

## **Mahindra CIE Automotive Limited**

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# **Policy on Remuneration of the Directors, Key Managerial Personnel and other Employees**

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## MAHINDRA CIE AUTOMOTIVE LIMITED

### **POLICY ON REMUNERATION OF THE DIRECTORS, KEY MANAGERIAL PERSONNEL, SENIOR MANAGEMENT AND OTHER EMPLOYEES**

#### **Introduction**

Pursuant to Section 178 of the Companies Act, 2013 (the Act), and rules made thereunder and Regulation 19 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") as amended and other applicable provisions of the Act and Listing Regulations, the Company has formulated this Policy relating to the remuneration for the Directors, key managerial personnel and other employees.

This Policy sets out the approach to remuneration of Directors, Key Managerial Personnel (KMPs), Senior Management (SM) and other employees of Mahindra CIE Automotive Limited ("Company").

#### **Policy Statement**

We have a defined Compensation policy for employees of each of the business divisions of the Company and for Directors and Key Managerial Personnel. The overall compensation philosophy which guides us is that in order to achieve global leadership and dominance in domestic markets, we need to attract and retain high performers by compensating them at levels that are broadly comparable with the industry while differentiating people on the basis of performance, potential and criticality for achieving competitive advantage in the business.

In order to effectively implement this, we should also build our Compensation structure by regular benchmarking over the years with relevant players across the industry we operate in.

#### **DEFINITIONS**

The definitions of some of the key terms used in this Policy are given below.

**"Board"** means Board of Directors of the Company.

**“Company”** means Mahindra CIE Automotive Limited.

**“Committee(s)”** means Committees of the Board for the time being in force.

**“Employee”** means employee of the Company whether employed in India or outside India.

**“HR”** means the Human Resource Department of respective divisions/plants/offices of the Company, as the context may require.

**“Key Managerial Personnel”** or **“KMP”** shall have same meaning as assigned in Section 2(51) of the Act.

In line with the said definition, the KMP of the Company shall include the followings:

- i. **Whole time Directors (WTDs)-designated as Executive Director;**
- ii. **Chief Executive Officer of a business division (CEOs);**
- iii. **The Chief Financial Officer (CFO); and**
- iv. **The Company Secretary (CS)**

**“Nomination and Remuneration Committee”** or **“NRC”** means Nomination and Remuneration Committee of Board of Directors of the Company constituted under Section 178 of the Act and Regulation 19 of the Listing Regulations.

**“Senior Management”** shall have same meaning as assigned to it in Section 178 of the Act and Regulation 16 of the Listing Regulations.

In line with the said definition of Senior Management, the Senior Management (SM) of the Company shall include the Chief Executive Officer of business divisions of the Company, the Chief Financial Officer, the Chief Business Controller, the Chief Investors Relations Officer and the Head of Strategy, the Company Secretary and an employee appointed at the Grade L2S & above.

All other words or expressions used but not defined in this Policy but defined in the Companies Act, 2013 (the Act), Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”) shall have the same meaning as respectively assigned to them in the Act, Rules or Listing Regulations or any statutory modification or re-enactment thereof.

## **Guiding Principles**

The remuneration shall be consistent with the competitive position of the salary for similar positions in the industry and their Qualifications, Experience, Roles and Responsibilities. It shall be ensured that the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate personnel of the quality required to run the Company successfully.

The remuneration to Directors, Key Managerial Personnel and Senior Management Es shall involve a balance between fixed and variable pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals. The relationship of remuneration to performance shall be clear and should meet appropriate performance benchmarks.

## **Non-Executive including Independent Directors:**

The Nomination and Remuneration Committee (NRC) shall decide the basis for determining the compensation, both Fixed and variable, to the Non-Executive Directors, including Independent Directors, whether as commission or otherwise and submit its recommendations to the Board. The NRC, while making its recommendation, shall take into consideration various factors such as director's participation in Board and Committee meetings during the year, other responsibilities undertaken, such as membership or Chairmanship of committees, time spent in carrying out their duties, role and functions of the Independent Directors as envisaged in Schedule IV of the Companies Act 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR) as amended from time to time and such other factors as the NRC may consider deem fit. On recommendation of the NRC, the Board shall determine the compensation to Non-Executive Directors within the overall limits specified in the Shareholders resolution.

## **Executive Directors:**

The remuneration to Executive Director(s) shall be recommended by NRC to the Board within the overall limits specified in the Shareholders resolution. The remuneration shall consist of both fixed compensation and variable compensation and shall be as per the Remuneration Structure provided hereinunder. The Executive Directors may be granted Employees Stock Options or Stock Appreciation Rights or such other benefits as provided hereinunder in accordance with the relevant policies/schemes framed by the Company, from time to time.

## **Key Managerial Personnel (excluding Executive Directors) (KMPs) and Senior Management**

The Board, on recommendation of the Nomination and Remuneration Committee, shall approve the remuneration payable to KMPs and Senior Management at the time of their appointment/promotion.

Remuneration of KMPs and Senior Management shall consist of both fixed compensation and variable compensation and shall be as per the Remuneration structure provided herein.

