

MiRewards

**Annual Review and Variable Pay FAQs**

(2017-18)

## About this document

This document has been prepared to help you understand the philosophy underlying Annual Review process for FY18 and address the queries that you may have around the same.

Please note: Compensation is an individual specific and private matter. You are advised to keep this matter confidential and not discuss the details of your annual review with colleagues in the company.

If you have any queries related to this process, that are not adequately addressed in this document, please get in touch with your respective HRBP. They will help address your concerns. You may also write to [Mihorizon@Cipla.com](mailto:Mihorizon@Cipla.com).

## Frequently asked questions (FAQ)

### 1) What is the Rewards philosophy followed for the Annual review for FY18?

In 2018, band aligned pay ranges were developed in Cipla India which reflects the worth of the jobs in respective bands and the market positioning of similar jobs for each cluster. As an outcome, the Rewards philosophy was designed to align the individual compensation of associates to these pay ranges over a period. Thus, the 3P Rewards philosophy came into action which stands for Positioning, Performance & Proficiency. For the annual compensation review cycle in FY18, Cipla India moved away from the earlier practice of percentage based increments based on performance ratings only to quantum based increments based on the 3Ps (Positioning, Performance & Proficiency).

### 2) What are the factors considered for Annual Review exercise?

Increment for the financial year was based on number of key considerations, including:

- Prevalent economic scenario and market outlook;
- Prevalent Pharma sector scenario;
- Company performance and business outlook;
- Inflation rate / CPI during the FY;
- Positioning of the associate's CTC in the pay range for the grade;
- FY18 Performance rating of the associate;
- Proficiency of the associate in the current role

### 3) Are there any components in my compensation structure that have not been considered while finalizing the annual increment?

Yes. Following components have not been considered while calculating the increments:

- Special Housing Allowance (SHA)
- Deputation Allowance
- HQ Reimbursement
- Additional Allowance

### 4) What is the assessment period and the eligibility for the Annual Review?

Assessment period for the process is 12 months i.e. 1<sup>st</sup> April 2017- 31<sup>st</sup> March 2018. All associates in B & above grade who have joined/confirmed before 1<sup>st</sup> January, 2018 has been covered under the Annual Review cycle.

### 5) I joined in the last quarter of FY16 (except trainees). Will I be eligible for increment and variable pay-out?

All associates who joined/got confirmed on or after 1<sup>st</sup> January, 2018 have not been covered under the Annual review cycle and thus, there are no pay-outs. However, they will be receiving the default variable pay pro-rated on the number of months served till 31<sup>st</sup> March, 2018.

**6) Which are the components in which the increase has been given?**

The increment has been apportioned in Supplementary House Rent Allowance / Advanced Bonus (if applicable) as per statute / Target Variable Pay. Apart from these, no other components have been revised.

**7) What is the overall increase in my Salary because of annual increment?**

The overall increase in the Salary post annual increment for the Performance period FY17-18 is mentioned in the annexure attached with your Annual Increment Letter.

**8) What date will the Revised Salary be effective from?**

The Revised Salary will be effective from 1st April, 2018. The arrears will be included in May'18 salary.

**9) I have resigned after the completion of the PMS cycle 2017-18. Will I be eligible for increment?**

If you have submitted your resignation before the release of Annual Review letter on MiHorizon, you will not be eligible for increment.

**10) What is the objective and purpose of introducing Variable Pay?**

Variable Pay is being introduced for associates in bands 'S', 'C' and above to align

- Individual behaviours and objectives to the short term & medium term goals of the organization
- Reward achievements while encouraging accountability

**11) What are the factors for deciding the Variable Pay disbursement in the first instance?**

For the variable Pay kitty to be open, the following two conditions must be met:

- Organization has achieved 95% of Financial Target (Topline and EBITDA)
- Organization has achieved 85% of the Organization scorecard targets (Financial Achievements + Health Index)

