

Sales Compensation Plan Policies and Guidelines

A selection of policies from various companies, sales positions, and compensation plans

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The following is a representative collection of plan policies and guidelines picked from sales compensation plans in many different industries. Policies shown reflect a wide range of objectives, strategies, and market conditions. They are intended to provide a general framework for developing policies, and should not be used without the involvement of a qualified legal professional.

ADVANCES AND DRAWS

[company name] will make its best efforts to ensure that all incentive compensation advanced or earned for {xxx}, {xxx}, or {xxx} will be paid in the {period} following the {period} of {order/ billing/shipment}.

All draws are fully recoverable following the {first three (3) months} of employment for new Employees. The following guidelines apply to all levels receiving a draw under this Draw Policy. Draws will be paid {monthly} during the {last pay period of the month}. Draws will be reconciled {at the end of each fiscal quarter} against regular {quarterly} incentive compensation. If incentive compensation exceeds the recoverable draw due [company name], the difference will be paid accordingly. If there is a negative balance, [company name] may charge back the employee in the amount of the negative balance.

SALES CREDITING AND CHARGE-BACKS

If [company name] does not receive payment for the {sale, lease or rental} of its products for any reason whatsoever, then the Employee agrees that any incentive compensation payments, overrides or bonuses he/she has been paid related to those {sales, leases or rentals} are fully recoverable. In this situation, the Employee authorizes [company name] to recover such incentive compensation payments by charging them back or by reducing the Employees future salary, incentive compensation payments, overrides, or bonus payments, as allowed by applicable laws.



Split crediting:

- The following incentive compensation split crediting policy is in effect and may be modified only by approval of {Mr. Acme, Vice President of U.S. Sales}. At no time will more than 100% of credit be made for any order that has been approved as a split account.
- If in the normal course of business more than one (1) salesperson has impacted a sale, the first common level of management may elect to share the sales credit between the responsible parties.
- A request for split crediting should have sufficient documentation presented to show that all sales personnel invested considerable time and effort to win the business. This documentation should include:
 - a. Call reports confirming contact with the account.
 - b. Forecast reports indicating that the account was actively being sold.
 - c. Copies of correspondence and quotations to the account.
 - d. Proof that an order was placed with [company name]
- During the fiscal year, certain programs may be introduced that would utilize this incentive compensation split policy to promote the sale of [company name] products. These programs will have a special method for documenting a request for a split and the general guidelines for split incentive compensation crediting would be utilized.

Windfall or "bluebird" sales:

The {Vice President} will review "windfall" or "bluebird" sales to determine the appropriate incentive treatment. "Windfall" or "bluebird" sales are defined as one or more sales in a single account which makes a buying decision with only minimal involvement by the sales employee in the sales process. "Windfall/bluebird" deals with a value of {less than 20% of the annual quota} will not be subject to this stipulation.

Teaming Agreements:

Occasionally, it is beneficial to the customer and [company name] that two or more salespersons should work together as a sales team. An approved teaming opportunity will pay 150% of the normal incentive compensation that would usually be split on a 75%-75% basis. Only 100% of the quota credit will be applied on the same ration as incentive compensation payment. For example: if a \$500K teamed sale is made with two salespersons, they both would be paid incentive compensation on \$375K and receive \$250K of quota credit.

These opportunities must be identified as early in the sales process as possible. Teaming requires that the sales and sales support personnel from different [company name] sales organizations work together to provide the best solution to an identified account. A Teaming Request Form must be submitted and approved by the appropriate sales management and {the Vice President of U.S.



Sales. An account would be teamed for a defined period of time and could be extended with approval of {the Vice President of U.S. Sales}.

During the fiscal year, certain programs may be introduced that would utilize this teaming policy to promote the sale of [company name] products. These programs will have a special method for documenting a request for teaming and the teaming policy would be utilized.

Incentive earnings on accounts cancelled due to misrepresentation by the sales employee will be charged back regardless of the age of the account. If the sales employee leaves [company name], whether voluntarily or involuntarily, he/she will be responsible for payment to [company name] of any pending charge-backs due. [company name] reserves the right to deduct such amounts from the sales employee's final paycheck.

Pricing:

{Contract} pricing will be based on a range of standard pricing for products, services, and installation. {Sales Representatives} may customize individual contract component amounts, but total contract price will reflect a total amount within guidelines for the products and services provided.

Early contract termination:

If a contracted deal is canceled for any reason by either party prior to installation, 100% of {bookings/sales credit}, incentive compensation, and bonuses will be charged back to all parties paid incentive compensation based on the contract. When a deal is canceled for any reason by either party within {six (6) months} of installation, incentives will be recalculated and adjusted based on the difference between original incentives paid and revised incentives based on actual revenues received plus liquidated damages.

Sales are credited {upon receipt of payment from customer/at shipment/at billing}.

