

POLICY ON REMUNERATION OF THE DIRECTORS, KEY MANAGERIAL PERSONNEL AND OTHER EMPLOYEES

Purpose

This Policy sets out the approach to Compensation of Directors, Key Managerial Personnel and other employees in Mahindra CIE Automotive Limited.

Policy Statement

We have a defined Compensation policy for employees of each of the business divisions of the Company and for Directors, Key Managerial Personnel including the Chairman. 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.

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 as envisaged in Schedule IV of the Companies Act 2013 and Clause 49 of the Listing Agreement with Stock Exchanges 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 Chairman, Managing Director and Executive Director(s) shall be recommended by NRC to the Board. The remuneration consists of both fixed compensation and variable compensation and shall be paid as salary, commission, performance bonus, stock options (where applicable), perquisites and fringe benefits as approved by the Board and Shareholders. While the fixed compensation is determined at the time of their appointment, the variable compensation will be determined annually by the NRC based on their performance.

Key Managerial Personnel (Excluding Managing Director and Executive Directors) (KMPs)

Pursuant to the provisions of section 203 of the Companies Act 2013 the Board shall approve the remuneration of KMP at the time of their appointment on recommendation of the Nomination and Remuneration Committee. Remuneration of KMPs shall consist of both fixed compensation and variable compensation and shall be paid as salary, commission, performance bonus, stock options (where applicable), perquisites and fringe benefits as approved by the Board on recommendation of the Nomination and Remuneration Committee. The terms of remuneration of Chief Financial Officer (CFO) shall also be approved by the Audit Committee.

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.

The remuneration to directors, KMPs and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals.

Annual increments and performance pay shall be given to Key managerial Personnel's (except for Executive Directors) in accordance with policy of the Company and any Executive Director of the Company is authorized to approve the same.

Senior Management Personnel's and other Employees

We should follow a differential approach in choosing the comparator basket for benchmarking, depending upon the level 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.

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

Remuneration for the new employees other than KMPs will be decided by the HR of the respective divisions / plant as the case may be, in consultation with the concerned head of the Division, depending upon the relevant job experience, last compensation and the skill-set of the selected candidate.

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. Currently 12.00%)
b	Gratuity (at the % as may be prescribed on the PF Base. Currently 4.81%)
A2	Total (a + b)
A	Total (A1 + A2)
	Allowances
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, 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 Individuals performance and the years's business performance.

Band	PP % Business Share	PP % Individual Share
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	

The Company may also grant Stock Options to the Employees 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.

For and on behalf of the Board

Hemant Luthra
Chairman
DIN: 00231420

Date: 23rd February, 2017

Place: Mumbai