



## **POLICY: SUN HEALTH SERVICES VARIABLE PAY PROGRAM**

<i>Original Implementation Date:</i>	March 2018	<i>Date Reviewed/ Revised:</i>	November 2023	<i>Area of Responsibility:</i>	Executive Leadership	<i>Version:</i>	5
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### **1. Variable Pay Programs**

In addition to paying team members a competitive base pay, Sun Health Services ("Sun Health") has structured a Variable Pay Program ("VPP") to reflect its commitment to attract and retain key talent by rewarding valued individuals who significantly contribute to the success of the organization. This variable pay program addresses incentives, commissions and bonuses.

In this regard, Sun Health has a fiduciary responsibility to administer the VPP based on meeting established organization, team and individual performance goals. This program will reflect Sun Health's philosophy that every team member makes a difference, and therefore, eligible team members should share in the success of the organization when it meets and exceeds performance goals.

### **2. Administration of the VPP**

All participation decisions and the terms and administration of the VPP rests with the President & CEO of Sun Health Services, whose decisions are final and binding.

### **3. Participation in VPP Plans**

- A. Those individuals whose actions have an impact on the organization's results are eligible to participate in the VPP, as determined by the President & CEO. Those selected to participate in the VPP are referred to as "Participants." Participants in one VPP year do not automatically become Participants in any other VPP year.
- B. There are three types of VPP programs within Sun Health:
  - a. Performance Incentive Programs - team members develop goals and are paid according to their achievement level of those goals.
  - b. Bonus Programs - discretionary and short-term incentives that are typically one year or less to award past achievement.

- c. Commission Programs - team members are paid a predetermined amount on a per unit of sale basis.

#### **4. Disputes**

Any disputes arising under the VPP must be presented in writing to the President & CEO at the following address:

Sun Health Services  
14719 W. Grand Avenue  
Surprise, AZ 85374  
Attn: President & CEO  
Phone: 623-832-5352  
Fax: 623-832-4101

The President & CEO shall have sixty (60) days to reach a decision which shall be final and binding on Sun Health and the Participant parties to that dispute.

#### **5. Changes to the Plan**

The President & CEO may decide to terminate or modify the VPP at any time. No participant is vested in any compensation or benefit under the VPP. Although Sun Health anticipates paying awards under the VPP, the VPP is intended to be discretionary in nature and the President & CEO has the flexibility to amend or terminate the VPP, including without limitation to adapt to changing Sun Health circumstances. The terms of the VPP shall automatically be deemed to be amended to comply with changes in law or applicable regulations, including to permit the VPP and compensation paid pursuant to the VPP to comply with favorable tax treatment to Sun Health or its Participants, at the President & CEO's discretion. The President & CEO will resolve ambiguities in the VPP and shall interpret its provisions in his or her discretion.

#### **6. Minimum Level of Performance**

Before any awards are paid under the VPP, a minimum level of organizational or division performance must be achieved. The organization's minimum performance level will be established each year by the President & CEO and shall be based, at least in part, on meeting or exceeding those budget goals that are not subject to market volatility.

#### **7. General Provisions**

- A. The VPP shall be governed by Arizona law, unless otherwise governed by Federal law, regardless of the Participant's location, and without regard to conflict of laws principles.

- B. Nothing in this VPP alters the “at will” nature of a Participant’s employment, which includes the right of Sun Health or a Participant to terminate Participant’s employment at any time for any lawful reason or no reason at all.
- C. Each year, the President & CEO may institute additional incentive or bonus programs that may last one year or less. All provisions of this VPP document will apply to any program. Applicable programs will be added as an appendix.
- D. Incentive year (also referred to herein as the “Incentive Cycle”), unless otherwise noted in the program description, is defined as a fiscal year for Sun Health Services, or July 1 through June 30, during which the Participant’s performance is measured.
- E. Executive Leaders are defined as the Sun Health Executive Leadership team comprised of the President & CEO and the “C” level leader of their respective areas.

## **8. Performance Incentive Programs**

### **A. Participation**

- 1. Participants in the Performance Incentive Programs (“incentive”) are those exempt team members who are designated leaders or management in their business function, communities or departments and have the title of senior vice president, vice president, director, manager or a title determined in advance as having an equivalent impact. This program is detailed in Appendix A.
- 2. Other team members who are not in management, or eligible to participate in any other program outlined in this document, may be eligible for a bonus. Specifics of such programs will be in Appendix B if such programs go into effect.
- 3. The executive leader over the position in question, in conjunction with the President & CEO, will make final determinations as to which positions qualify and at which level if the title of the position makes determining the level unclear.
- 4. To qualify as a Participant, individuals must satisfy six requirements for participation in any given Incentive year:
  - i. Meet predetermined goals.
  - ii. Meet performance expectations relative to individual performance and not be on an active performance improvement plan at the end of the Incentive Cycle or at the time of payout.

- iii. Be employed in a qualifying title for a minimum of six months of the Incentive Cycle. Participants employed for more than six months but less than a full year will receive a prorated award, if earned. This subsection iii may be excused as a requirement for eligibility if participation in the VPP program is specifically addressed in an offer letter for a VPP qualified position issued with the approval of the President & CEO.
- iv. Be an active team member of record on the date the incentive awards are paid. To be considered active, a team member must be actively working or subject to the Family Medical Leave Act. Team members whose active employment has ended for any reason prior to the payout date are not eligible for a payout. Former employees receiving a severance payment are not eligible for a VPP payout.
- v. Not be a participant in any other incentive or commission program.
- vi. Not be in violation of any compliance performance criteria established as part of the Enterprise Risk Management Program ("ERM").

