

## Total Rewards

### DSP Total Rewards Framework

DSP Investment Managers Private Limited (DSP) follows a **Total Rewards** framework which includes Fixed Compensation, Performance Pay, The One DSP Program (ESOPs) & Benefits, while providing an enabling environment for learning & growth.

Key principles factored in rewards framework are:

- The framework should be consistent with and designed to promote sound and effective risk management, including sustainability risks (where these are applicable),<sup>1</sup> within the Company.
- It is based on equal pay for male and female staff for equal work or work of equal value
- To ensure the fair treatment of clients DSP remuneration policies and practices are designed in such a way as to avoid a conflict of interest that may lead staff to favour their own interests or the company's interest to the potential detriment of any clients
- Remuneration and similar incentives are not solely or predominantly based on quantitative commercial criteria, and include appropriate qualitative criteria reflecting compliance with the applicable regulations, the fair treatment of clients and the quality of services provided to clients as set out further below in section 1 B.

---

<sup>1</sup> Any references to sustainability risks in this policy are applicable to the staff whose work is connected with the European funds. For the definition of sustainability risks please refer to the sustainability risk disclosures available on the website and in the prospectus of the European Funds.

- The remuneration framework and practices are overseen by the Board with input from Compliance and are implemented by the senior management. The practices are flexible enough to allow, when deemed appropriate, to pay no variable remuneration.
- Staff engaged in control functions are independent from the business units they oversee, have appropriate authority and are remunerated in accordance with the achievement of the objectives linked to their functions, regardless of the performance of the business areas they control.
- The Company acknowledges that an individual employee's remuneration, must be consistent with and promote sound and effective risk management and not encourage risk-taking that exceeds the level of tolerated risk of the Company.
  - The risks which can impact the reputation of the Company or could result in mis-selling, poor servicing to clients or compromise of their interest would qualify as a risk beyond tolerance level (meaning a risk deemed to be very low to low).
- The risk-limiting features of these remuneration policies include amongst other things application of non-financial metrics, such as an assessment of an employee's compliance with the risk management and compliance policies, including the sustainability risk policy<sup>2</sup>.

## Compensation at DSP is influenced by:

### Performance:

Performance at DSP is assessed after taking an overall view of what an employee has achieved along with how an employee has accomplished it. Sustainability risks are taken very seriously by DSP. This covers any

---

<sup>2</sup> Any references to sustainability risks in this policy are applicable to the staff whose work is connected with the European Funds. For the definition of sustainability risks please refer to the sustainability risk disclosures available on the website and in the prospectus of the European Funds.

environmental, social or governance (“ESG”) event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment (e.g. the financial condition or operating performance of an investee company). DSP has hence opted to integrate ESG into the team’s investment process. This means that analysts and portfolio managers are actively aware, to the extent possible, of the ESG footprints of the companies under their research and within their portfolios. For instance, analysts incorporate ESG scores and qualitative analysis in their stock recommendations, while portfolio managers review these recommendations, and engage with investee companies on ESG matters along with the analysts. Performance for the analysts is evaluated based on multiple factors including a) the performance of their inputs to a model portfolio, b) their fundamental theses on stocks and c) the effectiveness of their stock recommendations (such as a Strong Buy should outperform a Strong Sell and not vice versa). Performance for the portfolio managers considers not just fund returns and risk across rolling periods, but also adherence to their communicated investment frameworks. Given the lack of ESG disclosures for many companies in India, we do not currently isolate ESG factors while evaluating Analyst / Portfolio Manager performance. Rather, as described above, ESG forms a part of the overall stock recommendation by the analysts and and stock selection by the portfolio managers.

**Position:**

The market trend of compensation for the position is another key factor that contributes towards compensation decisions.

**Potential:**

Potential is the firm's view of an employee's ability to take higher roles and responsibilities. Compensation is influenced by the value of the role to the firm – economics, return and criticality to DSP's success.

## What is DSP's compensation approach?

DSP takes a 'total compensation' approach in making compensation decisions. This means individual compensation decisions focus on total compensation versus any one component of pay.

## Components of Total Rewards

1. **Total Compensation:** The sum of an employee's annual cash compensation is called Total Compensation. This includes fixed compensation and performance pay.

**A. Fixed Compensation:** It includes basic salary, allowances and retirals like provident fund and gratuity.

The firm's ability to pay plays an important role in determining fixed compensation levels and changes. Other factors that are used in determining fixed compensation include:

- ▶ The employee's role, knowledge, skills and abilities
- ▶ Fixed compensation of comparable employees within department and the firm & market data (from a location and role perspective)

**B. Performance Pay:** This is an annual payment made at the sole discretion of the firm to reward performance. It is a one-time payment that must be re-established and re-earned for each performance period (generally calendar year). The amount changes directly with the level of performance or results achieved.