Adjustments to sales crediting for special pricing:

Management reserves the right to adjust incentive earnings for sales discounted beyond standard levels. Management will determine the appropriate incentive treatment in such circumstances on a sale-by-sale basis, as appropriate.

PLAN ADMINISTRATION

As a requirement of employment each sales employee must submit a signed copy of the incentive plan document, an original of which will be kept on file by [company name] management.



Incentive compensation statement and payment:

- 1. {The Finance Department} will maintain a compensation statement for each salesperson which will reflect in detail all credits and debits to incentive compensation account and all payments made, including draw, if applicable.
- 2. A statement of all {bookings/orders/shipments} will be furnished to the salesperson concerned relating to his/her incentive compensation.
- 3. An incentive compensation statement will be furnished to each salesperson reflecting the incentive compensation status of each {quarter}. A check for any compensation or draw will accompany the statement.
- 4. It is the responsibility of the salesperson to report any errors on an incentive compensation statement within ninety (90) days of the date of the statement. No adjustments will be made after ninety (90) days of the date of the statement.
- 5. Sales-driven incentive compensation will be paid within {45 days} following the close of each {sales month}. Other incentive awards, if earned, will be paid on {the first regular pay date} after results are reported and can be confirmed and evaluated. The company may withhold payments or parts of payments that are under further consideration or dispute.

TERMINATION

The Employee understands that this Agreement does not establish employment for any definite term. The Employee and [company name] agree that either party may terminate the employment relationship at any time, for any reason, with or without cause.

Except as noted below, the Employee shall be entitled only to payment of incentive compensation earned prior to the date of termination.

If unearned or recoverable incentive compensation has been paid prior to termination, any monies due the Employee at termination (e.g., earned incentive compensation, bonuses, salary, expenses, etc.) shall be applied to offset the prior payment of such incentive compensation, if permitted by applicable law. The Employee agrees to repay any previously paid but unearned or recoverable incentive compensation that is not offset in the manner described above. Final payment of incentive compensation or bonuses earned prior to termination will be made within 120 days after termination.

In the case of termination for either a "Lack of Quota Performance" or "Reduction in Force," all incentive compensation and bonuses on {orders/sales/billings/shipments} booked prior to the date of termination and shipped within {60 days} thereafter will continue to be earned and paid for a period of {60 days} after termination. In the case of termination for death or disability (as defined in the [company name] Long Term Disability Plan), all incentive compensation and bonuses on {orders booked/shipments/billings} prior to the date of termination will continue to be earned and paid for a period of {twelve (12)} months from the date of termination.



A Sales Representative who voluntarily separates from the company will be paid incentives earned for {the last sales month} employed.

The Employee shall not be entitled to any compensation or claim relating to any sales or potential sales not provided for herein.

Exclusions: Any sales of non-[company name] supported product, a specially-engineered or customized product not included on the published commercial sales price list or a product sold below authorized pricing levels, is not covered under the Incentive Compensation Plan. The Sales Representative may receive quota credit and incentive compensation payments on any item described herein, however, the amount, if any, must be specified by a separate schedule prior to the time of {shipment/billing] of the particular product and agreed upon in writing by {the Vice President U.S. Sales} or designee.

In the event of termination of employment with [company name] for any reason, base salary will be prorated to the date of termination. All incentive compensation earned, as defined by the Compensation Plan, will be paid. Employment with [company name] is based on mutual consent and may be terminated by either party at any time with or without cause or notice.

A sales employee who terminates employment for any reason will receive incentive compensation earned, if any, through {the revenue month} of their date of termination. Incentive compensation will be paid during the normal payment cycle. No additional incentive compensation will be paid, or considered to have been earned, by any sales employee after the date of termination of employment. Employees who transfer out to the sales organization to another [company name] division will receive incentive payments for {two (2) months following transfer}.

CHANGE IN RESPONSIBILITY OR ASSIGNMENT

[company name] reserves the right to reassign territories at any time as it deems necessary or desirable in its sole discretion in order to meet management, sales and corporate objectives. When any participant in the [company name] Sales Compensation Plan is reassigned to a different territory or responsibility, {bookings/orders/shipments/billings/sales credit} in the new territory will be calculated as of the date of transfer. Incentive compensation on such {orders/shipments/billings/etc} not already {booked/shipped/billed/etc}, as it applied to the old territory or responsibility, will be paid to the sales person if {booked/shipped/billed/etc} within {ninety (90) days} after transfer date. To the degree that a reassigned salesperson continues to contribute to the closing of business in his/her former territory for the {first 90 days} after transfer, orders {booked/shipped/ billed/etc} during this period and {booked/shipped/billed/etc} within {180 days} of transfer will be used to calculate incentive compensation. No other incentive compensation will be paid relating to the salesperson's former territory.



PLAN CHANGES

It is the intent of management to provide an adequate, equitable employee pay structure within the framework of sound fiscal management. To attain this end, management reserves the right of periodic review and modification of this and all other [company name] compensation and benefit plans. Such modification may be the result of the impact of corporate acquisition and/or merger or reorganization. The employee will be provided thirty (30) days notice of any planned modifications to the Plan.

