

REMUNERATION & REWARD POLICY

Version	Change Description	Section	Policy Author	Applicable Date	Action	Action Date
1.0	New Document	All	Reward Lead	April 1, 2014	Prepared by the Human Resources Department	[•]
					Recommended by the Nomination and Remuneration Committee	[•]
					Approved by the Board of Directors of United Spirits Limited	[•]

Preamble

This remuneration and reward policy (“**Reward Policy**”) documents the current remuneration and reward provisions throughout United Spirits Limited (“**Company**”). This document sets out the policy which provides a best practice context and framework, a set of principles, and a number of guidelines, all of which will guide organisation in the finalisation of a coherent and cohesive set of remuneration and reward policies for the Company. Each region may have its own unique set of reward challenges specific to their region and to its own operational requirements, owned and administered by respective Regional HR department. However, all decisions on remuneration and rewards in the Company should conform to the principles and guidelines set out in this Reward Policy.

1. Applicability & Exclusions

- a) Applicable from April 1, 2014.
- b) All executive employees on the payroll of the Company and its subsidiaries from Grade O02/ S02 and above (including ‘key managerial personnel’, such as the chief executive officer, chief financial officer, manager and other personnel as defined under the Companies Act, 2013), all secretary cadre of employees on the payroll of the Company and its subsidiaries from the Grade P02 to P06 and all staff cadre employees on the payroll of the Company and its subsidiaries of Grades A, B, C and H or such other grade of employees as may be prescribed from time to time.
- c) Managing/ Executive/ Whole Time Director remuneration though governed by the same principles and compensation components as applicable to their grade, remuneration change approval by way of salary, perquisites, benefits etc will be decided in accordance with the provisions of the Companies Act, 2013 and the Listing Agreement by the Nomination and Remuneration Committee
- d) In case of remuneration to non-executive directors by way of commission etc, the same shall comply with the applicable provisions of the Companies Act, 2013 and the Listing Agreement.
- e) The remuneration to the Managing Committee members and employees directly reporting to the Managing Committee and other employees shall be approved by the Executive Committee/Managing Director in terms of this Reward Policy.

2. Introduction

This Reward Policy includes number of components, namely:

- a) Reward philosophy and strategic objectives;
- b) Reward strategy design principles;
- c) Pay mix;
- d) Fixed & Variable pay;
- e) Performance management;
- f) Annual performance bonuses & Incentives;
- g) Long-term (stock-based) incentives;
- h) Recognition & Rewards; and
- i) Service contracts and severance arrangements.

Each of these is discussed in more detail as follows.

3. Reward philosophy and strategic objectives

3.1 The Company is committed to a reward philosophy which focuses on rewarding consistent and sustainable employees and performance. The Company's approach towards remuneration aims to ensure that an appropriate balance is achieved between:

- a) the interests of shareholders;
- b) the interests of the Company;
- c) operational and strategic requirements; and
- d) providing attractive and appropriate remuneration packages to all employees.

3.2 The remuneration practices of the Company have been structured to be competitive in the rapidly evolving industry in which it operates and to ensure that the Company can attract, motivate, reward and retain high calibre people, with above-average industry ability and the leadership potential to effectively run the Company. Among the primary objectives of the reward strategy are the needs to:

- a. reinforce, encourage and promote superior performance;
- b. direct employees' energies and activities towards key business goals;
- c. achieve the most effective returns (employee productivity) for total employee spend;
- d. address diverse employee needs across differing cultures; and
- e. Enhance overall the simplicity, transparency and credibility of all employees' remuneration.

4. Reward design principles

The Company's remuneration policies are designed, within the framework of this Reward Policy, to ensure that employees are fairly rewarded for their contribution to the Company's operating and financial performance in line with its organisation objective; and rewards are aligned with industry and market benchmarks. The remuneration policies conform in all material respects to the best practices being followed in industry and in line with compliance and statutory obligations. Furthermore the Company consciously values multigenerational differences within the workforce and designs, implements and/or communicates total rewards programs accordingly. The principles that reflect and drive the Company's reward strategy are:

- a. **Competitive pay levels:** the Company is committed to paying remuneration packages that are competitive in the sectors in which it operates;
- b. **Pay for performance:** remuneration practices will reward high-performing employees for the contribution they make to the Company;

