

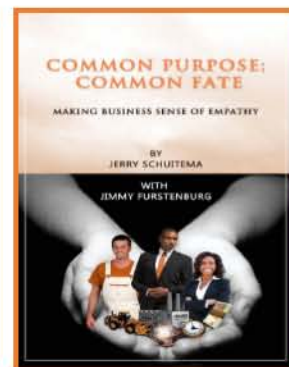
# VARIABLE PAY

## INTRODUCING FORTUNE SHARING

Contribution Account					
Company ABC					
	1998	2000	comment		
	R m	R m			
sales	1 171	1 230	= +5%		
less outside costs	743	706	= -5%		
gives wealth	428	524	=+22%		
which is shared	%				
employees	55	236	(288)	R288m - R230m* share	= R58m ↓
savings	25	107	131	investors	= R19m
tax	10	43	52	contingency	= R19m
investors	10	42	53	employees	= R20m

\*All allocations have risen sharply. Profits are 81% up at R184m. Only the employee share was kept at R230m forecast after lay-offs. 55% should have increased this to R288m.

employee R20m split	↓
1-for-1	50%
merit on family of measures	50%



Fortune sharing is the ultimate form of variable pay where the variable proportion increasingly exceeds the basic component.

This is only possible through following principles of Common Purpose and Common fate and linking formulae to the logic of the Contribution Account<sup>®</sup>.

*Charles changed the politics in Dulux through the following initiative*

- Focused everyone in the business on the contribution they can make as individuals.
- This intervention was led by Jerry Schuitema of Schuitema Associates ( HR consultancy ).
- A common focus across the business on behaviours which create wealth for all stakeholders in the business was increased through developing their ongoing understanding of the business.
- Leaders at all levels in the business lead in accordance with the "Care and Growth" approach.

The financial results of the change as expressed by the actual Dulux Value Added Statement

Dulux P&L	DETAILS	2001	2002	2002
		YTD DEC ACTUAL	YTD DEC ACTUAL	YTD DEC BUDGET
	SALES	R 477.8 M	R 518.8 M	R 505.0 M
	LESS: OUTSIDE COSTS	R 430.8 M	R 416.2 M	R 428.6 M
	GIVES WEALTH OF	R 47.1 M	R 102.4 M	R 80.3 M
<b>WHICH IS SHARED LIKE THIS</b>				
	EMPLOYEES	R 75.8 M	R 72.8 M	R 66.2 M
	TRADING PROFIT	-R 18.1 M	R 22.7 M	R 9.3 M
	TAX	-R 18.1 M	R 0.4 M	R 2.4 M
	OWNERS	R 2.7 M	R 6.6 M	R 2.4 M

A R38,8 million turnaround in trading profit from 2001 to 2002