The company reserves the right to make adjustments to the plan, quotas, objectives, or payouts based on restructuring, administrative changes or errors, significant market shifts, or other business reasons.

[company name] reserves the right to terminate this plan or to amend or modify the contents of this document at any time.

[company name] may, at its discretion and without advance notice, make changes in the Sales Incentive Compensation Plan, which:

- Correct a plan mistake, or
- Change quota amounts, or
- Move any participant to another job, or
- Change components or calculation, or
- Terminate a plan or abolish the incentive compensation program (in whole or in part), or
- Otherwise affect participants or the plan itself.

Plan changes which affect a sales employee's incentive compensation shall not be made to apply retroactively to incentive compensation already earned.

Note: This Sales Incentive Plan, and the policies and procedures which are established to implement the Plan are subject to change at any time by [company name] in its sole discretion. Nothing in the Plan, or in any of the foregoing policies or procedures, constitutes a contract or guarantee of employment or any representation that any element of the Plan, or any particular policy or procedure herein, will continue in effect for any period of time.

[company name] reserves the right to change, modify, or terminate this plan or any of its provisions at any time without notice.

[company name] may add, remove, or change products or services as the market and/or technology dictate. This may result in changes in sales objectives or in the provisions of the sales compensation plan.



INTERPRETATION AND DISPUTE RESOLUTION

Disputes concerning the interpretation of this agreement shall be directed to {the Vice President U.S. Sales. In the event that {the Vice President U.S. Sales} is unable to resolve any disputes, the {Senior Vice President of Explosives} shall have the complete authority and discretion to interpret this Plan and resolve any disputes regarding interpretation of this Plan. Any such decisions shall be final and binding upon all parties involved.

This Agreement is governed by the laws of {the State of xxx}.

In the event [company name], or any of its representatives, retain legal counsel in order to enforce their rights under this Plan, or in response to a claim that [company name], or its representatives, have breached or otherwise interfered with the terms of this Plan, express or implied, then the Employee agrees to be responsible for the payment of all reasonable attorney's fees and costs incurred by [company name] and its representatives if the claim or dispute is resolved favorable to [company name] or its representatives by a court of competent jurisdiction or other decisionmaking body.

Interpretations of plan provisions, administrative processes, and administration of exceptions and non-standard sales or service arrangements will be the responsibility of [company name]

EMPLOYEE RELATIONSHIP

This agreement contains the entire understanding between the Employee and the Company concerning the terms of the employment relationship. Any prior understanding or agreements, whether oral or written, are superseded by this Agreement. The Employee has read, understands, and agrees to the terms set forth herein and further understands and agrees that [company name] is not subject to, or bound by, any implied obligations or agreements of any kind under this Plan. This Agreement may not be modified except with the written approval of {the Vice President U.S. Sales \}.

PLAN IS NOT A CONTRACT

The Plan, plan document, and/or eligibility for the Plan is not an offer nor contract of employment, either expressed or implied, between [company name] and the participant and should not be viewed as such.

No provisions contained in this document are intended to constitute any offer or guarantee of employment



PROFESSIONAL CONDUCT AND PERFORMANCE EXPECTATIONS

As a successful representative of [company name], each {Sales Representative} is expected to carry out the following responsibilities in a consistent, ethical, and professional manner:

- Pursue a continuous sales effort to prospects within territory resulting in sales of [company name]'s products and services at or above sales objectives.
- Develop a sales plan and sales strategies for assigned territory and review with sales management; maintain and execute plan to achieve sales objectives.
- Carry out necessary sales and territory administration responsibilities. Assure that necessary company personnel are fully informed of new business or changes in existing business.
- Establish and maintain good relationships and frequent communications with {appropriate customer personnel.
- Maintain current awareness of customer status regarding renewals, service expansion opportunities, etc.
- Maintain and constantly update knowledge of changing technology; changes in [company name]'s products, features, and pricing; and competing products and services.

The sales employee agrees that at all times while acting on [company name] business he/she will conduct himself/herself in a professional, responsible manner. Each sales employee agrees to conform to all [company name] policies and procedures while in the course of his/her employment with [company name].

Incentive earnings on accounts cancelled due to misrepresentation by the sales employee will be charged back regardless of the age of the account. If the sales employee leaves [company name], whether voluntarily or involuntarily, he/she will be responsible for payment to [company name] of any pending charge-backs due. [company name] reserves the right to deduct such amounts from the sales employee's final paycheck.

CONFIDENTIALITY

Reports and records of [company name] customers are the confidential and proprietary property of [company name]. The reports, records and information contained in them shall only be disclosed to employees of [company name] who need this information for performing their responsibilities.

OVERTIME

{Sales Representatives} are considered exempt from the provisions of the Fair Labor Standards Act and are not eligible for overtime pay.

