

STARK GROUP POLICIES

COMPENSATION POLICY

Version 1.0 – July 2023



Introduction

At STARK Group we believe in a fair and clear compensation package that is shaped by the market standards as well as the performance of both the teams and the individuals in them. This builds on our core values of decency, passion, and pride.

This policy is written to ensure transparency in the shaping of such compensation packages and how we can think of benefits as part of the complete salary, fx. bonuses, company cars, etc.

Scope

This policy is written for Business Units owned by and belonging to STARK Group worldwide. It outlines our reward principles that will help drive people engagement leading to increased business performance.

STARK Group is committed, along with its leaders and employees on all levels, to comply with the relevant laws and regulations of each country in which they operate.

The purpose of this policy, supported by relevant guidelines, is also to raise awareness and promote compliance by ensuring that STARK Group's leaders and employees know and understand the principles of this Compensation Manual.

Requirements

STARK Group Compensation Principles

1. Governance

The overall direction of how we compensate is set by the remuneration committee (RemCo), who determines the establishment, revision, or termination of incentive schemes, remuneration of the executive committee, and salary adjustment budgets.

All changes to compensation packages including, base salary, benefits, and other salary-related components require approval according to the grandfather principle, i.e., approval by the Manager's Manager. Within the sales organization, the lowest grandfather approval level is the manager of the Branch Manager.

Specifically for Bonus, all establishment of new programs must be done with the involvement of Group Compensation & Benefits and in most cases will require approval of the Board of Directors.

The above also applies in hiring situations for existing positions, new positions require approval according to the principles implemented in People Point.

Approvals must be done in People Point and are to be obtained prior to communicating compensation package changes to the employee.

2. Clear reward principles

The STARK Group reward principles aim to help drive people engagement leading to increased business performance. Our reward principles are:

A. Market Driven

Levels of the compensation package at STARK Group should where possible be comparable to the companies with whom we compete for talent

A. Fair

Ensure that our way of compensating is applied in a non-discriminatory manner

B. Performance Driven

We wish to reward good performance

C. Clear

Our compensation elements should be simple to understand and delivered through standard systems where possible

Compensation for employees of the STARK Group is based on performance and adherence to collective bargaining agreements, where relevant.

Reward Principles

STARK Group is committed to upholding the following reward principles:



A. Market Driven

In cooperation with Group HR, business units must maintain and develop an attractive compensation package that is cost-effective and in line with market standards in the STARK Group Business Units.

Market Alignment

Compensation levels should be assessed on a total cash level basis, this means that we do not only look at base salary but also other compensation components such as (not exhaustive) bonus, company car, flexibility in the job, etc.).

Base pay/fixed pay

The fixed pay part of the compensation package should be based on the individual role. The pay is impacted by role and position, education, professional experience, the complexity of the position, overall experience, market conditions, and individual performance. When an individual grows and shows sustainable contribution in a role base pay should develop accordingly. When a role changes in complexity/responsibility (incl. demotions), fixed pay aligned to the new market benchmark should where possible be considered.

Variable pay

The eligibility to receive variable pay (bonus) should be aligned with market standards for the given position, also taking the rest of the compensation package into consideration.

The eligibility should be structured to ensure that all positions with similar job content have the same bonus percentage, not by aligning to the highest level, but by making overall decisions for all job levels/types. Bonus-eligible employees, excluding employees receiving sales incentives, are required to follow the regulations set out in the STARK Group Bonus Framework.

Benefits

As an overall principle, the award of benefits should follow the market and/or company-decided standards of the position, not the person.

An employee is eligible for a benefit only in the cases where it is either:

1. necessary to perform the duties of the position or
2. a decided benefit for the given position type/level across the entire market (country/region)

It is not allowed to use benefits as a reward for good performance, this should be done either in adjustments of base pay or recognized in the variable pay.

The above applies to all types of benefits, including, but not limited to company cars, cell phones, private internet, newspapers, etc.

Reward Principles

STARK Group is committed to upholding the following reward principles:



B. Fair

When evaluating compensation elements, we must at STARK Group act with integrity and promote fairness and transparency as it will positively drive engagement and increase retention, resulting in increased performance and lower staff turnover cost

We will ensure that we compensate in a non-discriminatory manner (except to differentiate on the basis of performance). To ensure this we should compensate based on objective criteria such as role complexity/responsibility, market pay levels, strategic business need. Basing compensation elements on subjective criteria should be avoided.



C. Performance Driven

STARK Group wishes to strengthen the link between performance and compensation. Performance should be assessed on the basis of **what** has been achieved as well as **how** it has been achieved at Group/BU and individual levels.

Bonus and sales incentive schemes can be offered in STARK Group. All implementations, changes to, or removals of bonus schemes must be approved by RemCo.

The compensation package is differentiated according to the complexity/responsibility of a role as well as its market value. Typically, more senior roles will have a greater proportion of total pay delivered through performance-related variable pay.

We wish to link the achievement of the company closely to the payout of bonuses. Every year guidelines will be provided by Group Compensation & Benefits.



D. Clear

Subject to market considerations and local legislation, STARK Group will adopt a standardized approach to the implementation of compensation elements. We will have as few reward programs as possible, but as many as we need.

They should be easy to communicate and understand as they only then will drive the wanted behavior.

Other key compensation principles

STARK Group is committed to upholding as a minimum



Diversity, Equity & Inclusion

The remuneration package at STARK Group is determined based on the following factors: role and position, education, professional experience, the complexity of the position, overall experience, market conditions, and individual performance.

Factors such as age, gender, ethnic origin, race, political views, and sexual orientation have no impact on the remuneration package.

STARK Group strives to promote equality with respect to employment, promotions, equal pay, career development, etc. For further information, we refer to the STARK GROUP People Policy and Diversity, Equity, and Inclusion Policy.



Compliance

STARK Group companies are required to follow this manual as well as other local/Group policies that regulate compensation.

STARK Group companies are required to implement efficient governance processes, provide clarity on accountability and responsibility around reward decisions and ensure regulatory/legislative alignment as well as Manager's Manager approval for all compensation-related decisions. Approval must always be obtained before communicating to the employee. Where needed HR should be involved.

We will strive to use systems/programs to effectively deliver on compensation elements partly to ensure consistency, reliability, and auditability of pay decisions but also to simplify decision-making for people leaders.

Roles & responsibilities

Roles & responsibilities

Accountable

Policy approval

ExCom

Policy owner

CHRO

Deviations

All deviations must be approved by the policy owner. Such requests must be made in writing to the policy owner. In the event of any discrepancies between the English version of this policy and a translated version, the English version will be binding.



Whistle blower system

We encourage all stakeholders to speak up about any misconduct such as business crime or human rights violations. All information is kept strictly confidential, and all concerns can be raised without fear of retaliation:

[STARK Group - Speak Up \(whistleblownetwork.net\)](https://www.starkgroup.com/en/speak-up).

Contact

For more information, please contact the local HR manager or Group HR.

Policy Revision History

Review cycle: Annually Q3

It may be amended at any time with the approval of ExCom.

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