

BOARD EVALUATION MECHANISM

aarvee engineering consultants limited

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BOARD EVALUATION MECHANISM

1. INTRODUCTION

The Nomination and Remuneration Committee (NRC) of Aarvee Engineering Consultants Limited shall conduct an annual evaluation of the Board of Directors, Committees, Individual Directors (including Independent Directors), and Senior Management to ensure effective governance, strategic oversight, and value creation.

This evaluation is conducted in compliance with Section 178 of the Companies Act, 2013, and Regulation 17(10) of SEBI LODR Regulations, which mandate the Board to carry out an annual performance evaluation of its own performance and that of its committees and individual directors.

2. OBJECTIVES OF THE EVALUATION

The primary objectives of the Board evaluation mechanism are:

- 2.1. To assess the effectiveness, composition, and performance of the Board as a whole, its Committees, and individual Directors.
- 2.2. To ensure transparent, merit-based governance aligned with the Company's long-term goals.
- 2.3. To identify strengths, areas for improvement, and professional development needs for Directors and Senior Management.
- 2.4. To enhance the effectiveness of decision-making, risk management, and stakeholder engagement at the Board level.

3. COMPONENTS OF BOARD EVALUATION

3.1. Evaluation Criteria

3.1.1. Board as a Whole

Evaluation Criteria:

- iv. Strategic Leadership – Board's role in shaping company strategy, financial performance, and risk management.
- ii. Composition & Diversity – Mix of skills, experience, independence, and industry expertise.
- iii. Effectiveness of Meetings – Frequency, quality of discussions, decision-making, and participation.

- iv. Corporate Governance & Ethics – Compliance with legal, regulatory, and governance norms.
- v. Stakeholder Value Creation – Long-term sustainability, shareholder engagement, and ESG (Environmental, Social, and Governance) considerations.

3.1.2 Board Committees (Audit, NRC, Stakeholders Relationship, Risk Management, etc.)

Evaluation Criteria:

- i. Committee Composition & Expertise – Alignment with regulatory requirements.
- ii. Effectiveness of Roles & Responsibilities – Fulfillment of charter and contribution to governance.
- iii. Quality of Deliberations & Recommendations – Decision-making processes and outcomes.
- iv. Interaction with the Board & Management – Reporting structure and coordination.

3.1.3 Individual Directors (Executive, Non-Executive & Independent Directors)

- i. Attendance & Participation – Level of engagement in Board and Committee meetings.
- ii. Contribution to Decision-Making – Insights, industry knowledge, and leadership in discussions.
- iii. Integrity & Independence – Adherence to governance principles and regulatory obligations.
- iv. Understanding of Roles & Responsibilities – Awareness of fiduciary duties and responsibilities under the Companies Act & SEBI regulations.
- v. Interpersonal & Leadership Skills – Ability to collaborate with Board members and management.

3.1.4 Independent Directors

- i. Independence from Management – Avoidance of conflicts of interest and unbiased judgment.
- ii. Contribution to Corporate Governance – Role in oversight, risk management, and compliance.

- iii. Safeguarding Minority Shareholder Interests – Role in ensuring fair treatment of stakeholders.
- iv. Active Participation in Board & Committee Meetings – Depth of engagement in discussions.

3.1.5 Chairperson of the Board

- i. Leadership & Effectiveness – Ability to lead the Board and facilitate meaningful discussions.
- ii. Facilitation of Governance Framework – Ensuring compliance with governance norms.
- iii. Decision-Making & Conflict Resolution – Managing differing viewpoints effectively.
- iv. Stakeholder Communication – Interaction with investors, regulators, and management.

3.2. Evaluation Methodology

The Board Evaluation shall be conducted through the following mechanisms:

3.2.1. Self-Assessment & Peer Review

- i. Each Director shall complete a Self-Assessment Questionnaire, rating their own performance.
- ii. Peer review shall be conducted where Directors evaluate one another anonymously based on defined criteria.

3.2.2. Committee & Board Evaluation Surveys

- i. NRC shall circulate structured questionnaires/surveys to assess the performance of the Board and Committees.
- ii. Responses shall be compiled anonymously, and results shall be analysed for insights.

3.2.3. External Evaluation (If Required)

- i. An external consultant may be appointed periodically (every 2-3 years) for an independent and objective evaluation of the Board and Committees.

3.2.4. One-on-One Discussions

- i. The Chairperson or an Independent Director may conduct confidential discussions with Board members to obtain qualitative feedback.

3.2.5. Evaluation Report & Feedback Mechanism

- i.. NRC shall compile findings and present a consolidated report to the Board.
- ii. Strengths and areas for improvement shall be highlighted.
- iii. Individual feedback shall be shared confidentially with each Director.
- iv. Action plans for development, training, or Board restructuring (if necessary) shall be recommended.

4. SUCCESSION PLANNING & TRAINING BASED ON EVALUATION

- 4.1. NRC shall identify gaps in skills, expertise, or leadership and recommend training programs.
- 4.2. Board refreshment policies may be implemented based on evaluation outcomes.
- 4.3. The Company shall conduct leadership training, governance workshops, and industry updates for Directors.

5. REPORTING & DISCLOSURE

- 5.1. The Board Evaluation process and key findings shall be disclosed in the Annual Report as per SEBI LODR and Companies Act, 2013.
- 5.2. Disclosure shall include:
 - 5.2.1. Evaluation criteria and methodology (without revealing individual performance scores).
 - 5.2.2. Board's overall performance assessment and steps for enhancement.
 - 5.2.3. Statement on Independent Director effectiveness.
 - 5.2.4. Any significant recommendations shall be implemented through a Board-approved action plan.

6. REVIEW & AMENDMENTS

- 6.1. The NRC shall review this Board Evaluation Mechanism annually to ensure alignment with regulatory updates and best practices.
- 6.2. Any amendments shall be recommended to the Board for approval.

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