

Version Number	2.3
Current Policy Effective Date	1st April 2022
Process Owner	Head- Global Compensation & Benefits

Objective:

The Variable Pay Plan (VPP) aims at rewarding employees in alignment to our “Pay for Performance” philosophy. It is designed to motivate and influence performance of employees who contribute to the Vertical / Business Unit / Functional goals.

Scope:

Eligibility:

- All employees in Levels 1 to 9.
- Eligible identified employees in Levels 1 to 9 from market units at overseas locations

Exclusions:

- Employees covered in Sales Incentive Plan
- Employees from Levels 1 to 5 covered in Performance Incentive Plan (PIP)
- Identified employees in level 1-9 in other geographies.

Effective Date: 1st April 2022

Policy Description:

Definitions

“**Plan period**” refers to FY’23, which is split into 4 different quarters

“**Employees**” refers to all full-time permanent employees of Mphasis

“**MUs**” refers to Market Units

Plan details

1) VPP Target Percentages

Based on the career level, individual VPP target % will be fixed as indicated in Table 1. Variable Pay target is expressed as a percent of pay (termed as CTC/Base Pay or as applicable in respective locations).

Table 1 shows the applicable target VPP (represented as % of salary) for each of the levels and locations

Table 1

Location	Tower	Levels	VPP
India, Poland, and China	All, except those covered in PIP/ SIP	1 – 7	5%
		8	Ranges 10% - 15%
		9	Ranges 15% - 20%.
All other Geographies	All towers	1 – 9	As per their individual employee contracts

***Note: VPP change for existing employees is undertaken along with MSI cycles as applicable.**

2) Plan Measures and Linkages

Mphasis establishes quarterly metrics for each Business Unit to measure the performance at the Company level and at the Unit / Function level.

- i. For participants aligned to the Direct Core delivery, for levels 1-6, performance achievement will be measured at the DC level. For Levels 7-9, the performance achievement will be measured at 75% weightage on DC performance and 25% weightage on respective account level performance. LT2 (vertical/unit) level or at account & Tower level for employees in strategic accounts (refer Annexure [Section 3]). In case of multiple allocations:
 - a. Maximum allocation will be considered.
 - b. In case an employee has equal allocation (50%:50%) in strategic accounts, respective account funding will be considered.
 - c. Allocation in any account should be at least 50% or higher for account funding
- ii. For Hi-Tech & Airlines, VPP will be paid as per overall Hi-tech & Airlines unit performance.
- iii. For BPS, if the employees are tagged to strategic accounts, they will be given strategic account funding %, else, will be governed by leader funding %.
- iv. For participants in Corporate Support functions, performance will be measured at the Company level, unless function-specific metric(s) is / are given.
- v. In case LT2s do not have specific financial performance measures, achievement of respective ExCo /unit shall be considered to arrive at the funding.
- vi. Account and Channel mapping will be considered from PRRISM while ExCo / LT2 / LT3 mapping will be based on the data from HRMS; both as on the PRRISM revenue freeze date of the quarter.

For further details on the metrics and weightages governing the Unit/Account or Function performance, please refer to Annexure A [Section 1, 2 and 3].

3) Payout Determination

- i. Actual performance against the defined metrics / goals shall be measured to determine the payout percentages for the respective units / functions on a quarterly basis.
- ii. A minimum threshold of target (85%) at Company level* must be achieved in order for any payout to be made in the plan. The threshold of 85% target is applicable at ExCo / LT2 / Account level as per the table below.

Table 2: Funding Logic

Achievement % on Target	Funding Percentage
<85%	Nil
=85%	50%
> 85% <= 100%	50% + 3.333% for every 1% of target achieved above 85%, up to 100%
>100%	100% + (2% for every 1% of target achieved from 100% to 125%) capped at maximum of 150%

** Company metrics are signed-off at the beginning of the year and will be maintained only with CEO & CFO*

4) Payout Eligibility, Schedule & Calculation

- i. The participant must be on the company rolls at the time of processing payrolls to be eligible for the payout.
- ii. There will not be any carry forward of the previous quarter's performance achievement into the subsequent quarter for payout computation.
- iii. The actual payout will be made on a quarterly basis as per the payout schedule provided below.

