

## **PSP QUESTIONS & CLARIFICATIONS (US & CANADA ONLY)**

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*Disclaimer: The information here is current for the 2021 process and is provided for informational purposes only. The 2022 process may differ from what is described here. Note also that Zoho's bonus program is discretionary, based on current business conditions and company profitability. Past PSP practices are in no way indicative of future practices.*

### **Q. What is the PSP?**

The PSP stands for Profit Sharing Program. It has been instituted as a way for Zoho to share its profits with its employees. This is a cash distribution in addition to the regular salary and eligible annual raises (awarded through the CAR process). The PSP is awarded in April of the calendar year.

### **Q. Who is eligible for the PSP?**

All full-time employees of Zoho are eligible for the PSP. Consultants and contractors are not, unless they have previously converted to employees. For consultants who later convert to employees, in most cases they receive some credit for their time as a consultant.

Since the PSP is a reflection of the past year, the employee should have been employed with the company for the year, ending April. However, Zoho is flexible in this regard and cuts employees slack in two ways. First, we will provide a *pro-rated* distribution for any employee who has been with the company for at least six months to April 15, as a full-time employee. This means an employee who has been with us for 7 months (but less than 8) will get 7/12 the distribution they would have earned had they been employed the entire year to April. Second, those full-time employees who have been with us for at least 10 months to April will qualify for the entire 12 months.

### **Q. Is there a fixed distribution each year and is it guaranteed?**

No, to both. Except for 2020, Zoho has been distributing the PSP every year at least since 2014. The PSP is not guaranteed in any year, even if that year has been profitable for Zoho, since it is based on the company's outlook on economic and financial conditions. That said, in most years it has been around 1.5X your monthly salary (has varied a bit on both sides of this number).

### **Q. Is the PSP performance-based?**

Since the PSP is seen as primarily a profit sharing program, it is currently based on company performance, rather than individual performance. Your annual raise (through the CAR program) is based in individual performance. In other words, all PSP distributions are a calculated percentage of salary, based on eligibility over that year.

**Q. What happened in 2020?**

We held back the PSP in 2020, given the massive economic uncertainty brought about by the pandemic. Our immediate focus at that time was to preserve two things first: jobs and cash. As you all know, our company has to manage through any crisis only through its reserves and cash flow, so keeping both robust while we waited out the pandemic was the plan. Such prudence has kept us in business through multiple downturns.

**Q. What is reflected in the 2021 PSP number?**

The PSP for 2021 includes a distribution for both the 2021 year and for the 2020 year. This year we are offering a maximum distribution of 2.75X monthly salary to cover both years. This is entirely calculated on your current salary (and not on your 2020 salary, which would have been the case for the 2020 portion, had it been awarded last year), so it's effectively somewhat higher. The PSP is arrived at in discussions with executive leadership. Keep in mind that 2.75X is the maximum number. Employees not eligible for 2020 at all will see a maximum of 1.5X for 2021. Some employees (based on their tenure) were also only partially eligible for 2020, even if they were fully eligible for 2021, so they will see an intermediate multiple.

**Q. When will I see this money?**

This distribution will go out along with the April 15 paycheck. The amount on the check will be net of withholdings, based on your selections.

**Q. What should we expect going forward?**

The PSP is never guaranteed, unlike your salary (as long as you hold employment!). In 2021 we made up the PSP for 2020, but this is not to be taken as a guarantee in future years either. We fully expect to continue to distribute this each year as we all expect and work hard to keep Zoho growing and remain consistently profitable. Thanks to you all.

Finally, let's end with the advice that Sridhar always provides. Don't live and manage your expenses in expectation of the PSP. That's always a bad idea and is a way to start living beyond your means. In fact, make a diligent effort to put this money into your savings or investments. Do this early in your career. Savings compound. You (or your lucky children!) will be thankful for this advice in future years.