

DS GROUP




**VARIABLE PAY POLICY (NON-SALES)
(DSL(COR)/HRD/POL/21)**

Version : 2.00
Reviewed By : HRD & BEX
Approved By : Director
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APPROVED

Enclosure:
FAQ - VPP (HRD/WI/53)

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1. OBJECTIVE

The Objective of the Variable Pay Plan is to reward Short Term (Annual / Quarterly) Performance with Monetary Incentives enabling a High-Performance Culture within the Organization and driving Retention of Critical Talent.

2. SCOPE

- The policy is applicable to all employees of DSL from Cadre O2 & above (excluding Sales).
- Sales Coordinator and Sales MIS employees shall be covered under this policy.**
- For Sales Refer Policy Variable Pay for Sales (HRD/POL/22).

3. POLICY

- The Variable Pay Plan will be applicable to all On Roll Permanent Employees across Cadres and Bands O2 & above in all Businesses.

Criteria considered for Eligibility under the Variable Pay Plan are as follows:

- For an employee to be eligible for Variable Payout in the Current Financial Year, Employee's Tenure in the Organization should be at least 6 months in the Applicable Performance Cycle (1st April to 31st March, equivalent to the Current Financial Year) i.e., Employee must have joined on or before 1st October. The Variable Payout during the Period of Employment would be on pro-rata basis. E.g., if an employee joins on 1st July 2023, he/she will get 9 months Variable Pay basis the Overall Performance Rating of FY 23-24.


For Employees joining after 30th September of the Applicable Performance Cycle, the Payout will be made in the Next Performance Cycle basis the Overall Performance Rating in the next Performance Cycle on a pro-rata basis for the Period of Employment in Last Performance Cycle. For example, if someone joins on December 1st, 2023, they'll get pay for 16 months (4 months for this 2023-24 + 12 months for the FY 24-25), paid in end of FY 24-25.

- Employee's status should not be under Probation/Extension of Probation at the time of disbursement.
- Employee should be on the rolls or serving notice period on the committed day of disbursement. However, if the organization is not able to disburse the Variable Pay on the Committed Dates and an employee resigns post that, he/she will eligible for Variable Pay as part of F&F Settlement.
- All S & below cadre employee shall be excluded from Variable Pay mechanism.

3.2 Target Variable Pay

Target Variable Pay is defined as a % of Cost to Company. Target Variable Pay proposed as part of the proposed variable pay plan for eligible employees is as mentioned in the table below:

Cadre	M0	M1	M2	M3	O1	O2
Pay mix (VP as % of CTC)	25%	20%	18%	14%	12%	10%

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3.3 Dimensions of Performance Measurement

Overall Performance used for Variable Payout Computation will be a combination of Individual and Business Level Performance

- **Individual Performance** will be measured basis Annual Performance Rating (A=5, B+=4, B=3, C=2, D=1) for the Employee.
- **Business Performance** will be measured basis selected parameters e.g. **Net Turnover, Profit Before Tax (PBT)** etc. The Achievement for selected parameters will be measured as Actual/Target Value of the Parameter.

3.4 Business Performance Criterion – Performance of business will be based on certain criteria decided by Corporate Reward Team. Business Performance Criteria is unique to different businesses and is aimed to gauge specific areas as per the market position of those respective businesses. It is made after thorough research and tries to assess and reward areas specific to the business.

3.5 Weightage to Level of Measurement:

Basis Cadre of an Employee, the Weightages assigned for Individual Performance Rating and Business Performance Rating to arrive at the Overall Performance Rating are as per table mentioned below:


Performance Dimension Weightage	M0	M1	M2	M3	O1	O2
Business Performance (%)	70	50	40	30	10	10
Individual Performance (%)	30	50	60	70	90	90

3.6 Pay Plan Threshold

The minimum threshold performance achievement to be eligible for Variable Pay Plan are mentioned below:

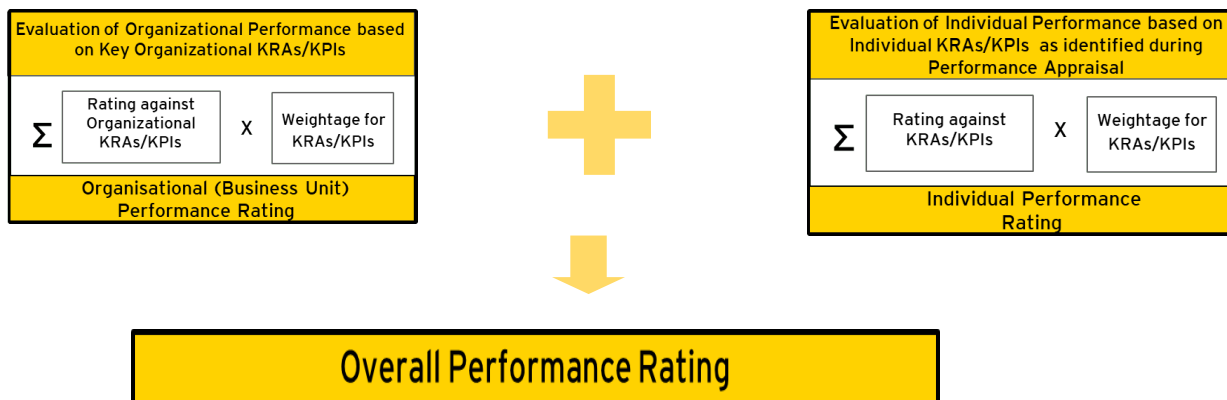
- **Business Performance**
 - ✓ Minimum Rating of “C”/ “2” or above for Business Performance should be achieved for Payment of the Business Performance Component of Variable Pay Plan.
- **Individual Performance**
 - ✓ A Minimum Rating of C is required on Individual Performance for Payment of the Individual Performance Component of Variable Pay Plan.
 - ✓ In case the Individual Performance Rating is D, no Variable Pay will be given to the Employee.
 - ✓ No Variable Pay will be given to Employee in case they have received 2 consecutive Individual Performance Rating of C and below

