance with the following rules before both advising the employee of any change and before being processed:-

Responsible for providing authorisation remuneration

Accountable for initiating decision to adjust

Consulted in advance of authorisation

Informed about the remuneration for processing

		Authorisation Process Levels							
		Board	CEO	Group HRD	Level 1	Level 2	Level 3	Level 4	Local *
Level of person to whom	Annual incr.		R	I	A	C	I	I	I
	CEO	R/A							

	Level 1	R	A	C				I
	Level 2		R	C	A			I
	Level 3			C	R	A		I
	Level 4					R	A	I/C
	Non mgt						R	A

* Implementation of increase – local HR/ Payroll/ Finance

5. Notification Procedure

To ensure the efficient processing of authorised remuneration changes, the following procedure must be adopted:-

5.1 Notification for processing:

In accordance with the authorisation process levels identified above, the following will apply:

5.1.1 Evidence:

- 5.1.1.1 Confirmation of the change and rationale for the change to be applied
- 5.1.1.2 Written evidence of appropriate authorisation for the change
- 5.1.1.3 Implementation date for the change

5.1.2 Process:

- 5.1.2.1 The agreed and authorised remuneration change must be sent to the person accountable for payroll processing in the business unit. This may be:
 - HR
 - Payroll
 - Financial Controller
 No changes will be processed unless evidence is provided in writing.

5.2 Notification to the individual:

At the time of agreement of remuneration increases, each employee in question (with the exception of those covered by a collective negotiating body responsible for the annual increase discussions) should be

informed in writing of the basis for his or her individual change in remuneration together with the date of implementation – regardless of whether an increase, decrease or indeed unchanged.

6. Compliance

Failure to comply with the governance structure for the authorisation of remuneration changes is unacceptable to the Company and will be dealt with in accordance with the disciplinary procedure.

7. Issue Management Process

If application of this policy leads to an issue within the business, it should first be referred on a local basis to HR or the General Manager. If an issue still exists it should be referred to the Group HRD for final resolution.

Colart reserves the right to amend this (as with any other aspect of its policies) at any time.