- c. **Cost management:** the Company will manage the total cost of employment for all employees;
- d. **Holistic approach:** the Company chooses to adopt an integrated approach to reward strategy, encompassing a balanced design and pay mix that includes all of the following components:
 - fixed pay
 - performance management
 - annual incentive pay rewarding both business performance and individual / team performance
 - stock-based incentives for key executives, managers, key talent and scarce skills
 - non-financial rewards and recognition
- e. **Regular revision:** the Company recognises that, in its current strategic environment, this reward strategy and each of its components are dynamic and should be revisited regularly to ensure that the Company keeps pace with market practices, and its evolving organisational context and objectives; and
- f. **Communication:** the Company is committed to ensuring that all stakeholders are aware of its reward strategy and policy guidelines.

In the policy that follows, these principles have been utilised to design a set of guidelines for each component of the Company remuneration and reward strategy.

5. Pay mix

Pay mix is defined as the balance targeted between the major components of remuneration, namely:

- a. Fixed pay – Cost of employee to Company(CTC)
- b. Variable pay – Annual performance bonus and long-term incentives

The Company has adopted a pay mix policy that supports the philosophy that the performance-based pay of senior employees should form a significant portion of their expected total compensation, and furthermore that, within performance-based pay, an appropriate balance should be targeted between rewarding long-term sustainable performance (through long-term stock option incentives), and rewarding operational performance (through annual performance bonuses). The mix of fixed and variable pay is thus designed to meet the company's operational needs and strategic objectives, based on targets that are stretching, verifiable and relevant.

The pay mix for the rest of the employees will vary in accordance with market benchmarks and operational context. Furthermore, the performance based pay is applicable to all for rewarding operational performance (through annual performance bonuses). It should be borne in mind that in practice the pay mix will vary as:

- a. Annual performance bonuses may be less than targeted, or greater than targeted should "super" financial performance above that targeted occur.
- b. Similarly, the rewards from long-term stock-based incentives will vary from year to year depending on vesting and exercise patterns, and the impact on share price performance.

6. Fixed pay

- a) The total employment cost in the Company, of which fixed pay is the major component form a reasonable portion of total operating costs. The Company manages fixed pay levels using Cost to the Company of employees (CTC), which incorporates basic salary, other relevant allowances, retirals, health and wellness benefits. This approach has been adopted to ensure

that the cost of the remuneration package paid to employees is controlled by the Company, and does not leave open-ended liabilities.

- b) The Company operates in a fast moving consumer goods factor where skilled and experienced talent is difficult to come by, and even difficult to motivate, reward and retain. This is more the case for experienced executive talent. Hence the Company adopts a selective policy of positioning professional and key talent remuneration between the median and upper-quartile level of the market, and Management team at the upper-quartile level of the market.
- c) The Company continually checks its total direct compensation package against key competitors and strives to compensate employees in line with market condition to attract and retain right talent across business lines. Such knowledge is acquired through conducting annual benchmark exercises.

7. Variable pay & Incentives

- a) The wealth creation scheme such as bonuses and incentives are vital for the retention of top performers and drive performance culture. The Company practises sales incentive schemes, bonus linked to individual and organisation deliverables and rewards the achievements of Company financial performance as well as strategic and personal performance objectives as agreed beforehand. This satisfies itself that the performance criteria utilised are relevant, stretching and designed to take care of stake holders best interest.
- b) Furthermore, the Company has identified that the talent pool of succession ready, key performers and hot job are where the knowledge and performance nodes lie and are critical to business success. Talent retention bonuses act as a retention tool and it is necessary to nourish the investment in these talent pools and the Company can offer retention bonuses to protect business continuity and interests.

8. Long-term incentives

The Company offers stock linked incentive schemes to select senior management to ensure that a significant portion of the senior management team remuneration is oriented towards organisation performance, thereby aligning their interests with the shareholders. The Company believes such schemes provide opportunities for employees to reap the seeds of their contribution in organisation building. A combination of stock linked incentive scheme and long term stock option plan will allow the Company to remain competitive, reward long term sustainable company performances, act as a retention tool and ensure that executives share a significant level of personal risk with the shareholders.

