

MAHINDRA LOGISTICS LIMITED

**POLICY ON APPOINTMENT AND REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT AND
SUCCESSION PLANNING**

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POLICY ON APPOINTMENT AND REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT AND SUCCESSION PLANNING

DEFINITIONS

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

“**Act**” means the Companies Act, 2013 and rules framed thereunder (including any statutory modification(s) or re-enactment(s) thereof.

“**Board**” means Board of Directors of the Company.

“**Company**” means Mahindra Logistics Limited.

“**Employee**” means employee of the Company whether employed in India or outside India including employees in the Senior Management Team of the Company.

“**Key Managerial Personnel**” or “**KMP**” refers to Key Managerial Personnel as defined under the Section 203 of the Act and includes:

- (i) Managing Director or Whole time Director or Manager;
- (ii) Chief Executive Officer (CEO);
- (iii) Chief Financial Officer (CFO);
- (iv) Company Secretary (CS);
- (v) such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board; and
- (vi) such other officer as may be prescribed.

“**Nomination and Remuneration Committee**” or “**NRC**” means Nomination and Remuneration Committee of Board of Directors of the Company for the time being in force.

“**Senior Management**” means the officers and personnel of the Company who are members of its Core Management Team, excluding the Board of Directors, and shall also comprise all the Members of the management one level below the Chief Executive Officer/Managing Director/Whole Time Director/Manager (including Chief Executive Officer/Manager, in case they are not part of the Board of Directors) and shall specifically include the functional Heads by whatever name called and the Company Secretary and the Chief Financial Officer of the Company.

This Policy is divided in three parts:

Part A - Policy for appointment of Directors, KMPs and Senior Management

Part B - Remuneration Policy for Employees and Senior Management

Part C - Remuneration Policy for Directors and KMPs

A. APPOINTMENT OF DIRECTORS, KMPs AND SENIOR MANAGEMENT

I. APPOINTMENT OF DIRECTORS

The NRC reviews and assesses Board composition and recommends the appointment of new Directors. In evaluating the suitability of individual Board Member, the NRC shall take into account the following criteria regarding qualifications, positive attributes and independence of Director:

1. All Board appointments will be based on merit, in the context of the skills, experience, independence and knowledge, for the Board as a whole to be effective.

2. Ability of the candidates to devote sufficient time and attention to his professional obligations as Director for informed and balanced decision making.
3. Adherence to the prescribed criteria of Independence, if applicable, Code of Conduct and highest level of Corporate Governance in letter and in spirit by the Directors.

Based on recommendation of the NRC, the Board will evaluate the candidate(s) and decide on the selection of the appropriate member. The Board through the Chairman will interact with the new member to obtain his/her consent for joining the Board. Upon receipt of the consent, the new Director will be co-opted by the Board in accordance with the applicable provisions of the Act and Rules made thereunder and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations").

REMOVAL OF DIRECTORS

If a Director is attracted with any disqualification as mentioned in any of the applicable Acts, rules and regulations thereunder or due to non - adherence to the applicable policies of the Company, the NRC may recommend to the Board with reasons recorded in writing, removal of a Director subject to the compliance of the applicable statutory provisions.

SENIOR MANAGEMENT PERSONNEL

The NRC shall identify persons who are qualified to become directors and who may be appointed in senior management team in accordance with the criteria laid down as under.

Senior Management Personnel are appointed or promoted and removed/relieved with the authority of Managing Director & CEO based on the business need and the suitability of the candidate.

The information on recruitment and remuneration of senior officers just below the level of Board, including appointment or removal of Chief Financial Officer and the Company Secretary, if any, shall be presented to the Board.

KEY MANAGERIAL PERSONS (KMPs)

Appointments of KMPs shall be recommended by the NRC and approved by the Board.

II. SUCCESSION PLANNING:

Board

The successors for the Independent Directors shall be identified by the NRC at least one quarter before expiry of the scheduled term and vacancy shall be filled in prior to the expiry of the term of office of the Independent Director.

The successors for the Executive Director(s) shall be identified by the NRC amongst the senior management team or through external sources as the Board may deem fit.

The NRC will accord due consideration for the expertise and other criteria required for the successor.

In case of separation of Directors due to resignation or otherwise, successor will be appointed at the earliest or three months from the date of such vacancy, whichever is later.

The NRC / Board may also decide not to fill the vacancy caused at its discretion.

Senior Management Personnel A good succession-planning program aims to identify high growth individuals, train them and feed the pipelines with new talent. It will ensure replacements for key job incumbents in KMPs and senior management positions in the organization. We have a process of identifying Hi-pots and critical positions. Successors are mapped for these positions at the following levels:

- Ready now
- Ready in 1 to 2 years
- Ready in 2 to 5 years
- Ready in more than 5 years

In order to ensure talent readiness as per laddered approach in terms with the HR Policy of the Company.

