

Variable Incentive Pay and Bonus Policy
Updated July 2025

Introduction:

To drive individual performance aligned with the company's vision mission, the organization is introducing as part of the CTC structure which will be covered by this Policy.

This will give the opportunity to every employee at Haqdarshak to be recognized and rewarded on the basis of their own individual performance and self-contribution to the company targets. It is a direct measure of one's own talent and value addition.

Policy Statement:

This policy sets forth the basic guidelines by which the Variable Pay Plan and Bonus shall be governed.

Definition:

Variable incentive pay refers to the payment made by an employer to its employee for their contribution to the organization's growth and success. (It is also known as performance-linked pay).

Reason For Policy:

The purpose of the introduction of variable incentive is to encourage and reward employees who are good performers and exceed in their KRAs (Key Responsibility Areas). Since it is an incentive having a direct correlation with one's individual performance, it will keep all the employees motivated to give their best and also to improve the skill suited to achieve tangible results.

Scope of this Policy:

All full time employees who have completed their probation period and been through HR- driven Quarterly review process of the organization, shall fall under the purview of this Policy.

Further, those employees who are serving the notice period and are part of the Review process shall also be eligible for the variable incentive pay.

All 'Fellows' who have completed minimum 3 months of tenure and evaluated in the HR driven Quarterly review process, will also be eligible for the variable Incentive pay.

Variable incentive payments:

How and when will the employees be paid?

- The Individual ratings will be calculated based on the reviews of quarterly performance metrics.
- The performance metrics shall be predefined as part of the KRAs.
- The period of compute for the variable Incentive pay shall be for the specific quarter against quarterly deliverables. [Probation period shall be excluded from this period.]
- The organization has the right to withhold the variable Incentive pay payment in case of inconsistent performance/issues on compliance/behavioral/Code of conduct on part of the employee (after the announcement).
- President and above levels will not be paid quarterly incentives. Their payouts will be annually as for them variable incentive will also be linked to the overall company's performance.

Variable Incentive Pay Matrix - Annual

Review Rating range	Incentive Percentage (% of CTC)			
	FT Employees up to Manager Level + Fellows	FT Employees Sr. Manager to AVP Level	FT Employees VP to President Level	FT Employees CXO
0 to 2.9	0.00%	0.00%	0.00%	0.00%
3 to 3.9	5.00%	7.50%	10.00%	15%
4 to 4.9	10.00%	15.00%	20.00%	30.00%

*Exceptions-

- Any exceptions to the above would be given basis approval from Finance
- The exceptions would be in accordance with the inclusion entailed in the Offer Letter.
- Percentage matrix for exceptions as follows to be read with the offer letter –

Review Rating range	Incentive Percentage (% of Variable)
0 to 2.9	0.00%
3 to 3.9	50.00%
4 to 4.9	100.00%

Effective from:

- The period of compute for Variable Pay has commenced from 1st July, 2023
- The quarterly review dates shall be announced in accordance with the Review Schedule.

Role of the Line Manager:

It is recommended that each Line Manager clearly chalks out objective parameters of evaluation for each reportee (employee) basis the designation (of the reportee) such that the Variable Pay can be clearly attached to the performance without a bias/prejudice.

- The performance is regularly tracked based on these metrics and keeps the employee well informed of the progress as well as the areas of improvement that are expected to meet the variable Incentive pay milestones.

BONUS:

All Full time employees shall be eligible for a **Standard Bonus**. This will be applicable to all employees pan-Organization and will be announced towards the end of the financial year based on Company performance.

Bonus will be over and above the individual performance incentive and it shall be subject to Management and Board approval.

Please refer to the Annexure below that clearly illustrates the Variable Incentive Pay with examples below.

ANNEXURE

Illustrations: Variable Pay with example (with an CTC of 5 lakh and 10% of CTC as variable)

Particulars	Amount (Rs.)
Annual CTC	500,000
Monthly CTC	41,667
Potential Variable Incentive Monthly @ 10% of CTC (Maximum)	4,167
Potential Variable Incentive Quarterly @ 10% of CTC (Maximum)	12,500
Potential Variable Incentive Annual @ 10% of CTC (Maximum)	50,000

TWO SCENARIOS that shall help the reader understand the concept

Scenario 1- Employee eligible for review for all 3 months during all 3 Quarters (July 23 to March 2024)

Particulars	Review Rating	% of incentive	Months Eligible	Amount (Rs.)
Q-2 FY 23-24	4	10.00%	3	12,500
Q-3 FY 23-24	4.2	10.00%	3	12,500
Q-4 FY 23-24	4.5	10.00%	3	12,500
TOTAL for Q2-Q3-Q4				37,500

Scenario 2- Employee eligible for review from August onwards (Probation completed in July 2023) (Aug 23 to March 2024)

Particulars	Review Rating	% of incentive	Months Eligible	Amount (Rs.)
Q-2 FY 23-24	4.5	10.00%	2	8,333
Q-3 FY 23-24	3	5.00%	3	6,250
Q-4 FY 23-24	2.9	0.00%	3	-
TOTAL for Q2-Q3- Q4				14,583

The first quarterly review is planned to be conducted in October, 2023 for the period July to Sept 23.

