



POLICY ON NOMINATION, REMUNERATION AND BOARD EVALUATION POLICY

CRAFTSMAN AUTOMATION LIMITED

POLICY ON NOMINATION, REMUNERATION AND BOARD EVALUATION POLICY

INTRODUCTION

In terms of Section 178 of the Companies Act, 2013 (the Act) and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations), this Policy on Nomination, Remuneration and Board Evaluation of directors, Key Managerial Personnel (KMP), Senior Management (SM) of the company has been formulated by the Nomination and Remuneration Committee of the Board and was approved by the Board of Directors vide its resolution dated 24th May, 2018. This policy shall act as a guideline for determining, inter-alia, qualifications, positive attributes and criteria for appointment of directors, criteria of independence for independent directors, remuneration to directors, matters relating to evaluation of performance of the directors, matters relating to appointment, remuneration, removal of KMP and SM including functional heads (one level below the Executive directors).

DEFINITIONS

In this policy unless the context otherwise requires, the terms “Director”, “Independent Director”, “Board” or “Board of Directors”, “Key Managerial Personnel”, “Nomination and Remuneration Committee” shall have meaning as provided under the Act. The term Senior Management shall have meaning as defined under Listing Regulations.

“Regulations” refers to and comprises of the Act, The Companies (Meeting of Board and its Powers) Rules, 2014, The Companies (Appointment and Qualification of Directors) Rules, 2014, The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, Listing Regulations, the applicable Secretarial Standards, the applicable Accounting Standards and such other rules and provisions as applicable to the matters dealt in by this Policy.

OBJECTIVES OF THE POLICY

The policy is framed with the following objectives:

1. To devise proper methodology for evaluation and selection of candidates for directorships including independent directors, considering the corporate culture, business needs, diversity in composition and governance experience of the candidate.
2. To lay down criteria for selection and determine terms and conditions [including remuneration] to identify persons who are qualified to be elevated to the Board as directors (Executive) from amongst the existing SM and persons who may be appointed in SM (one level below the Executive directors) or identifying SMs who may be designated as KMPs, others to be designated as KMPs.
3. To evaluate whether the composition and quantum of remuneration is reasonable and sufficient to attract, retain and motivate directors, KMP, SM of the quality required to run the company successfully.

4. To evaluate whether the relationship of remuneration to performance is clear and meets appropriate performance benchmarks in the industry.
5. To ensure that the remuneration to directors, KMP, and SM (one level below the Executive director) of the company involves a balance between fixed and incentive based pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals.
6. To determine remuneration based on the company's size and financial position and trends and practices on remuneration prevailing in peer companies in the industry.
7. To carry out evaluation of the performance of directors, as well as KMP and SM (one level below the Executive Director) and to provide for reward(s) linked directly to their effort, performance, dedication and achievement relating to the company's operations; and
8. To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage

In the context of the aforesaid objectives the following policy has been formulated by the nomination and remuneration committee and adopted by the board of directors at its meeting held on 24th May, 2018.

CONSTITUTION OF THE NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee (NRC) will consist of three or more non-executive directors, out of which at least one-half shall be independent director(s). The Chairperson of the company may be appointed as a member of NRC but shall not chair the NRC meetings.

The NRC shall meet at such intervals as it may deem fit to carry out the objectives set out in the policy. A quorum for NRC shall be the presence of one-third of its strength or two members, including at least one independent director. However, in the case of presence of an interested director such quorum as prescribed by Secretarial Standards shall apply. The NRC members may attend the meeting physically or via permitted audio-visual mode, subject to the provisions of the applicable Regulations. The committee shall have the authority to call such employee(s), senior official(s) and / or external parties, as it deems fit as invitees for deliberations. The Company Secretary shall act as secretary to the committee.

FUNCTIONS OF THE NRC

The NRC shall, inter-alia, perform the following functions:

1. To suggest modifications to the Board Policy on appointment, remuneration and evaluation of directors, KMP, SM and employees from time to time.
2. To determine qualifications, positive attributes and independence of a director and recommend to the Board a policy relating to the remuneration of the directors, key management personnel and other employees.