An Additive approach is to be taken to calculate the Overall Performance Rating which is a Weighted Average of the Business Performance Rating and Individual Performance Rating.

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3.7 Calculation of Overall Performance Rating for Variable Pay:

The formula for the same is mentioned below:



3.8 Pay Performance Curve:

The Variable Pay will be paid out on a Pro-rata basis (on a Continuum) as per Pay Performance Curve mentioned below with **100% of the Target Payout at an Overall Performance Rating of B.**


For Cadres M0 and M1, the Maximum Payout will be restricted to 115% of the Target Payout at Overall Performance Rating of A.

For Cadres M2, M3, O1 and O2; the Maximum Payout will be restricted to 125% of the Target Payout at Overall Performance Rating of A.

The **maximum earning potential is capped** basis Individual Performance Rating as below:

Individual Performance Rating	Maximum Earning Potential					
	M0	M1	M2	M3	O1	O2
A	115%	115%	125%	125%	125%	125%
B+	105%	105%	110%	110%	110%	110%
B	100%	100%	100%	100%	100%	100%
C	40%	45%	50%	55%	60%	60%
D	0%	0%	0%	0%	0%	0%

NOTE: However, the Higher Earning potential (Above 100% Payout) is applicable only when the performance measurement criterion is made fully objective and quantifiable by respective Business / Functions. Till such time, Overall Performance Rating 3 and above will get 100% payout only.

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3.9 Payout Simulation

Individual Performance Rating	Business Rating	M0	M1	M2	M3	O1	O2
A,B+,B	3, 4,5	100%	100%	100%	100%	100%	100%
	2	58%	72.5%	80%	86.5%	96%	96%
	1	0%	0%	0%	0%	0%	0%
C	2, 3,4 or 5	40%	45%	50%	55%	60%	60%
	1	0%	0%	0%	0%	0%	0%
D	All	0%	0%	0%	0%	0%	0%

3.10 Payout Frequency

Variable Pay Plan will be administered at half yearly frequency.

For Half Yearly Payouts:


- ✓ Variable Pay in First Half of the Year will be restricted to 30% of the Target Variable Pay.
- ✓ Organization Performance Rating would be assumed to be at 3 for Mid-Year Variable Pay Computation.
- ✓ Employees with 2 consecutive “C” or “D” Individual Performance Rating in Mid-Year or Previous FY will not be eligible for Half Yearly Variable Payout.
- ✓ The Year End Variable Payout will be computed as the Payout against Overall Annual Performance Rating minus the Payout made in the Mid-Year
- ✓ No Recovery will be made on the Mid-Year Variable Payout.

3.11 Committed Date for Payout:

- a. **Payment** will be made with H+2 Month for Half Yearly Variable Payout.
- b. For Annual Payout, Payment will be made with annual increments but latest with the July Payroll.

3.12 Events of Employee's Lifecycle and Pay-out Treatments

Event	Payout Treatment
Disability	Target pay
Death	Target pay
Retirement	Pro-rated pay-out based on date of retirement as per Target pay
Leave without Pay	Pro-rated pay-out based on number of days worked in the PMS cycle
Maternity Leave	In case employee has worked for more than 6 months before proceeding for Maternity Leave, then her rating till that period will be taken for computation of Variable Pay. In case she has worked less than 6 months, then last Year's rating will be considered for the computation of variable pay. In both the cases, VPP for the entire year will be paid.
Termination / Ask for leave	No pay-out for the current PMS cycle
Resignation	Payout will be given till last working quarter on pro rata basis with Full & Final settlement: <ul style="list-style-type: none"> • For new joiners, it shall be assumed as B Rating and • For rest, it shall be taken as per YTD Rating or Last Year Rating.

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4. EXCEPTIONS & DEVIATIONS

All exception & deviations have to be approved by Director HR.

5. POLICY OWNER

Director HR is process owner. Respective HR is the implementer of this policy.

6. POLICY REVIEW FREQUENCY

The policy shall be reviewed once in two years.