For any reason if the reviews are pushed to the next quarter, the review process will be combined and will be done for 2 quarters and variable Incentive pay shall be calculated for Q2 and Q3 i.e., July 23 to Dec '23 accordingly

**** All variable Incentive pay earnings will be subject to TDS as per the income tax slabs.**

(I) Addendum:

- In case of a disciplinary issue or in case of Breach of Code of Conduct or a case of discontinuation of engagement, the employee (under question) may not be paid the variable amount. The decision shall be taken post complete scrutiny of the issue.
- The amount payable shall be held back till such time the scrutiny is under process and the final decision is not arrived at.
- Organization will not be liable to pay the variable amount to any case of 'termination of engagement'. The decision may have been made post the completion of the quarter under review.

- The employee shall not be entitled for the Variable pay-out for the period of the quarter/s during which the employee is on maternity/ sabbatical leave or any other long leave / break within the quarter/s under review.
- Every decision under the mentioned circumstances shall be taken by HR and Finance and shall be binding on the employee.

(II) Addendum - Management Discretion

The payment of any variable pay, incentive, or performance-linked remuneration to employees shall be subject to discretion of the Company's Senior Management. The Company reserves the right to determine, vary, suspend, or withhold such payments, in whole or in part, based on business exigencies, financial performance, individual performance metrics, or any other factors as may be deemed relevant by the Management, HR and Finance.

Notwithstanding any prior communication, expectation, or precedent, the Company may, at its discretion, decide not to pay variable pay for any specific performance period, including but not limited to a particular quarter, due to adverse business conditions, including but not limited to:

- A significant decline in revenue or profitability;
- Unexpected market disruptions or economic downturns;
- Regulatory or compliance issues impacting operations;
- Loss of key clients or contracts;
- Unforeseeable events such as natural disasters, pandemics, war, or political instability;
- Cash flow constraints or liquidity issues affecting business continuity.
- On-going Audit/Scrutiny of the project that the employee has been / is a part of where the outcomes are to be determined

Any decision made by the Company in this regard shall be final and binding and shall not be subject to challenge, grievance, or claim by the employee.

FAQs [Frequently Asked Questions]:

- 1) Will my variable pay get reflected in the pay-slip?
Yes- it will be reflected in the pay-slip for the month it is paid in.
- 2) On completion of my probation just 2 days after the cut-off date of completion (of probation) for variable eligibility, will the employee get no variable at all?

Yes: The employee will get the variable amount on pro rata basis for the months subsequent to the month of completion of probation. i.e you will be get pro-rata for 2 months instead of 3 months

- 3) Is the Variable amount the same for all?

The variable amount is basis the performance rating and your designation. The other norms are applicable uniformly to all.

- 4) Why should we begin the quarterly review process in the subsequent quarter and not within?

It is because the performance is evaluated for the quarter for which the quarter has to get completed.

- 5) Is the variable absolutely dependent on the performance?

Yes, it is based on the assessment of the performance parameters, which may include soft skills like communication/self development as part of the goals.

- 6) Are there any reasons why the employee may not get the variable despite high performance?

Yes – if you are involved in disciplinary issue/ behavioural issue/ any issue related to non-compliance, the variable may be held back.

- 7) Can the Line Manager override the decision of HR and Finance?

No: In case of occurrence as stated in above question, final approval from HR and Finance will be the deciding factor.

- 8) Can there be changes to the review rating after it has been completed on the system?

Yes – The Skip Manager can re-review the rating and change it. Further, the VH can review the same and change it, if needed once the consolidated sheet has been shared. The changes thereafter are made on the system.

- 9) Can there be exclusions from the review despite fulfilling the eligibility criteria? Yes: If the HR norms of review compliance and timelines are not adhered to, eligible employees fellows can be excluded from the review cycle with due communication.

- 10) Can the KRAs be different for a vertical?

KRAs (Key Result Areas) can be different for a vertical, but are the same for a sub- vertical. Goals can be different for different positions within the sub-vertical.

- 11) For the quarterly review of Jan-Mar, the eligibility criteria is completion of probation by 31st Dec. I complete my probation on 15th Jan. Will i be eligible for variable pay- out?

Yes, you will be eligible. You shall be paid pro-rata for 2 months and not for 3 months of the quarter.

- 12) If the employee's maternity leave ends on 15th of Nov, then what will be eligibility of the variable pay-out for this employee?

The employee shall be reviewed for the quarter (Oct-Dec) beginning 16th Nov. The variable pay-out shall be basis the performance in this period and it shall be pro-rated for 45 days.
