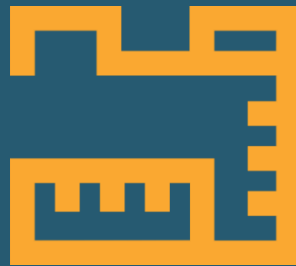




# **COMPENSATION & BENEFIT POLICY**

Policy No: CUB/23 - 24/007

Version 1.0



[www.cubastion.com](http://www.cubastion.com)

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## 1. PURPOSE

The purpose of this document is to provide complete information of the compensation & Benefit structure followed at Cubastion.

Compensation encompasses the entire range of salaries and benefits, both current and deferred, that employees receive during their employment with Cubastion. Compensation includes the employer's cost of salaries, plus the cost of providing employee benefits.

## 2. SCOPE

The scope of a compensation and benefits policy is to ensure that employees are rewarded fairly and appropriately for their work, while also ensuring compliance with legal requirements and labor standards.

1. **Salary and Wages:** This refers to the base pay that an employee receives for their work, including any bonuses, commissions.
2. **Benefits:** This refers to the various perks and benefits that employees receive in addition to their salary, such as health insurance, retirement plans, paid time off, and other employee perks.
3. **Performance Incentives:** This refers to bonuses, stock options, or other forms of financial compensation that are tied to an employee's performance or achievements.
4. **Recognition and Rewards:** This refers to non-financial rewards, such as public recognition, awards, and certificates that are given to employees for their achievements or contributions.
5. **Job Evaluation and Analysis:** This refers to the process of evaluating and analyzing the value of a job, based on factors such as its complexity, responsibility, and required skills.
6. **Pay Equity and Fairness:** This refers to ensuring that employees are paid fairly and equitably, based on their job responsibilities, skills, and experience.
7. **Compliance with Labor Laws:** This refers to ensuring that the compensation and benefits policies in compliance with labor laws, regulations, and standards, including minimum wages.

### 3. APPLICABILITY

The policy shall be applicable to all full time employees with **Cubastion Consulting Private Limited** including its group company (ies) collectively called as "Company".

### 4. EFFECTIVE DATE

The policy is effective from **1<sup>st</sup> April 2023** till further notice.

### 5. COMPENSATION

The purpose of compensation is to attract and retain employees by providing them with fair and competitive rewards for their work, and to motivate employees to perform their best by providing incentives for high performance and achievement.

To meet the organizational objective of attracting, rewarding and retaining talent, compensation is delivered through a composition of methods as below

1. Annual Fixed Pay
2. Variable Pay
3. Long Term Benefits

#### 5.1 Fixed Pay

Annual Guaranteed Pay includes basic salary and optional allowances (Flexi Bucket) as may be available to eligible employees.

**Basic:** Basic pay is the fixed salary that an employee earns before any allowances, bonuses, or deductions, added or subtracted.

**HRA:** HRA stands for House Rent Allowance. An allowance given by employers to employees to cover their rental expenses for the accommodation they reside in.

**Special Allowance/Flexi Basket:** Special allowance or flexi basket is a component of an employee's salary package, which is given as an allowance in addition to the basic salary. Overall, special allowance or flexi basket is an important component of an employee's salary package as it provides them with greater flexibility and control over their finances.

## 5.2 Flexi Benefit Scheme

Flexi Benefit scheme is an optional benefit, which includes Fuel Reimbursement, Driver's Salary, Communication Expenses (Mobile/Internet), Leave Travel Allowance (LTA), Books & Periodicals, Meal Vouchers (Paytm Food Wallet), Attire (Business Formals), and Children Education Expenses.

### 5.2.1 Leave Travel Allowance (LTA):

**Leave Travel Allowance (LTA)** is an employee benefit offered by some employers in India. LTA is a type of allowance provided to employees to cover their travel expenses when they take leave from work and travel to different parts of the country.

Under LTA, the employer provides a fixed amount to the employee, which can be used to cover travel expenses such as airfare, train fare, and other transportation costs.