3. To formulate criteria for evaluation of performance of independent directors and the Board;
4. To devise a policy on Board diversity;
5. To identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board their appointment and removal and shall specify the manner for effective evaluation of performance of the Board, its committees and individual directors to be carried out either by the Board, by the Nomination and Remuneration Committee or by an independent external agency and review its implementation and compliance;
6. To extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of directors;
7. To recommend to the Board, all remuneration, in whatever form, payable to senior management.
8. To decide/ approve details of fixed components of remuneration and performance linked incentives along with the performance criteria for its eligibility.
9. To ensure that the Board comprises of a balanced combination of executive directors and non- executive directors and also the independent directors.
10. To devise a framework to ensure that directors are inducted through suitable induction and familiarization process covering their roles, duties and responsibility and liability.
11. To oversee the formulation and implementation of ESOP Schemes, its administration, supervision, and formulating detailed terms and conditions in accordance with SEBI guidelines, as applicable.
12. To assist the Board in ensuring that plans are in place for orderly succession for prospective appointments to the board and to KMP and SM.
13. To frame suitable policies, procedures and systems to ensure that there is no violation of securities laws, as amended from time to time, including:
 - i. the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - ii. the Securities and Exchange Board of India (Issue of Sweat Equity) Regulations, 2002;
 - iii. the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014and
 - iv. the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to the Securities Market) Regulations, 2003, by the trust, the Company and its employees, as applicable.
14. To perform such other activities as may be delegated by the Board or specified/ provided under the Companies Act, 2013, as amended or by the Securities and Exchange Board of

India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended or by any other applicable laws or regulatory authority.”

The Chairperson of the NRC should be present at the Annual General Meeting, to answer the shareholders' queries on appointment and remuneration of Directors, KMP and SM. However, while answering, the Chairperson can take the assistance of executives of the Company.

Further NRC can evolve a mechanism to carry out its functions and is further authorized to delegate any / all of its powers to any of the directors and / or officers of the company, as deemed necessary for proper and expeditious execution.

APPOINTMENT OF DIRECTOR, KMP AND EMPLOYEES IN SM

1. The committee shall identify and ascertain the integrity, qualification, expertise and experience of the candidate for appointment as director, KMP or as an employee in SM and recommend to the board his / her appointment.
2. A candidate should possess adequate qualification, expertise and experience for the position he/she is considered for appointment. The committee has discretion to decide whether qualification, expertise and experience possessed by the candidate is sufficient/satisfactory for the position concerned.
3. Recommendation for appointment of independent directors shall be in consonance with the provisions of the Regulations and also the usefulness of the candidate in governance and in decision making.
4. The company shall not appoint or continue the employment of any person as whole-time director who has attained the age of seventy years. Provided that the term of the person holding this position may be extended beyond the age of seventy years with the approval of shareholders by passing a special resolution based on proper justification in the explanatory statement annexed to the notice for such motion for extension of appointment or employment beyond seventy years. However, if special resolution could not be passed and the Company by means of ordinary resolution and with the approval of Central Government can appoint or continue the employment of any person as whole-time director who has attained the age of seventy years

MANAGING DIRECTOR / WHOLE-TIME DIRECTOR

The company shall appoint or re-appoint any person as its managing director, joint managing director or executive director for a term not exceeding five years at a time. No re-appointment shall be made earlier than one year before the expiry of term.

INDEPENDENT DIRECTOR

Subject to the provisions of the applicable Regulations, an independent director shall hold office for a term up to which Board approves and in any case shall not be for a period more than five consecutive years in a single term on the Board of the company and will be eligible for re-appointment of one more term of maximum of five years on passing of a special resolution by the company.

No independent director shall hold office for more than two consecutive terms, but such independent director may be considered for appointment after expiry of minimum period of three years since ceasing to be an independent director of the Company. Provided that an independent director shall not, during the said period of three years, be appointed in or be associated with the company in any other capacity, either directly or indirectly.

At the time of appointment of independent director, it should be ensured that number of boards on which such independent director serves is restricted to seven listed companies as an independent director and three listed companies as an independent director in case such person is serving as a whole-time director of a listed company.

FAMILIARISATION PROGRAMME FOR INDEPENDENT DIRECTOR

1. The company shall familiarize the independent directors with the company, its culture, their roles, rights, responsibilities in the company, nature of the industry in which the company operates, business model of the company, etc. through various programs
2. The details of such familiarization programs shall be disclosed on the company's website and a web link thereto shall also be given in the Annual Report

EVALUATION

Following are the criteria for evaluation of performance of independent directors and the board:

1. Executive Directors

The executive directors shall be evaluated on the basis of overall performance of their functional duties and further based on performance targets/ criteria given to such executive directors by the board from time to time

2. Non-Executive Director

The Non-Executive Directors (independent or otherwise) shall be evaluated on the basis of the following criteria i.e. whether they:

- a) Ability to act objectively and constructively while exercising their duties;
- b) Ability to effectively deploy knowledge and expertise;
- c) Ability to maintain confidentiality and integrity and independence of behavior and judgment;
- d) Ability to exercise their responsibilities in a bona fide manner in the interest of the company;
- e) Ability to devote sufficient time and attention to their professional obligations for informed and balanced decision making;
- f) Do not abuse their position to the detriment of the company or its shareholders or for the purpose of gaining direct or indirect personal advantage or advantage for any associated person;
- g) Refrain from any action that would lead to loss of his or her independence
- h) Inform the board immediately when they lose their independence,
- i) Assist the company in implementing the best corporate governance practices.
- j) Strive to attend all meetings of the board of directors and the committees;
- k) Participate constructively and actively in the meetings of the Board and that of its committees of the board in which they are chairpersons or members;
- l) Keep themselves well informed about the company and the external environment in which it operates;
- m) Moderate and arbitrate in the interest of the company as a whole, in situations of conflict between management and shareholder's interest.
- n) Abide by company's Memorandum and Articles of Association, company's policies and procedures including code of conduct, insider trading guidelines etc.

