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1. COMPENSATION PRINCIPLES OF 3M INDIA LIMITED

1.1 We are a pay-for-performance company:

- *Our compensation programs are tied to both individual and company performance*

1.2 3M's growth and profitability impact employees since we share both risks and gains of the business. We ensure our pay is competitive, which allows us to attract and motivate a well-qualified, diverse workforce:

- *We regularly benchmark our pay to be competitive with other premier companies*
- *Total cash compensation at median*

1.3 We are committed to fair and equitable pay:

- *We differentiate our pay based on individual roles, responsibilities, skill set and performance*
- *Our pay is consistent with other similar jobs both at 3M and other companies*
- *Our pay programs comply with all applicable laws, regulations and requirements*

1.4 We provide resources to better understand 3M's total pay system:

- *We provide information to help better understand the components of our competitive pay and high-performance culture*

2. SCOPE, & ELIGIBILITY

2.1 All permanent employees of 3M India including Whole-time Directors of the Company and Key Managerial Personnel (KMPs)

3. GUIDELINES FOR MERIT INCREASES

3.1. Every year, 3M Compensation & Benefit (C&B) team works closely with reputed Compensation Consultants (Hewitt, Mercer etc) to determine the worth of each job by doing a market benchmark study

3.2. As a process, 3M conducts job evaluation and job matching process with the help of Compensation Consultant(s) appointed by the organization. The C&B team and the Compensation Consultant(s) work closely first to understand all the roles in the organization and map the roles to their framework. Hewitt uses HA Level (Aon Hewitt Level) and Mercer uses their International Position Evaluation System (IPE methodology).

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- 3.3. 3M Benchmarks and compares itself with Total Cash which includes Fixed pay and Variable pay
- 3.4. Compensation & Benefit (C& B) team creates the comparator basket/peer companies list based on the companies we recruit and lose our talent. These companies becomes our comparator list to determine the compensation rates
- 3.5. Compensation consultants after finalization of peer companies from 3M India list go to the shortlisted companies (Peer companies) understand their roles and map them to their frame work. Post which, they compare the roles and compensation as per the mapping exercise .Upon this exercise Consultants, based on the mapping provide compensation rates for each level. The compensation consultant(s) furnish the compensation rates in the prescribed format.
- 3.6. C & B team based on the market median ,draws Market Reference point (MRP) .
- 3.7. Based on the above guidelines, each level, starting from the entry to the head of the organization the pay range is determined . The determined pay ranges are shared with the MD and Business/ Functional leaders to understand the salary movements and obtain approval on the MRP for the year
- 3.8. The approved MRP is used for the merit increase exercise along with the employee performance rating the C & B team culls out the Compa ratio (Distance from the new Mid point) and the proposed increase for each employee and the organization, as a whole.
- 3.9. Post completion of this exercise, the increase is discussed with the 3M Finance manager to find out the affordability and the impact on our Profit and Loss account. Based on the companies objectives and affordability, the overall company increase rates are determined.
- 3.10. The calibrated increment value, if any, is taken as the approved increase at a company level. C&B reworks the entire compensation increases by employee- wise based on the available budget. Else the company will go as per the increase proposed based on compa ratio , performance rating , Salary movements etc .
- 3.11. The final employee wise increases are broken into department/ business wise budget for annual increases

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3.12. C & B team annually reviews the compensation structure, to ensure that the appropriate mix of fixed and variable pay is considered. The compensation structure is in line with the Income tax rules, as applicable

3.13. C& B team uses appropriate communication channel(s) on the increases . The current process is used for all employees in 3M India, including the MD , Key management personnel and other employees .

4. Non-Executive, Independent Directors

As per the Policy followed by the Company the Non-Executive, Independent directors are paid remuneration in the form of sitting fees for attending Board and Committee meetings as fixed by the Board of Directors from time to time subject to statutory provisions. Presently sitting fee is Rs.20,000 per Committee / Board meetings and a fixed Commission of Rs. 15 Lakhs P.A for each of the each of the Non-Executive, Independent Directors.

5 PROCESS OF APPROVAL

C &B team works closely with the HR manager , Finance Manager, Business leader(s) and MD for a) Comparator basket b) Budget c) Employee wise increases.

6 Application of the Remuneration Policy

The above Remuneration Policy shall continue to guide all future employment of Directors, all permanent employees of 3M India including Whole-time Directors of the Company and Key Managerial Personnel (KMPs)

Any departure from the policy can be undertaken only with the approval of the Board of Directors.