**Guideline:** Profit Sharing

October 15, 2020

**Overview**

Profit sharing with all employees on all jobs is an important component of Stanley Construction Ltd. total compensation. Linking the achievement of company objectives to individual efforts, is the key driver behind this performance system.

**Criteria**

The following criteria are to be followed:

|  |  |  |
| --- | --- | --- |
| **#** | **Category** | **Criteria** |
| 1 | Eligibility | -must be an employee of Stanley Construction Ltd. for the hours worked on the project and when the calculation of payout is finalized  -must have completed the required inputs to the process (e.g. survey on others) by the required deadline.  -must accept assigned work on non-profit jobs (e.g. community donations)  - must not share profit sharing confidential information (e.g. project financial results outside of Stanley or personal scores to anyone)  -must not manipulate results (e.g. I will score you 1 if you score me 1)  -an employee that leaves Stanley and returns at a future date is not eligible for any of the profit sharing that they did not earn due to leaving Stanley. |
| 2 | Timing | -best efforts will be made to complete the calculation of the payout 100 days after final payment is received from client  -payout (subject to Payout section below) will then be made 30 days after the final calculation |
| 3 | Calculations | -completed on a project by project basis  -the formula for the calculations is included in the “Calculation” section below |
| 4 | Amount to be profit shared | -20% is the target proposed to be available for profit sharing -negative profit on a job will be absorbed as overhead by all other projects  -all direct project expenses, estimated taxes, an estimate of overhead and an estimate of warranty will be allocated to all projects |
| 5 | Unpaid amounts | -it is the desire of the owners to invest all unpaid profit sharing amounts in employee training and/or other community investment |
| 6 | Team meeting | -prior to a project, consensus among the project team must be reached for “B” in the Calculation section & the Project Scorecard must be reviewed  -the decision must be sent to the CFO - if consensus does not occur the owners will decide and the profit share will be reduced to 10%  -once the project starts, changes to “B” in the Calculations section can only be made through a unanimous approval of the project team and the owners |
| 7 | Payout | -60% of the final calculation will be paid to that employee (subject to applicable deductions)  -40% will be invested in a retirement fund for the employee. The ownership of the retirement fund will transfer to the employee after achieving 2 continuous years of employment with Stanley. |

**Calculation**

For all employees contributing to a project (superintendents, project managers, carpenters, laborers, office support staff, etc.) the following criteria will be utilized:

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Category** | **Example** | **Example explanation** |
| A | 20% of total project profitability | 20,000 | The total project profit was $100,000 and 20% of it is $20,000 |
| **multiplied by** | | X |  |
| B | % of profit allocation based on project team determined allocations | 10% | This employee was allocated 10% of the final amount |
| **multiplied by** | | X |  |
| C | Multiplier from the Project Scorecard | 0.7 | For this project (and employee score for the last measure) the multiplier was 0.7 |
| **Equals** | | = |  |
| D | Total employee payout | $1,400 | The employee will receive this amount (subject to the Payout criteria) |

**Project Scorecard**

|  |  |  |  |
| --- | --- | --- | --- |
| Our Vision and Values | Measure | Target\*\* | Weighting |
| **Delivering worry free construction** | % client was “worry free” on the project | 85% or higher | 25% |
| **We are Customer Centric** | % client satisfaction (scope, schedule, budget and quality scorecard) | 85% or higher | 15% |
| **We have Respect as our base** | % subtrade satisfaction | 85% or higher | 15% |
| **We have Efficient processes** | # of implemented process improvements that save time/money | Prorated (10 per year) | 15% |
| **We are Safety focused** | # of Lost Time incidents | 0 incidents | 15% |
| **We have a Team approach** | Multiplier as noted below\* | Average of 0.8 or higher | 15% |

\*Each employee working on a project will be required to evaluate all other employees working on the project as either:

* 1 (I want to work with this person on my next project)
* 0.4 (I am OK with this person)
* 0 (I do not want to work with this person again)

\*\*Targets are preliminary, will be adjusted from time to time and communicated at the start of each project.

**Change**

This guideline is subject to change at the discretion of the owners but will be communicated to all employees.