## **B. Incentive Award Opportunities**

1. The incentive provides award opportunities as a percentage of the Participant's base pay aligned with his or her level of responsibility and ability to have an impact on the organization.
2. In most of the incentive programs, there are three levels of incentive payout based on the corresponding performance levels:
  - Threshold
  - Target
  - Maximum

Those programs without these levels are outlined in the corresponding appendices for that incentive.

3. Incentives awards will be payable after completion of financial audits and the acceptance of said audits by the Board of Directors for the completed incentive year, but not later than March 15 of the following year.
4. If performance falls between defined levels (threshold, target, maximum), awards will be moved to the closest level at the discretion of the Executive and President & CEO. Also, the President & CEO may make adjustments to a Participant's calculated awards at the end of the incentive year to reflect unusual individual performance (positive or

negative). If made, adjustments will have a maximum of up to plus or minus 20% of the calculated award, applied in 5% increments.

### **C. Performance Goals and Weightings**

1. Quantitative performance goals focused on both corporate and organizational performance, as applicable, will be set at the beginning of each incentive year, but no later than the end of the incentive year's first quarter.
2. Goals should be aligned with Sun Health's Strategic Plan as adopted by the Board of Directors.
3. Corporate and organization performance objectives will be weighted to reflect the scope of responsibility of each Participant.
4. Individual objectives and weightings will be indicated on the annual personal award summary Participants are to receive.
5. Participants will be responsible for no more than 4 significant Individual performance objectives (overall objectives may exceed 5 when including any sub-portions).
6. Performance objectives may be adjusted during the incentive year to reflect significant, unanticipated changes in the operating environment. These adjustments will be approved or made by the respective Senior Leadership Team (SLT) member in conjunction with the respective Executive Leadership Team (ELT) member. Changes can involve changing or modifying objectives, weighting adjustments, performance measure changes or excluding the impact of extraordinary items.

### **D. Levels and Measures**

1. Performance objectives are established based on the level of team member:
  - a. Management criteria are outlined in Appendix A
  - b. Other staff criteria are outlined in Appendix B (if applicable)
2. A Participant's performance against each objective shall be measured using the threshold, target and maximum scale.
3. As Participants develop their goals, the goals should be written in such a way that the estimated probability of achievement for each performance level reflects the level of difficulty shown below.

<b>PERFORMANCE LEVEL</b>	<b>ACHIEVEMENT PROBABILITY</b>
Threshold	90% (high probability of success)
Target	50%-60% (good probability of success)
Maximum	10% (stretch to achieve this level of success)

### **E. Base Pay**

Base pay will be calculated as the salary or base compensation paid to a Participant including paid personal time and sick time, jury duty and bereavement, but excluding any other compensation (e.g., disability, VPP payments, overtime, special awards, or other pay), unless otherwise required by law. If a Participant's salary is adjusted during the incentive year, his or her incentive award will be calculated using the actual base earnings during that year.

### **F. Performance Measurements**

The President & CEO will review the Executive's recommendations regarding each Participant's performance achievement and determine whether Sun Health and each participant has satisfied their respective objectives. The President & CEO's determination shall be final.

## **9. Other Incentive and Bonus Programs**

Details of other incentive or bonus programs will be contained in the Appendix for that program, if applicable.

## **10. Commissions Based Programs**

Details regarding commissions programs can be found in the "Sales Commission Policy."

## **APPENDIX A**

### **PERFORMANCE INCENTIVE PROGRAM:**

#### **LEADER AND MANAGEMENT CRITERIA FY 2024**

Beginning in fiscal year 2024, participants will receive enterprise goals as a percentage of their overall bonus as follows. President & CEO – 100% enterprise

- Executive Leadership Team (ELT) – 70% enterprise
- Senior Leadership Team (SLT) – 50% enterprise
- Directors and Managers – 30% enterprise (\*excludes Sales Managers)

For the remaining percentage, participants must create goals entitled “Individual Goals.”

All Individual Goals must be specific and measurable, and where possible aligned with SLT/ELT goals to support their accomplishment. Participants must pre-establish criteria with their leader to determine whether the goal is met and the appropriate performance level.

#### **Measurement**

- Company, division, campus and individual goals will be measured annually.
- The Senior Leadership Team (SLT) member over that department will prepare and submit the measuring matrix for positions within their control to the Executive Leadership Team (ELT) member over that area for approval.
- The Executive in charge of that Division or Department will forward those recommendations to the President & CEO for final approval.

#### **Eligible Positions**

Team members will be notified of their eligibility to participate at time of hire, promotion, or other status change that impacts his or her eligibility. **See Exhibit 1 for eligible positions and payout levels.**

**APPENDIX B**  
**PERFORMANCE INCENTIVEES**  
**OTHER TEAM MEMBER CRITERIA**

**None for FY 2024**



**EXHIBIT 1****ELIGIBLE POSITIONS AND PAYOUT LEVELS**

This list is subject to annual review and revisions by the Executive Leadership Team.

<b>FY 2024 VPP Participant List</b>				
<b>Title</b>	<b>Targeted Bonus Percentage</b>	<b>Threshold</b>	<b>Target</b>	<b>Max</b>
SVP and VP	30% of Base Pay	50%	100%	150%
Associate Executive Director	25% of Base Pay	50%	100%	150%
Director	20% of Base Pay	50%	100%	150%
Manager <ul style="list-style-type: none"> <li>Exempt managers only (unless approved by ELT)</li> <li>Sales Managers are excluded and only subject to Sales Commission structure</li> </ul>	10% of Base Pay	50%	100%	150%