The employee can claim LTA for travel within India only, and there are certain restrictions on the number of times LTA can be claimed in a block of four years.

LTA is a tax-free allowance up to a certain limit, as defined by the Income Tax Act.

**Important:** Please refer to the LTA policy for more details

*The limit of the available benefit under this is in the HRMS system under Flexi Declaration.*

### 5.2.2 Meal (Paytm Food Wallet):

Food Wallets are also used as a means to avail tax benefits. The government allows tax exemption on food coupons or food vouchers given by an employer to its employees as a part of their salary package. This exemption is subject to certain conditions and limits as defined by the Income Tax Act.

Company allows choosing a Paytm food wallet as an option in a flexi basket. The total amount available in the Paytm food wallet is **3300/-** per month.

### 5.2.3 Communication Reimbursement

This benefit is designed to cover the costs associated with communication expenses, such as mobile phone bills, internet bills, and other communication-related expenses. Under this benefit, employees is reimbursed for a fixed amount of their communication expenses, or the employer or organization may provide them with a communication allowance, which they can use to cover their communication expenses.

The limit of the available benefit under this is available in the HRMS system under Flexi Declaration.

### 5.2.4 Books & Periodicals

Company offers books and periodicals as a resource to employees, which improves job satisfaction, performance, and overall well-being.

Providing access to books and periodicals can offer numerous benefits to employees, including:

1. **Professional Development:** Books and periodicals can provide employees with the latest information and trends in their industry, which can help them, stay up-to-date and advance in their careers.
2. **Skill Building:** Employees can learn new skills, such as time management, leadership, and communication, through reading books and periodicals.
3. **Stress Relief:** Reading can be a form of stress relief for employees, allowing them to take a break from their work and relax their minds.
4. **Improved Creativity and Innovation:** Reading can inspire employees and spark creativity, leading to innovative ideas and solutions.
5. **Team Building:** Providing access to books and periodicals can encourage employees to discuss and share ideas, fostering a culture of learning and collaboration within the workplace.

Company offer reimbursement for the cost of books and periodicals purchased by employees for professional development or personal enrichment. Company allows claiming tax exemptions to the expenses incurred under this category.

*The limit of the available benefit under this is in the HRMS system under Flexi Declaration.*

### 5.2.5 Attire (Business formals)

The purpose of this benefit is to reimburse the expenses associated with buying a uniform or professional clothing that conforms to the company's safety, identification, or branding standards and is mandatory for employees to wear while on the job.

*The limit of the available benefit under this is in the HRMS system under Flexi Declaration.*

### 5.2.6 Driver's Salary

This particular benefit is created to assist employees who hold important positions within a company. It is intended to help them with the expenses involved in hiring a driver to transport them to and from work, meetings, or any other business-related activities.

For availing the benefit of driver in company owned car lease facility, there will be a tax perquisite that will be included in the taxable income for the purpose of tax computation.

The perquisite is as per the cubic capacity of car engine. Please refer below table for more information

**Table of tax perquisite**

COMPONENT	TYPE	PERK VALUE
CAR LEASE FACILITY (<1600 CC ENGINE)	Company Owned Car	1800
CAR LEASE FACILITY (>1600 CC ENGINE)	Company Owned Car	2400
DRIVER'S SALARY	Company Owned Car	900

*The limit of the available benefit under this is in the HRMS system under Flexi Declaration.*

### 5.2.7 Fuel reimbursement

Company give a monthly fuel reimbursement to the employee to meet fuel expenses incurred by the employee for business purposes.

*The limit of the available benefit under this is available in the HRMS system under Flexi Declaration.*

## 5.3 Variable Pay

**Variable pay:** Includes **performance bonus** or sales **bonus/incentives** as applicable and mentioned in the employment terms.

### 5.3.1 Performance Bonus

The performance bonus/pay linked to the individual employee's performance rating, which is arrived by assessing performance delivered against a set of predefined set of objectives.

Performance bonus is payable in the month of January after assessment is completed for all eligible employees.

