HAPPY FORGINGS LIMITED

BOARD EVALUATION POLICY

Version	Approval date	Description
Version 1	February 7, 2025	original

1. APPLICABILITY:

The Board of Directors (the "**Board**") adopted this Board Evaluation Policy ("**Policy**") to comply with the various provisions under Regulation 19 and Schedule II of the SEBI (Listing Obligations and Disclosure Requirements)Regulations, 2015 ("**LODR**") and the Companies Act, 2013 ("**Companies Act**").

This policy is framed to encourage open and effective evaluation of performance of Directors of Happy Forgings Limited (the "Company"). The Company believes that performance evaluation is a key by which the Board can recognize and address corporate governance challenges.

2. OBJECTIVE OF THE POLICY

The Policy has been framed to ensure that the individual directors of the Company ("Directors") and the Board as a whole, work efficiently and effectively in achieving their functions, for the benefit of the Company and its stakeholders.

Accordingly, the Policy provides guidance on evaluation of the performance, on an annual basis, of:

(i) individual Directors (including the Chairperson and Independent Directors of the Company ("Independent Directors");

(ii) the Board as a whole; and

(iii) various committees of the Board ("Board Committees").

3. OBJECTIVE OF THE EVALUATION

The objective of undertaking an evaluation of the Board and Individual Directors is as under:

- To ensure commitment to performance management
- To review challenges in the dynamics of the Board or among the Board and management
- To enhance good corporate governance

4. SCOPE OF THE EVALUATION

The scope of the evaluation extends to Directors including Independent Directors, the Chairman, the Managing Director/Whole-time Directors and committees of the Board based on the criteria set forth by the Nomination and Remuneration Committee.

5. METHOD OF EVALUATION

As per the Companies Act, 2013 as well as SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Board evaluation would generally include the following:

(i) <u>Evaluation of the Board as a whole</u>

The performance of the Board as a whole, may be evaluated either from the reviews/ feedback of the directors themselves or by some external source. The Independent Directors at their separate meeting shall also assess the quality, quantity and timeliness of flow of information between the company management and the Board that is necessary for the Board to effectively and reasonably perform their duties. The evaluation of the performance of the Boards is essentially an assessment of how the Board has performed on following parameters which determines the effectiveness of boards.

a. *Structure of the Board* : its composition, constitution and diversity and that of its Committees, competencies and experience of the members, transparent appointment process, Board and Committee charters, frequency of meetings, procedures;
b. *Dynamics and Functioning of the Board* : annual Board calendar, information availability, interactions and communication with CEO and senior executives, Board agenda, cohesiveness and the quality of participation in Board meetings;
c. *Business Strategy Governance :* Board's role in company strategy;
d. *Financial Reporting Process, Internal Audit and Internal Controls* : The integrity and the robustness of the financial and other controls regarding abusive related party transactions, vigil mechanism and risk management;
e. Monitoring Role : Monitoring of policies, strategy implementation and systems;
f. Supporting and Advisory Role; and
g. The Chairperson's Role.

(ii) Evaluation of the Board Committees

The Board is responsible for the evaluation of the performance its Committees. The performance of the committees may be evaluated by the Directors, on the basis of the terms of reference of the committee being evaluated. The evaluation may also be externally facilitated. The broad parameters of reviewing the performance of the Committees, inter alia, are:

a. Discharge of its functions and duties as per its terms of reference;
b. Process and procedures followed for discharging its functions;
c. Effectiveness of suggestions and recommendations received;
d. Size, structure and expertise of the committee; and
e. Conduct of its meetings and procedures followed in this regard.

(iii) Evaluation of Individual Director(s)

(a) Evaluation of Managing Director / Whole time Director / Executive Director

The performance evaluation of Managing Director, Executive Director of the Company may be done by all the directors. The external facilitation may also serve as the efficient tool for evaluation. The Code for Independent Directors provides that Independent Directors should review the performance of non-independent Directors, which include Managing Director / Whole time Director/Executive Director and the Board as a whole. The broad parameters for reviewing the performance of Managing Director/Executive Director are:

a. Achievement of financial/business targets prescribed by the Board;
b. Developing and managing / executing business plans, operational plans, risk management, and financial affairs of the organization;
c. Display of leadership qualities i.e. correctly anticipating business trends, opportunities, and priorities affecting the company's prosperity and operations;

d. Development of policies, and strategic plans aligned with the vision and mission of the company and which harmoniously balance the needs of shareholders, clients, employees, and other stakeholders;
e. Establishment of an effective organization structure to ensure that there is management focus on key functions necessary for the organization to align with its mission;
f. Managing relationships with the Board, management team, regulators, bankers, industry representatives and other stakeholders; and
g. Demonstrate high ethical standards and integrity, attendance at meeting, commitment to organization.