DISQUALIFICATIONS FOR APPOINTMENT OF DIRECTORS

A person shall not be eligible for appointment as a director of the company, if he is disqualified under section 164 of the Companies Act, 2013 or under any other regulations.

REMOVAL

The committee may recommend, to the board with reasons recorded in writing, removal of a director, KMP or senior management personnel subject to the provisions of the Regulations.

RETIREMENT

The Director, KMP and senior management personnel shall retire as per the applicable provisions of the Act and the prevailing policy of the company. The board will have the discretion to retain the director, KMP, senior management personnel in the same position/ remuneration or otherwise even after attaining the retirement age, for the benefit of the company.

BOARD DIVERSITY

The board of directors shall have the optimum combination of directors from the different areas /fields like management, finance, marketing, legal etc. or as may be considered appropriate.

The board shall have at least one board member who has accounting or related financial management expertise and at least three directors who are financially literate.

MATTERS RELATING TO THE REMUNERATION, PERQUISITES FOR THE DIRECTORS, KMP AND SENIOR MANAGEMENT PERSONNEL

1. The remuneration/ compensation/ profit-linked commission etc. to the executive and non-executive directors will be determined by the NRC and recommended to the board for approval. The remuneration/ compensation/ profit-linked commission etc. shall be in accordance with the percentage/ slabs/ conditions laid down in the Regulations and shall be subject to the prior/ post approval of the shareholders of the company.
2. The committee may in its discretion structure any portion of remuneration to link rewards to corporate and individual performance, fulfillment of specified improvement targets or the attainment of certain financial or other objectives set by the board. The amount payable is determined by the committee, based on performance against pre-determined financial and non-financial metrics.
3. As regards the remuneration of KMP, SM, the determination shall be effected by way of presentation before the committee, which would have requisite details. The committee shall peruse the same and approve accordingly.

REMUNERATION TO WHOLE-TIME / EXECUTIVE / MANAGING DIRECTOR

Remuneration

The managing director or whole-time director shall be eligible for remuneration as may be approved by the Board and the shareholders of the company on the recommendation of the NRC. The break-up of the pay scale, performance bonus and quantum of perquisites including, employer's contribution to P.F, pension scheme, medical expenses, club fees etc. shall be decided and approved by the board on the recommendation of the committee and shall be within the overall remuneration approved by the shareholders.

Minimum remuneration

If, in any financial year, the company has no profits or its profits are inadequate, the company shall pay remuneration to its Managing Director and Whole-time Directors in accordance with the provisions of the Act.

REMUNERATION TO NON-EXECUTIVE / INDEPENDENT DIRECTOR

The non-executive independent directors of the company shall be paid sitting fees and such other variable pay, if any, as per the Regulations. The quantum of sitting fees and variable pay, if any, will be determined as per the recommendation of the NRC and approved by the board of directors of the company. The travelling, boarding and lodging expenses connected with the business of the company shall be reimbursed.

Stock Options

Pursuant to the provisions of the Act, all directors except an independent director shall not be entitled to stock options of the company.

REMUNERATION TO KMP AND SM

The Remuneration to be paid to KMPs/ SM shall be based on the experience, qualification and expertise and performance of the related personnel.

The KMP, SM of the company shall be paid monthly remuneration as per the company's HR policies and/or as may be approved by the NRC. The break-up of the pay scale and quantum of perquisites including, employer's contribution to P.F, pension scheme, medical expenses etc. shall be as per the company's HR policies.

The remuneration details shall be presented before the NRC which would have requisite details setting out the proposed increments for the next financial year. The NRC shall peruse and forward the same to the board of directors of the company.

This remuneration policy shall apply to all future/ continuing employment/ engagement(s) with the company. In other respects, the remuneration policy shall be of guidance for the board. Any departure from the policy shall be recorded and reasoned in the committee and board meeting minutes.

DISSEMINATION

The details of the policy and the evaluation criteria as applicable shall be published on company's website and accordingly disclosed in the annual report as part of board's report therein.

AMENDMENT TO THE POLICY

The board of directors on its own and / or as per the recommendations of the NRC can amend this Policy, as and when deemed fit.

In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.



ENGINEERING ADVANTAGE

Craftsman Automation Limited

Registered Office: Senthel Towers, IV Floor, 1078,
Avanashi Road, Coimbatore – 641 018

Web: www.craftsmanautomation.com

Email: investor@craftsmanautomation.com

CIN NO: U28991TZ1986PLC001816