9. Performance Management

The Company has a formal framework for performance management that is directly linked to either increases in CTC, or to annual performance bonuses. The performance management and assessment exercise is practised across organisation as against Balance Score Card and / or Key Performance Indicators

For employees specific key performance areas and stretched targets for each employees to attain are set by the relevant RPC business head / functional head and the management team BSC need to align with overall organisation objectives.

10. Annual Merit Increases

Annual Merit Increases are determined by the HR after discussions with the Business President and takes into consideration market related increases, individual performance, Company's performance and other relevant economic indicators. Over all increases will typically reflect the market bench mark increases, with individual increases varying according to an assessment of individual performance / worth. Post the annual merit increase, the revised salary ranges are documented for positioning the new employees through the recruitment process. The current salary ranges are provided in **Annexure C** and are subject to periodic changes.

11. Off-cycle increases

As part of succession management/ career path process at the Company, if the employees with horizontal or geographical rotational moves within the organisation are not in line with the market positioning, off cycle increases can be effected to ensure competitiveness and fairness prevails while the employee is encouraged to experiment outside the comfort zone and take up new roles

12. Market corrections

While annual benchmark exercise indicate that the positioning of roles with reference to the job market is not competitive, a market correction may be implemented to ensure that company external parity is maintained for those roles across functions and/or grade

13. Grade Structure

The Company has a defined grade structure for its employees and the employees of its subsidiaries and **Annexure A** provides the details. The bands denote the broad categorization of the grades.

14. Gradewise compensation components & benefit plans

The Company's compensation & benefit plans are linked to grades and are included as part of the employee's Cost To Company. Some benefits are mandatory which are regulated by law while others are voluntarily offered to fulfill the need of specific employee population. Benefit plans are typically not provided in cash but form the basis of the employee total compensation and benefit package. **Annexure B1 & B2** provides the gradewise compensation components and the benefits plan applicable

15. Promotions

Employees who have expanded their job role or have a change of job role as part of succession management can be considered for promotion to the next grade subject to nomination from the manager and seconded by the head of the function/region. Promotions are an annual exercise with exceptions to coincide with business requirement. The Promotion policy guideline provides a detailed process for this exercise

16. Recognition and Rewards

While reward is one face of the coin, the other equally impactful face of the coin is recognition which goes a long way in engaging and motivating the right talent. The Company encourages building of a recognition culture where employees feel proud to be associated with. As a total reward strategy, spot recognition awards by the immediate manager for going over and above the call of duty; Team Awards which showcases camaraderie and collaboration; Business Head / President Annual Awards will be institutionalized. Similarly, the thrust will be to invest a significant percentage of total employees cost year on year towards nurturing and developing the careers, enhancing the skill sets, thereby

maintaining the competitive edge and employees aspiration in line with management delivery expectation.

17. Service contracts and severance arrangements

Employees are subject to the Company's standard terms and conditions of employment and in line with the provisions of applicable law, including the Companies Act, 2013 (if any). As a general guideline, when separating the services of an individual for an operational reason is to pay a severance package which is not less than the minimum prescribed by the law at the relevant time. Furthermore, the Company shall take into consideration organisation reputation risk and talent risk aim to apply the terminal cost scheme, considering the best practices being followed by the industry. This scheme will address both, the retention level of the senior management and key personnel but also being fair as and when Company decide to separate the key team member for any reason, whatsoever.

18. Reward Tools & Communication

The Company utilizes an integrated reward system for compensation planning which provides managers the flexibility to recommend salary planning within the defined budget allocated and the salary ranges for a given performance rating. The system is online and empowers manager's to make recommendation to ensure high degree of transparency in the process and adherence to fairness principles yet driving differentiated reward.

19. Financials

All components of compensation & benefit plans are designed with the projected costs being budgeted within the annual HR budget. HR Budgets covers all compensation & benefits components excluding Contribution Improvement Incentive Scheme (CRIIS) – one variable pay component which is applicable only when the company exceeds the EBIDTA target and is funded from the profit and loss account.

20. Remuneration Governance

The Nomination and Remuneration Committee constituted by the board of directors in accordance with the Companies Act, 2013 and the Listing Agreement, may make any adjustment or change to the Reward Policy.