FY'23 (Apr 2022 to Mar 2023)

Q1 (Apr-Jun)	Q2 (Jul-Sep)	Q3 (Oct-Dec)	Q4 (Jan-Mar)
Aug payroll	Nov Payroll	Feb Payroll	May Payroll

Please note that these are typical timelines, but they may vary based on the release of quarterly financial results.

- iv. Since the payout is on a quarterly basis, the actual calculations will be made based on the number of calendar days for the respective quarter as detailed in the Illustration.

5) Illustration

- Consider an employee who has an annual CTC of INR 5,00,000 and a VPP target of 5% (INR 25,000)
- Assuming company achievement = 100%
- Based on LT2 Performance, quarterly funding and payout would be as follows –

Table 3

Quarter	Target VPP Amount*	LT2 Performance achievement	Funding % Calculation	Funding Amount
Q1 (Apr, May, Jun)	6,250	80%	-	-
Q2 (Jul, Aug, Sep)	6,250	85%	50%	3,125
Q3 (Oct, Nov, Dec)	6,250	100%	50% + 3.333% for every 1% of target achieved above 85%, upto 100%	6,250
Q4 (Jan, Feb, Mar)	6,250	110%	100% + (2% for every 1% of target achieved from 100% to 125%)	7500

*Quarterly Target VPP = (Annual VPP Target /4)

Employees eligible for Unit Linked Pay Plan for MU will be covered as per their employment contracts.

6) Partial Participation

- i. **New Hires:** All eligible new hires will be covered under the VPP as per their level. If an individual becomes a participant during the year, the quarterly VPP will be prorated from the date of joining to the end of that quarter for calculation (e.g. If an employee joins on 10th May, the VPP calculation will be done for the Apr-May-Jun quarter from 10th May to 30th June).
- ii. **Promotion during the Plan period:** If an individual is promoted at any point during the plan period, the VPP amount shall be pro-rated based on the duration spent in the previous level and new level.
- iii. **Plan Transfers:** A participant can be transferred in or out of the Plan only at the beginning of a quarter (for movement from VPP to Sales incentive or vice-versa) and at the beginning of the month for all other plan movements. In case of movement into another plan (from VPP to Sales incentive/ CEM incentive etc or vice versa) in the middle of a quarter, the new plan will apply from next quarter. For instance, an employee moves from VPP to Sales Incentive effective 15th June, he/ she will be covered in VPP till end of Q1 and Sales Incentive plan will apply from Q2.
- iv. **Unit Transfers:** In case an eligible plan participant shifts from one unit/account to another or vice versa during the quarter, VPP will be calculated based on the unit/account to which the participant is aligned as on the revenue freeze date of the quarter (based on HRMS or Prism (strategic account) data). Leaders need to be cognizant of the impact of such mid-year movement of employees.
- v. **Leave of Absence (LOA) / Long Leave / Sabbatical:** If an employee is on LOA / Long leave / sabbatical at any time during the plan period, he/ she will not be eligible for a payment for the duration of leave taken under the terms of this Plan. However, the period during which the employee was active before the start of LOA / long leave / sabbatical in the Plan period shall be eligible on a pro-rata basis. For employees on sabbatical, the payout will be made along with the F&F settlement at 100% funding
- vi. **Talent Pool (as per Talent Pool Policy):** The funding % for employees in Talent Pool will be based on the LT2 leader to whom they are aligned. However, the maximum payout applicable for such employees will be capped at 100% of the Target. In case an employee is in Talent pool with only

50% of the salary applicable, then the payout will be computed accordingly. If he / she is on sabbatical in Talent Pool, then there will be no payout. In case an employee has taken unpaid leave during the quarter, VPP will be computed after accounting for the unpaid leaves.