**12) What is meant by Health Index?**

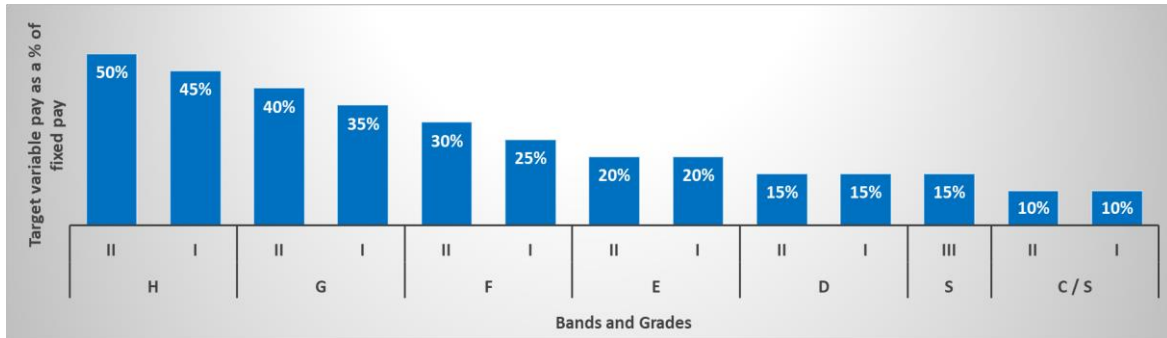
These are the indicators which will enable future results for the company. Some of the examples are Portfolio, Quality, IPD fillings, Sales Force effectiveness, Succession planning, repositioning growth

**13) Who were eligible associates for Variable Pay-outs?**

All associates in Band C and above who have joined Cipla before 1<sup>st</sup> Jan, 2018 and who have a variable Pay component in their CTC as on 31<sup>st</sup> March, 2018 are eligible for Variable Pay Plan

**14) What is the desired % Variable Pay across bands?**

The variable Pay across various bands is as follows:



**15) What happens to the CTC of the associates who are not eligible as per the current Variable Pay plan but already have Variable Pay as part of their CTC? (Ex: associates in Bands A, B)**

For such associates, the Variable Pay element of the CTC was converted to Fixed Pay and merged into the SHRA component and paid out as arrears w.e.f 1<sup>st</sup> April 2017. The arrears were paid in the November salary. As the component no longer exists no additional Payment will happen to the effect.

**16) I am a D2 associate and my current CTC's variable Pay target is 10%. As per the policy, the desired target variable Pay at D2 level is 15%. Will I get my variable Pay at 10% or 15% this year?**

The variable Pay-out for the associate will be calculated as per his existing variable Pay target. So, in this case, the 10% figure will be considered.

**17) What is the maximum % Variable Pay that can be earned?**

The maximum Variable Pay (Based on achievements and FY18 rating) can go up to 150% for associates up to band 'E' and can go up to 200% for Band 'F' associates.

**18) What is the Variable pay-out for associates rated "Developing"?**

For associates rated "Developing" in FY17-18 MiDNA, there will not be any variable pay-out made.

**19) Why is there an overlap in the individual rating multipliers between Creditable and Amazing ratings?**

There may be a scenario that the associate may not be rated 'Amazing' because of normalization considerations but the manager may still want to reward the associate for his good performance. In this case, he has the flexibility to provide a higher multiplier to the associate.

**20) Since my manager has the flexibility to choose the individual rating multiplier in between 60-110%, how will the decision be taken and agreed upon?**

The decision on the multiplier will be taken by the manager considering the associate's relative performance among his peers. For this purpose, the budget for the team will also be considered.

**21) What is the procedure for deciding the individual multiplier rating in case an associate has more primary managers than one in an appraisal cycle?**

The latest primary manager (as on 31<sup>st</sup> March, 2018) decides the performance rating (and the individual multiplier rating) in consultation with all the previous managers and dotted line reporting.

**22) I need more clarity on the Variable Pay and other benefits. Whom should I talk to?**

If any associate seeks more clarity on Variable Pay or other benefits linked to his/her Band, you should approach your respective HRBP.

**23) Since my variable Pay is linked to Organization scorecard, BU/functional scorecard, how will I know performance status of these scorecards?**

The FY18 achievements of the organization scorecard and the applicable BU scorecard have been mentioned in the annual increment letter.

**24) If an associate decides to resign from the services of the company before the bonus and increment letter is rolled out, would he be eligible to receive the variable pay-out?**

If an associate is not on the rolls of the company or chooses to resign /has resigned from the services of the company before the variable Pay letter is uploaded on MiHorizon then he/she shall not receive the Variable Pay for that Financial Year.

**25) If an associate is transferred from one BU to another BU during the financial year, which BU scorecard would he/she be governed by for variable Pay calculation purpose**

The BU, which the associate is a part of as on 31<sup>st</sup> March, 2018 will be considered for Variable Pay calculation.

**26) If an associate gets promoted or the salary correction happens during the financial year, which impacts the variable Pay target % in the CTC, which variable Pay target would be considered for Pay-out?**

The Variable Pay target of the associate as on 31<sup>st</sup> March, 2018 has been considered for variable Pay calculation.