#### 5.3.1.1 Eligibility

All full time employees are eligible for bonus payment after their successful Annual performance review in **December**.

Non-eligible employees are:

- 1) Employees on probation
- 2) Employees serving notice period
- 3) Employees on performance improvement plan
- 4) Involuntary separated employees

#### 5.3.1.2 Bonus calculation method

The factors on which Bonus amount is calculated:

- **Individual factor:** Is derived from the individual employee's performance which is arrived by assessing performance delivered against a set of predefined set of objectives
- **Company factor:** Derived from overall company performance by the auditor for a financial year.
- **Overall factor:** Overall factor is derived from: Individual factor x Company factor
- **Eligible bonus:** Pro-rated eligible bonus **(Jan-Jun)** + Pro-rated eligible bonus **(Jul-Dec)**.

**Total Payable Bonus:** Eligible Amount x Overall factor

**Important:** A period on which employee is on any kind of long leave (sabbatical for more than **20** days), that period will exclude from the bonus calculation.

#### 5.3.1.3 Quantum

Pro-rated bonus amount is payable based on joining date/package revision date.

Minimum of 40% and maximum of 100% bonus is usually paid all employees on pro-rata basis.

#### 5.3.1.4 Payout

Payout of performance bonus usually processed in the month of January along with monthly payroll.



### 5.3.2 Sales Bonus/Incentives

Sales Bonus/Incentive payout based on individual's performance targets as maybe defined from time to time.

#### 5.3.2.1 Eligibility

Full-time Employees are eligible for bonus payment after their successful review of the achieved targets in a financial year.

Non-eligible employees are:

- 1) Employees on probation
- 2) Employees serving notice period
- 3) Employees on performance improvement plan
- 4) Involuntary separated employees

#### 5.3.2.2 Payout

Payout of performance Sales Bonus/Incentives usually processed after the closing of financial year.

## 5.4 Long Term Benefits

At Cubastion, we understand the need to encourage institution building among employees who are the backbone of the organization.

Long-term pay maybe administered through employee stock options or milestone/deferred income schemes.

### 5.4.1 Milestone Income Plan (MIP)

A milestone income plan is a type of financial plan designed to help individuals achieve specific goals or milestones. It is a structured plan that provides regular payouts or income at predetermined intervals when certain milestones or at goals achievement.

In a milestone income plan, the payouts triggered on completing the milestone period as defined in the employment agreement agreed. The payout processing happens in the next consecutive month along with monthly payroll.

**Important:** Employees serving notice, on PIP at the time of payout are not eligible for Milestone income payout.

### 5.4.2 Deferred Income Plan (DIP)

DIP is similar to milestone income plan, but it differs in the period of payout. DIP usually triggered after **twenty-four (24)** months and the payout processing happens in the next consecutive month along with monthly payroll.

**Important:** Employees serving notice, on PIP at the time of payout are not eligible for deferred income payout.

### 5.4.3 Phantom Shares

A phantom Share plan is an employee benefit plan that gives selected employees the benefits of Share ownership without actually giving them any company shares. It is a special medium to recognize and award selected individuals with phantom shares of **Cubastion Consulting Pvt. Ltd.** The employees benefit from the upside of a company's share price without actually receiving company shares. In a phantom stock plan, upon redemption of phantom stock, the employee receives monetary compensation. Under this plan, the employee receives the difference in stock price between the date of issue and the date of redemption. , which payment is to be in an amount tied to the market value of an equivalent number of shares of the Company's stock.

**For example:** The below table illustrates the expected payout based on current share price (calculated as on year closing 31st March, 2020)

	March - 2018	March - 2020 (Projected)
Share Price (for 10 units)	INR 12,500	INR 16,000
Number of shared allotted	10	10
Differential Earning	---	INR 35,000
Tax as per bracket (Max 30% on earning)		INR 10,500
<b>NET PAYOUT/ 10 shares March 2020 (Expected)</b>		<b>INR 24,500</b>

$$\text{Current Share Price} = \frac{\text{Company Current Valuation}}{\text{Total Number Shares Issued Till Date}}$$

**Important:** Employees serving notice, on PIP at the time of payout are not eligible for Phantom Shares payout.

#### 5.4.4 Employee Stock Option Plan (ESOP)

**ESOP** is kept outside the employee compensation structure in keeping with the rules laid down for its issue. The grant of ESOP would be dependent on the grade, performance, merit, length of service, future potential contribution, conduct of the employee and other such parameters as the management may deem fit.

