

## Variable Pay Scheme

### General Rules:

1. All permanent employees of SEPL are covered under the variable pay scheme
2. All factory workers, contractual staff, consultants & people who are not covered under structured performance management process are excluded from this process
3. Clearly defined & signed off KRA's between the individual and his/her manager is a mandatory condition for this scheme. The department head/ Manager are responsible to ensure all his/her employees have a signed off KRA in line with their job responsibilities.
4. The final payout of the variable pay will depend on the Company achieving its defined financial objectives – The lower threshold for all employees covered under this scheme for the payouts being 65% achievement of companies financial objectives with equal weightage applied to company Revenue and CTP
5. With companywide criteria mentioned in point 4 above met the actual payment for individuals will happen as per the payout table mentioned in figure 1 below.
6. The payout of the incentives will happen on a quarterly basis – considering the company, department, & individual performance Vs the plan / targets for the period.
7. In case an individual has any suggestion or dispute with respect to this scheme or payout, he/she should talk to HR and/or his/her manager/ Department head.
8. The incentive scheme is defined for 4 Categories of Staff:
  - a. **Department Head** – These are individuals who have responsibility for a particular department which has a non sales responsibility. Essentially all Department Heads in departments other than sales will be covered here.
  - b. **Individual Contributor** - Each Individual in every department except sales is covered
  - c. **Manager / Team Leader** - Individuals who manage a team within a particular department are covered here including sales.
  - d. **Sales- Individual Contributor** - All individuals who work in sales and have a specific sales target defined for themselves are covered here.

### Figure 1 – The Payout multiplier –

This multiplier will be used to calculate the actual incentive amount payable. The multiplier will ensure that people with higher performance will earn higher incentive. The objective here is to drive individuals and departments to focus & exceed on targets defined for them. In doing so we expect all departments to collaborate & co-operate with each other.

Performance Range	% of Eligible Amount paid
150% & above	150%
120% -149%	135%
105% - 119%	115%
95% - 104%	100%
85%-94%	85%
75% - 84%	75%
65% - 74%	60%
Less than 65%	0%

Details of the scheme for each of these categories are mentioned below:

### **Department Head:**

#### **A. General Rules**

- a. The variable pay will be as per the amount mentioned in the salary increment letter
- b. This amount is considered as “eligible amount”
- c. The actual incentive paid will be dependent on the actual achievement calculated as per formula mentioned below.
- d. The payout multiplier described in Figure 1 above is applicable here

#### **B. Weight age:**

Criteria	Weight age
Company Goals:	
Company Revenue	25%
Company CTP	25%
Department Goals	50%

Company Goal = Revenue & CTP as defined in AOP for each quarter

For each department the 50% department goals are further split as below. All targets for these parameters are as defined in the AOP.

- ❖ Project Sales – Project Orders 20% + Booked Gross Margin 20% + Dept Expenses 10%
- ❖ Projects – Projects Revenue 20% + Projects Collections 20% + Dept expense 10%
- ❖ Service – Service CTP 20% + Service Collections 20% + Dept Expense 10%
- ❖ Component – Component Order 15% + Component CTP 15% + Component Collections 10% + Dept Exp 10%
- ❖ SCM – SEPL Revenue 15% + SEPL COGS 15% + SEPL DPO 5% + SEPL Inventory Turns 10% + Dept Exp 5%
- ❖ Commercial/Finance – SEPL FCF 15% + SEPL DSO 15% + SEPL WC Turns 15% + Dept Exp – 5%
- ❖ Mfg – Dept Exp – 25% + Projects Rev 25%
- ❖ Design – Projects Revenue 20% + Projects COGS 20% + Dept Exp – 10%
- ❖ HR & IT – 50% Company + 50% Dept Expense
- ❖ Mfg Cum Components Joint Dept. Head – Company 50% + Mfg 25% + Component 25%

### **Team Leader / Manager:**

#### **A. General Rules**

- The variable pay will be as per the amount mentioned in the salary increment letter
- This amount is considered as “eligible amount”
- The actual incentive paid will be dependent on the actual achievement calculated as per formula mentioned below.
- The payout multiplier described in Figure 1 above is applicable here

Weight age:

Criteria	Weight age
Company Goals	25%
Department Goals	25%
Individual quarterly KRA performance	50%

Individual quarterly KRA performance will be evaluated by his or her manager based on the KRA defined for the individual. Such review will happen every quarter and the assessment score will be considered

### **Individual Contributor:**

#### **A. General Rules**

- The variable pay will be as per the amount mentioned in the salary increment letter
- This amount is considered as “eligible amount”
- The actual incentive paid will be dependent on the actual achievement calculated as per formula mentioned below.
- The payout multiplier described in Figure 1 above is applicable here

#### **B. Weight age:**

Criteria	Weight age
Department Goals	25%
Individual quarterly KRA performance	75%

Individual quarterly KRA performance will be evaluated by his or her manager based on the KRA defined for the individual. Such review will happen every quarter and the assessment score will be considered

## **Sales Staff**

### **A. General Rules**

- a. All sales employees are eligible for the sales incentive scheme excluding contractual and temporary sales staff.
- b. The amount eligible for incentive will be 0.2% of the order booking target for the sales person
- c. The actual incentive paid will be dependent on the actual achievement calculated as per formula mentioned below.
- d. The payout will happen quarterly based on actual performance

### **B. Weight age:**

Criteria	Weight age	Parameter
Order Booking –Value in INR	50%	As defined in KRA
Booked Gross Margin – %	25%	As defined in KRA
Delivered Gross Margin - % #	25%	As defined in KRA

# To be defined between Sales & Projects

## **The Process:**

1. Finance will confirm all numbers at the close of a quarter. All numbers will be taken from the MFR document presented and reviewed by SEPL management for the purpose of this incentive calculation activity.
2. HR will work with Finance to determine the eligible employees based on the targets & actual achievement numbers as confirmed by Finance
3. Department heads will complete the quarterly review with all their staff & submit the individual % achievement – depending on finance data – to HR
4. HR will then calculate the incentives payable as per the criteria mentioned above for all eligible employees
5. Department heads will verify this data & clarify any discrepancy in the same with HR
6. HR will then submit the data for final review & approval to Finance & MD
7. The incentives will be processed & paid out along with the first month's salary of the subsequent quarter
8. All incentive payouts will be done maximum after 2 months of the specific period close. However in case of any specific business situations, the senior leadership team can communicate any delay in payment of incentives accordingly to all concerned.

### Sample Calculation:

#### Scenario 1

Criteria	Weight age	Actual Achievement	Final Score	Total Score	% of the Eligible amount payable as per Figure 1
Department Goals	25%	50%	12.5	12.5 + 56.25 = 68.75%	60%
Individual quarterly KRA performance	75%	75%	56.25		

#### Scenario 2

Criteria	Weight age	Actual Achievement	Final Score	Total Score	% of the Eligible amount payable as per Figure 1
Department Goals	25%	80%	20	20 + 75 = 95%	100%
Individual quarterly KRA performance	75%	100%	75		

#### Scenario 3

Criteria	Weight age	Actual Achievement	Final Score	Total Score	% of the Eligible amount payable as per Figure 1
Department Goals	25%	135%	33.75	34 + 75 = 109%	115%
Individual quarterly KRA performance	75%	100%	75		