(b) <u>Evaluation of Independent Directors:</u>

The performance evaluation of independent directors should be done by the entire Board of Directors, excluding the director being evaluated. On the basis of the report of performance evaluation, it shall be determined whether to extend or continue the term of appointment of the independent director. In addition to the parameters laid down for directors, which shall be common for evaluation to both Independent and non-executive directors, an independent director shall also be evaluated on the following parameters:

a. Maintenance of independence and no conflict of interest.
b. Exercise of objective independent judgment in the best interest of the company;
c. Ability to contribute to and monitor corporate governance practice; and
d. Adherence to the code of conduct for independent directors.

(c) <u>Evaluation of Non-Executive Directors:</u>

In terms of the Code for Independent Directors, the Independent director(s) on the Board of the company should evaluate the performance of non-independent director(s) which include non-executive director(s). Review method or external evaluation may also facilitate the purpose of evaluating non-executive directors. The broad parameters for reviewing the performance of non-executive directors are:

a. Participation at the Board / Committee meetings;
b. Commitment (including guidance provided to senior management outside of Board/ Committee meetings);
c. Effective deployment of knowledge and expertise;
d. Effective management of relationship with stakeholders;
e. Integrity and maintaining of confidentiality;
f. Independence of behaviour and judgment; and
g. Impact and influence.

(iv) <u>Evaluation of Chairperson of the Board:</u>

The performance of the Chairperson is linked to both the functioning of the Board as a whole as well as the performance of each director. The Independent Director review the performance of the Chairperson of the company Therefore, all the directors of the Board of the company thereof contribute in evaluating the performance of the Chairperson of the Board. External agencies may also be involved in evaluating the

Chairperson. The broad parameters for reviewing the performance of Chairperson of the Board are:

a. Managing relationship with the members of the Board and management;
b. Demonstration of leadership qualities and able steering of meetings;
c. Relationship and communication within the Board;
d. Providing ease of raising of issues and concerns by the Board members;
e. Promoting constructive debate and effective decision making at the board;
f. Relationship and effectiveness of communication with the shareholders and other stakeholders;
g. Promoting shareholder confidence in the Board; and
h. Personal attributes i.e. Integrity, Honesty, Knowledge, etc.

6. ACTION PLAN

6.1 Once responses from all the Directors have been received, a summary of results of the Board evaluation will be placed before the Nomination and Remuneration Committee. Based on the feedback from each member, an average rating for each question will be obtained. While identifying the areas for reflections, proposed actions should be suggested for consideration of the evaluation panel. In some areas, suggestions from the evaluation panel are required to be provided.

6.2 The Action Plan should carry in detail the following:

- The nature of actions, including training and skill building, required to be undertaken to address the identified areas.
- Timeline within which the actions detailed in the Action Plan shall be completed.
- Persons responsible for the implementation of the Action Plan.
- Resources required to achieve the objectives set out in the Action Plan.

6.3 The Board must review the actions set out in the Action Plan within a specific time period.

7. POLICY REVIEW

Subject to the approval of the Board, the Nomination and Remuneration Committee reserves its right to review and amend this Policy, if required, to ascertain its appropriateness as per the needs of the Company. The Policy may be amended by passing a resolution at a meeting of the Nomination and Remuneration Committee.

8. DISCLOSURE

In accordance with the requirements under the SEBI(LODR) and the Companies Act, 2013 disclosures regarding the manner in which the performance evaluation has been done by the Board of its own performance, performance of various Board Committees and individual Directors will be made by the Board in the Board's report. The key features of this Policy will be included in the Corporate Governance report forming a part of the Annual Report of the Company.

9. Dissemination of Policy

This Policy shall be hosted on the website of the Company