Please refer to Employee Stock Option plan 2022 for more information.

**Important:** Employees serving notice, on PIP all the granted ESOP whether vested or unvested will be lapsed, if not exercised.

### 5.5 Non-Cash Benefits

The Company believes and understands that there are certain policies, which are key in building goodwill for the organization amongst the employees. Keeping this in mind, apart from cash components, the company is committed to assist employees and their dependents to meet unforeseen and adverse life events from both the perspective of health and other emergency situation/difficulty.

The company offers assistance to tide over such life events through **Group Medical Insurance (GMI)**, which includes covering for **self, spouse** and **two children** (up to an age of 25 years). The company also covers **employee (self)** under **Group Personal Accidental (GPA)** insurance.

These benefits are provided to employees to supplement rewards and meet their non-financial and other requirements and are linked to their level in the organization.

### 5.6 CAR Lease Scheme:

Cubastion provides flexibility to employees, in choosing a car models through an operating leasing plan within the choices available in the Indian market and provides a non-taxable as per Income tax laws to enjoy a higher tax benefit.

Please refer to car lease policy for more information.

## 6. PAYROLL PRACTICE

Employees' salaries is usually disbursed on the last working day of every month. If the regular pay date falls on a Sunday/holiday, the Company will attempt to make the disbursement on the previous working day.

## 7. COMPENSATION REVIEW

### 7.1 Appraisals & Promotions

#### 7.1.1 Compensation Review:

All confirmed employees as on **30<sup>th</sup> June** will be eligible for annual performance review.

Compensation revision will happen annually with effect from **1<sup>st</sup> July** of every calendar year.

If employee resigns before the revised compensation payout, the benefit will not be applicable.

#### 7.1.2 Bonus Review:

All confirmed employees as on **31<sup>st</sup> December** will be eligible for annual performance review for bonus payout.

The bonus payout will happen in the month of **January**, every calendar year along with monthly payroll. If employee resigns before the bonus payout, the benefit will not be applicable.

## 8. DISCLAIMER

### Company's Absolute Right to Alter or Abolish the Policy

Cubastion's Management reserves the right in its absolute discretion to abolish the policy or to alter the terms and conditions. Such discretion may be exercised at any time (without any prior notice).

## 9. DOCUMENT VERSION HISTORY

VERSION	DATE	AUTHOR	DESCRIPTION	APPROVAL
V1.0	20230312	Rohit Kumar	Initial Release	CPO

This brings us to the end of this document. For any further assistance or clarification, please contact **HR Department** or email us at [hr@cubastion.com](mailto:hr@cubastion.com).

# **F**requently **A**sked **Q**uestions

**Q1:**

Do i own Phantom shares? Can I sell them in the market?

**A1:**

No! Phantom shares is an employee benefit where selected employees receive the benefits of stock ownership without receiving actual stock from the company.. They are allotment only. If you have received 10 phantom shares, it means you have been allotted 10 shares.

**Q2:**

My probation period is due for completion on **31<sup>st</sup> Dec**, will I be eligible for Bi-Annual performance review and bonus payout? What is differential earning?

**A2:**

Yes! Provided you have successfully being evaluated for probation and there is no objection from your reporting Manager on or before **31<sup>st</sup> Dec** of the calendar year.

**Q3:**

My probation period is due for completion on **30<sup>th</sup> June**, will I be eligible for Bi-Annual performance review and appraisal?

**A3:**

Yes! Provided you have successfully being evaluated for probation and there is no objection from your reporting Manager on or before **30<sup>th</sup> June** of the calendar year.

**F**requently**A**sked**Q**uestions