In case of separation of Chief Financial Officer, Compliance Officer or Company Secretary due to resignation or otherwise, successor will be appointed at the earliest or three months from the date of such vacancy, whichever is later.

B. REMUNERATION POLICY FOR EMPLOYEES AND SENIOR MANAGEMENT

Overall Intent of Compensation Policy

At Mahindra Logistics Ltd. (MLL), we want our employees to understand and appreciate their role in providing value to the business. On its part, the organization recognizes that its success depends upon the skills, competencies and performance of its employees. We also believe that the way in which we compensate, reward and recognize as well as promote our employees is a crucial factor in achieving our business and financial objectives. Towards achievement of these objectives, we promote an entrepreneurial, team-based performance and result oriented culture.

Objectives of the Compensation Policy

- To attract, motivate and retain employees by compensating them competitively, based on periodic comparison with other companies in relevant industries.
- To provide an overall package of remuneration and benefits which addresses the normal requirements of employees and their families.
- To align levels of compensation with the expected output of employees in terms of role responsibility, skills and experience.
- To link elements of compensation with performance of each individual as well as the business.

Compensation Strategy

The compensation will include all statutory and other retirement benefits. We will regularly track market trends in terms of compensation levels and practices in relevant industries through participation in structured surveys and informal consultation with a select group of comparable organizations. This information will be used to internally review our compensation policies and levels.

- Our package of remuneration and benefits will be designed to provide a degree of flexibility to individual officers to structure key benefits in a way that best suits individual personal and family requirements.
- Recognizing the need for long-term security
- Broad bands of compensation levels will be equitably defined for each grade to reflect levels of responsibility and provide a template when recruiting new employees.
- A pre-determined portion of remuneration of Managers & above employees will be linked directly to the annual performance of each individual and the business. This proportion will vary for each grade as per the levels of responsibility.

Compensation Structure

The compensation structure consists of two categories of elements, summarized below. The details of each are given in subsequent parts.

A. Total Cost to Company

This category consists of elements of remuneration/ compensation that are considered as ‘Cost to Company’, which includes Fixed Pay & Variable pay.

The Company may also grant employee stock options/Restricted Stock Units to the Employees and Directors (other than Independent Directors and Promoters) in accordance with the ESOP Scheme/ RSU Plan of the Company and subject to the compliance of the applicable statutes and regulations.

B. Reimbursements & Benefits

In addition to the above, the Company provides certain other reimbursements and benefits. These are applicable to all or certain grades based on business requirements and articulated in the HR policy manual. These are, therefore, kept outside the calculation of Cost to Company. These interalia consists of the following:

1. Group Medclaim (Hospitalization) insurance policy
2. Group Personal Accident insurance policy
3. Group Term Life policy
4. Workmen Compensation policy
5. Mobile Reimbursement policy
6. Cellular phone handset policy
7. Laptops and data card policy
8. Transfer Relocation allowance policy

Current Levels & Designations

Role Matric	Band	Grade	Designation
RM5	Strategic	L1	CEO
		L1S	President
		L2S	Senior Vice President/CXO
RM4	Executive	L2E	Vice President /CXO
RM3	Department Head	L2DH	Associate Vice President
		L3DH	Senior General Manager
		L4DH	General Manager
		L5DH	Deputy General Manager
RM2	Managerial	L5M	Assistant General Manager
		L6M	Senior Manager
		L7M	Manager
RM1	Operational	L7O	Deputy Manager
		L8O	Assistant Manager
		L9O	Senior Executive
		L10O	Executive
	Management Trainee	MT7	Management Trainee
		MT8	Management Trainee
		MT9	Management Trainee
	Graduate Trainee	GT	Graduate Trainee
	Union (FTC to Onroll)	10B	Executive
	Union (MVML)	10A	Executive
	Undergraduate (FTC to Onroll)	10U	Executive
FTC	C6	Contract Others (PF)	

Hiring Process

For hiring talent from the market, MLL has an Employee Requisition process which has the Job description, candidate profile, grade and the Budgeted CTC. The candidate is generally given an offer with an increase of ~20% on present CTC. Any increase proposed above 20% of CTC is given with requisite approvals.

Payment of Salary

Salaries are credited to (Company nominated) employee's salary bank account. A salary slip detailing the total of pay and the various deductions made is also provided. Salary gets credited to the bank between last day of the current month to 7th day of the subsequent month.

Annual Increments / Promotions

Based on annual performance appraisals, competency evaluation and Bell curve guidelines, the permanent employees are given ratings on a 5 point scale and applicable increment percentage on CTC is applicable to derive the revised compensation. Promotion criteria is based movement to a higher responsibility and consistently rated Expectations Surpassed / Superior. For promotions an additional increment is also added.