The annual merit increases, bonuses and the incentives are determined by Human Resources after discussions with the Business President and takes into consideration the market benchmark increases and relevant economic indicators and will be based on the principles laid down in this Reward Policy.

ANNEXURE A

Executive cadre:

Band	USL Grade	Typical Designations
Advanced Leader	UC1	Joint President / President / Executive Director/ Managing Director
	UC2	Deputy President
	UC3	Executive Vice President
Developing Leader	M1A	Senior Vice President
	M01	Divisional Vice President
Emerging Leader	M2A	Assistant Vice President
	M02	Senior General Manager
	M3A	General Manager
	M03	Deputy General Manager
Budding Managers	M04	Senior Manager
	M05	Manager / Area Sales Manager
Individual Contributors	M06	Senior Executive / Area Sales Executive
	O03/ S03	Executive/ Senior Territory Sales Executive
	O02/ S02	Executive / Territory Sales Executive

Secretary Cadre:

Band	USL Grade	Typical Designations
Secretarial Support	P02 – P06	Secretary/ Executive Secretary/ Confidential Secretary

Staff Cadre:

Band	USL Grade	Typical Designations
Staff	A, B, C, H	Assistant, Driver, Office Boy etc

ANNEXURE B1

Grade based compensation components:

Element	Component	UC1	UC2, UC3	M1A, M01, M2A, M02	M3A	M03	M04, P06	M05, M06, P04, P05	O03/O02 P03/ P02	S03, S02	
Fixed Pay	Basic, Personal, Special Allowance	Basic and Personal Allowance applicable to all. Special Allowance only applicable to UC1									
	Company Lease/ HRA	HRA / Company Lease (50% / 60% of Basic)					50% Basic HRA		Fixed HRA		
	Domiciliary Medical	Paid at actuals for self & family				Capped at one month basic per annum					
	Flexi Compensation Package (FCP)	LTA, Food Coupon, Car allowance, Fuel Driver (up to M03), House Maintenance (up to M03)						LTA, Food Coupon, Conveyance Allowance			
Retirals	National Pension Scheme (voluntary)	Optional – 10% of Basic									
	Superannuation	Company contribution mandatory – 15% of Basic									
	Provident Fund, Gratuity	Compliant to law - Provident Fund – 12% of Basic, Gratuity as per policy									
Variable Pay	Sales Incentive Scheme						Applicable to all frontline sales employees				
	Annual Performance Evaluation Plan (PEP)	Based on Individual Performance Rating								Bonus as per Act	
	Contribution Improvement Incentive Scheme (CRIIS)	Based on Company, Region & Local performance									
	Long Term Incentive Program	Role based and is applicable to few key senior employees									

ANNEXURE B2

Grade wise Fringe benefits:

Element	UC1,UC2, UC3	M1A, M01,	M2A, M02	M3A, M03	M04	M05, M06	O03, O02	S03, S02
Utilities	Applicable							
Mobile usage (Tools of trade)	Actuals	Actuals	Max INR 2000 pm		Max INR 1000 pm		Max INR 750 pm	
Landline usage	Applicable on actuals							
Club Membership	2 Clubs	1 Club						
Home Appliances	Graded benefit 2.1L to 70K							
Life, Personal Accident Insurances	Applicable							
Medical Insurance	Applicable							

ANNEXURE C

Band	USL Grade	Typical Designations	Current Annual CTC Range (lakhs)
Advanced Leader	UC1	President / Executive Director/ Managing Director	460 – 1500
	UC2	Deputy President	220 – 450
	UC3	Executive Vice President	188 – 390
Developing Leader	M1A	Senior Vice President	87 – 240
	M01	Divisional Vice President	58 – 130
Emerging Leader	M2A	Assistant Vice President	45 – 110
	M02	Senior General Manager	36 – 80
	M3A	General Manager	26 – 60
	M03	Deputy General Manager	18 – 50
Budding Managers	M04	Senior Manager	10 – 30
	M05	Manager / Area Sales Manager	6 – 20
Individual Contributors	M06	Senior Executive / Area Sales Executive	4 – 15
	O03/ S03	Executive/ Senior Territory Sales Executive	3 – 12
	O02/ S02	Executive / Territory Sales Executive	2.5 – 8