- vii. **Transfer to overseas location:** If an employee moves between countries during the Plan period, the VPP amount will be calculated based on the duration in the particular country as per Plan applicability. The payout will be made in the respective currencies where employee had worked in that quarter after considering the applicable taxes.
- viii. **Separation:** In case an employee has voluntarily resigned during the Plan period and has been separated at the time of payroll processing, he / she shall not be entitled to receive any payout under this Plan.
- ix. **Death/Partial disability:** In case an employee is not in active employment as on the date of payout on account of permanent / partial disability during a period, then prorated payout will be made along with salary / full and final settlement. In case of death of an employee, the employee's legal heirs will be eligible to receive the applicable VPP payout under this Plan.
- x. **Retirement:** Employees who retire during the quarter will be eligible for their prorated VPP amount based on the number of days worked during the quarter.
- xi. **Termination:** If a participant is terminated from the Company due to misconduct/non-performance, then the participant shall not be eligible for any payout under the Plan. However, if an employee is terminated for business reasons (such as reduction in workforce) and has worked during the plan period, then he/she may be eligible for prorated payout in that quarter.

For eligible employees under sections in ix, x and xi, the payout for the period will be made at 100%.

- xii. Funding and employee payouts may at Company's sole discretion be:
 - 1. increased, reduced, or modified based upon achievement or non-achievement of Corporate (i) financial goals and / or (ii) performance, and / or
 - 2. deferred and / or paid as a retention bonus in the following fiscal year or any subsequent fiscal year

Additionally, it is expressly agreed and understood that while employees may have received an incentive payout in the past, such previous payout does not give rise to any expectation or entitlement to receive any future incentive payouts in any current or future fiscal year.

- xiii. In the event the Employee is found to be in breach or violation of the Policies of the Company, the Employee may not be eligible for the payments under this plan and accordingly the payments mentioned in this plan may stand forfeited.

7) Tax Implications

Earnings under this Plan are subject to income tax deductions as applicable under local laws / rules and regulations.

8) Validity

This Plan is valid from April 1, 2022, till March 31, 2023. The Company reserves the right to make changes to the Plan at any time during the year or thereafter. In the event of exceptional circumstances, or when in doubt on the interpretation of the Policy, the management's decision on the payout will be final and binding.

9) Exceptions

Any exception to the policy needs to be approved by the Head – Global Compensation & Benefits and the respective ExCo member or Empowered leader.

Annexure to the Policy

Policy Revision History

Serial No.	Version No.	Date of Change	Sections Affected	Changes in Brief
1	1.0	1 st July 2015	All sections	<ul style="list-style-type: none"> - Alignment of GDU employees working in strategic accounts to account level funding - MPMS unit employees aligned to role based metrics and funding - Revised Metrics / weightages at unit/function/account level based on FY 16 strategy
2	1.1	1 st October 2015	Plan Measures and Linkages	<ul style="list-style-type: none"> - EMBPO aligned to LT3 leaders removed
3	1.2	1 st March 2016	Plan Measures and Linkages	Allocation in any account should be at least 50% or higher for account funding.
4	1.3	1 st May 2016	Plan Measures and Linkages	MPMS Tower removed from scope.
5	1.4	30 sept 2016	All	1) Change in Scope and VPP target Percentages sections
6	1.5	18 Jan 2017	Partial participation	Transfer to overseas location- Payout to be made as per country currency of the location the employee has worked for the quarter.
7	1.6	1 July 2017	Multiple	1) Change based on FY18 focus
8	1.7	6 Dec 2017	VPP Target Percentage	Target percentage updated for US employees

9	1.8	11 June 2018	Plan Measures and Linkages	Methodology change for Direct core employees for levels 1-6 is updated.
10	1.9	30 August 2018	Payout Determination	Funding logic change updated for FY19
11	2.0	1 st April 2019	Partial Participation	Legal clause added as point # xi.
12	2.1	1 st April 2020	Partial Participation	Clause iii elaborated, and Clause xiii added.
13.	2.2	1 st April 2021	Plan Measures and Linkages	For DC Level 7-9 the performance achievement will be measured at 75% weightage on DC performance and 25% weightage on respective account level performance
14	2.3	1 st April 2022	Plan Details	VPP Target Percentage description simplified