The KMPs and Senior Management may be granted Employees Stock Options or Stock Appreciation Rights or such other benefits, as provided hereinunder, in accordance with the relevant policies/schemes framed by the Company, from time to time. The terms of remuneration of Chief Financial Officer (CFO) shall also be approved by the Audit Committee.

The statement of remuneration paid to Directors, KMPs and Senior Management during the Financial Year shall be placed before the Nomination and Remuneration Committee and the Board of Directors on annual basis.

## **Other Employees**

Remuneration for the employees other than Executive Directors, KMPs and Senior Management will be decided by the HR of the respective divisions / plants/offices of the Company, as the case may be, in consultation with the concerned head of the Business Division, depending upon the relevant job experience, last compensation and the skill-set of the selected candidate and shall be as per the Remuneration Structure provided hereinunder.

## **Remuneration Strategy**

We should follow a differential approach in choosing the comparator basket for benchmarking, depending upon the levels in the organization:

- a) For all employees from Operational to Executive Band, we should benchmark with a set of comparators from the same industry.

- b) For Strategic band and above, we should have a position-based approach and the comparator basket may include benchmarks from across relevant industries.

## Remuneration Structure

### Cost to Company

We have a CTC (Cost to Company) concept which includes a fixed component (Guaranteed Pay) and a variable component (Performance pay). The percentage of the variable component increases with increasing hierarchy levels, as we believe employees at higher positions have a far greater impact and influence on the overall business result. The CTC is reviewed once every year and the compensation strategy for positioning of individuals takes into consideration the following elements:

- ❖ Performance
- ❖ Potential
- ❖ Criticality
- ❖ Longevity in grade

Components of CTC\*:

A1	Basic Pay and /or Additional Basic Pay (Fixed Pay)
a	Contribution to PF (at the % as may be prescribed on the PF Base)
b	Gratuity (at the % as may be prescribed on the PF Base.)
c	Superannuation (at the % as may be prescribed)
A2	Total Retrials (a + b +C)
A	Total (A1 + A2)
	Allowances and Perquisites (Flexi Pay)
B1	House Rent Allowance
B2	Conveyance Allowance / Car Allowance
B3	Supplementary Allowance (not reckoned for PF)
B4	Education Allowance
B5	Medical Reimbursement / Allowance
B6	Company Leased Vehicle
B7	Car maintenance
B8	Drivers Salary
B9	Leave Travel Allowance
B	Total of (B1 to B9)
C	Statutory Bonus
D	Performance Pay**
	Total CTC (A+B+C+D)

\* Allowances/perquisites payable to an employee and the categories of allowances / perquisites allowable, shall depend on the Position at which such employee is appointed (in particular the allowance/perquisites mentioned at B6 to B8), the established practices and procedures of each of the divisions and shall be approved by the Chief Executive of respective Divisions on recommendation of HR Head of respective division/plant/ office of the Company, as the case may be.

\*\*The performance pay money amount awarded to an Individual executive is a function of his own performance and the business performance of the Company/Division as per the weightage given in the table below. The amount of performance pay assumed in the CTC shall be at 60% of the maximum entitlement of an employee at 100% performance level. Actual payout will depend on Individual's performance and the year's business performance.

<b>Band</b>	<b>PP % Business Share</b>	<b>PP % Individual Share</b>
Strategic	50%	50%
Executive	40%	60%
Department Head	30%	70%
Managerial and Operational upto (Deputy/Assistant Manager)	20%	80%
Operational	Performance Pay not applicable but Ex-gratia is paid	

## **Employees Stock Options**

The Company may also grant Stock Options to the Employees (including KMPs and SMPs) and Directors (other than Independent Directors and Promoter) in accordance with the ESOP Scheme of the Company and subject to the compliance of the applicable statutes and regulations.

## **Stock Appreciation Benefits**

The Company may also grant Stock Appreciation Benefits to the Employees (including KMPs and SMPs) and Executive Directors in accordance with the Stock Appreciation Benefit Policy approved by the Board of Directors on recommendation of the Nomination and Remuneration Committee, subject to the compliance of the applicable statutes and regulations.



## **Joining or Retention Bonus**

To attract and retain talent, the Company may offer Joining or Retention Bonus to its Employees (including KMPs and SM) and absorb certain joining expenses in accordance with hiring and relieving policy of the Company.

## **Other Entitlements**

Depending on the Grade and Responsibilities, the Employees (including KMPs and SM) and Directors may also be entitled to telephone, internet and other communication facilities, medical and personal accident insurance for self and dependent family members, Encashment of Leave not Availed and other benefits in accordance with Policy made by the Company.

**Annexure****Version History**

<b>Version</b>	<b>Date of amendment</b>	<b>Change &amp; Reason for change</b>
Version 1	11 <sup>th</sup> May, 2015	NA
Version 2	21 <sup>st</sup> July, 2020	The Policy was amended inter alia, to align it with the amendments in Listing Regulations and the Act.
Version 3	19 <sup>th</sup> February, 2021	The Policy was amended to include "Stock Appreciation Benefit" as one of the component in the Remuneration Structure of the Company.
Version 4	25 <sup>th</sup> April, 2023	The Policy was reviewed as per the policy review cycle and amendments were made inter-alia to bring more clarity in alignment with provisions in SEBI (LODR) Regulations, 2015.