Appraisal year is April to March. Employees joined till 31st December are eligible for Annual increments effective 1st August and new joiners from 1st January will be eligible for increments prorated in the next appraisal cycle.

Remuneration to Senior Management Personnel

All remuneration, in whatever form, payable to Senior Management Personnel of the Company shall be recommended by the NRC to the Board for its approval.

Fixed Term Contract (FTC) Employees

Based on Customer requirement, Fixed Term Contract (FTC) employees are recruited mainly for Operations. The Employment Term of these employees is for one year and it is renewed based on the Customer Agreement for further period. In case of closure of the Customer Agreement, we try to accommodate these employees in other projects based on the requirement else their services are terminated as per the clause mentioned in their appointment letter.

Compensation structure and components of compensation for FTC employees depends on the Location and Customer requirement. Basic Salary, Provident Fund and Bonus are the mandatory components of the compensation structure, whereas House Rent Allowance, Conveyance Allowance, Child Education Allowance, Bonus, Canteen Allowance, Skill Allowance, Attendance Bonus, Production Incentive are paid on the basis of available budgets for the respective customer.

FTC employees are covered under:

- (a) Employee State Insurance (ESI) or Workmen Compensation (WC) based on the location.
- (b) Group Medclaim (Hospitalization) insurance policy.
- (c) Group Personal Accident insurance policy.
- (d) Group Term Life policy.

For annual increments for FTC's we have 2 cycles of annual increment depending on the customer agreement contracts.

Policy on loans / advances to employees

To meet urgent and specific need of Permanent and FTC employees, Company provides salary advances. The specific needs are hospitalization of self, spouse, children & dependent parents and for payment of housing deposit and children school admission fees in case of transfer of an employee for business requirement. An amount up to three month's monthly gross salary for Permanent employee and an amount up to one month's monthly gross salary for FTC employee who have completed one year is paid as salary advance. The salary advance is recovered in maximum 12 installments. No interest is charged on these salary advances. The salary advances are adjusted against the Mediclaim settlement, if the same are paid for hospitalization. The complete outstanding amount is recovered from employee's full & final settlement, in case of resigned employee. Perquisite is charged to employee as per Income Tax Act, 1961.

C. REMUNERATION POLICY FOR DIRECTORS AND KMPs

Non-Executive Directors including Independent Directors

The Nomination and Remuneration Committee shall decide the basis for determining the compensation, both fixed and variable, to the Non-Executive Directors including Independent Directors whether as commission, stock options or otherwise. The Committee 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 Act and such other factors as the committee may consider deem fit for determining the compensation. The remuneration to Non-Executive Directors, shall be recommended by NRC to the Board. The Board shall approve the remuneration to Non-Executive Directors within the overall limits specified in the Shareholders resolution.

Executive Directors

The remuneration to Chairman, Managing Director, if any and Executive Director(s), if any, shall be recommended by NRC to the Board. The remuneration may 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 and within the overall limits specified in the shareholders resolution. 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 (KMPs)

Pursuant to the provisions of Section 203 of the Act, the Board shall approve the terms and conditions of appointment including the remuneration of KMPs at the time of their appointment.

The appointment and remuneration of Key Managerial Personnel should be approved by the Board on the basis of recommendation made by the NRC. The appointment of Chief Financial Officer ("CFO") should also be approved by the Audit Committee after assessing the qualifications, experience and background, etc. of the candidate, wherever applicable. Pursuant to the provisions of Section 203 of the Act, the Board shall approve the appointment and remuneration of CFO and at the time of their appointment after seeking the inputs from the Audit Committee and recommendation of the NRC. Any revision in the remuneration, in whatsoever form, of the KMPs shall be approved and recommended by NRC to the Board for approval.

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, KMP's and senior management involves balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the Company its goals.

The Board and the NRC may also establish further rules and procedures and grant necessary delegations, from time to time, to give effect to this Policy.

DISSEMINATION

Information on the total remuneration of the Company's Board of Directors, Senior Management Personnel may be disclosed in the Board's Report, the Company's annual report/financial statements/website as per the statutory requirements in this regard. This Policy shall be published on its website and in the Annual Report of the Company.

APPROVAL AND AMENDMENTS

The Board may, subject to applicable laws, amend any provision(s) or substitute any of the provision(s) with the new provision(s) or replace the Policy entirely with a new Policy, based on the recommendation(s) of NRC, from time to time.

Any amendment(s) in the statutory/regulatory requirements shall be binding even if not incorporated in this Policy.

SCOPE LIMITATION

In the event of any conflict between the provisions of this Policy and of the SEBI Listing Regulations and/or the Act or any other statutory enactments, rules, the provisions of such Acts, rules, regulations or statutory enactments thereof shall prevail over this Policy.

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