The performance pay at DSP is:

- Tied to firm, business unit and individual performance
- Influenced by criticality of role, market competitiveness
- Performance does not just include quantitative factors but also include qualitative factors for Performance Pay and continuity of employment as set out below in the “individual performance” section.

The key attributes of Performance Pay are:

- **Firm’s Financial Performance:** One of the prime drivers of the aggregate bonus pool is Pre Bonus Operating Profit before Tax. Generally, Bonus pool directionally moves in line with Pre Bonus Operating Profit before Tax.
- **Function Performance & Allocation:** The bonus pool allocation is made based on the performance of each business unit. Generally, the dimensions considered for evaluating performance are Financial results, Business initiatives, Talent and Culture.
- **Individual Performance:** Based on individual performance, total compensation is differentiated through the firm’s annual performance pay. Other factors which plays a role in annual performance pay are:
  - Any change in the role
  - The scope of the current job expands or contracts
  - Market pay level increases or decreases for a role
  - Potential of the employee

- Compliance with the Company's policies, including compliance with external rules & regulations.

Employee who join before Q4 (October 1) of calendar year and is employed in good standing is eligible for performance pay and fixed compensation revision. Employees have to be active employee (status not resigned) on the performance pay payment date.

### **C. The One DSP Program (Employees Stock Option Plan):**

- The objective of the 'One DSP' scheme is to drive ownership culture while giving a wealth creation opportunity to employees.
- Under the scheme, options have been awarded to eligible employees based on their role, experience, grade, performance and potential. The individual grant of options is recommended by the management and approved by the Nomination and Remuneration Committee.
- These awards are not considered as a part of Total Compensation.

**D. Employee Benefits:** These are non-cash benefits in addition to Total Compensation, designed to protect an employee and his or her family from some financial risks.

- **Group Insurance**

- **Medical Insurance Scheme:** This scheme provides for hospitalization benefits. This family floater insurance policy covers an employee and his/her 3 dependents, subject to a cap. The employee will share a fixed percentage of the claim amount of dependent parents.

- **Life Insurance Scheme:** This scheme provides a grade-based life insurance cover in case of the unfortunate event of an employee's death.
- **Accidental Insurance Scheme:** This is also a grade-based accident cover given to employees in case of any eventuality due to an accident.
- **Staff Personal Loan:** Eligible employees can avail a staff personal loan, which is a multiple of their monthly basic salary at a rate decided by the Company from time to time.
- **Annual Health Check Up:** Employees are entitled for an annual health check- up plan as per their age profile.
- **Leave Benefits** are provided to enable healthy work life balance. Along with paid leaves, we have provisions for Adoption, Maternity, Paternity and Marriage Anniversary Leaves.

## General Guidelines

- The remuneration policy statement and practices is overseen by the Boards of the Company with input from Compliance and are implemented by the senior management. The practices are flexible enough to allow the relevant entities, when deemed appropriate, to pay no variable remuneration.
- Staff engaged in control functions are independent from the business units they oversee, have appropriate authority and are remunerated in accordance with the achievement of the objectives linked to their functions, regardless of the performance of the business areas they control.

- The Company acknowledges that an individual employee's remuneration, must be consistent with and promote sound and effective risk management and not encourage risk-taking that exceeds the level of tolerated risk of the Company.
- The risk-limiting features of these remuneration policies include amongst other things application of non-financial metrics, such as an assessment of an employee's compliance with the Company's risk management and compliance policies including the Sustainability Risk Policy<sup>3</sup>.
- The Company carry out an assessment of the employees performance, when assessing and determining variable remuneration. For relevant individual employees, the qualitative criteria used include an assessment of whether the relevant individual employee has complied with the Company's policies, including the Sustainability Risk Policy<sup>4</sup>.
- This assessment of compliance with the various risk policies is being monitored on an ongoing basis carried out by Operational and Compliance Risk Committee. Where there is a negative assessment of overall compliance by an individual is factored in annual appraisal process with the Sustainable Risk Policy<sup>5</sup> and this may result in a reduction in the variable remuneration amount which would otherwise have been awarded to that individual.

---

<sup>3 4</sup> Any references to sustainability risks in this policy are applicable to the staff whose work is connected with the European Funds. For the definition of sustainability risks please refer to the sustainability risk disclosures available on the website and in the prospectus of the European Funds.