Internal Guidelines on Corporate Governance

Pan Emami Cosmed Limited

CIN: U51398WB1993PTC057932

Index

Sr. No.	Particulars	Page No.
1.	Company's Philosophy on Corporate Governance	3
2.	Objectives of guidelines on Corporate Governance	3
3.	Board of Directors	3
4.	Composition of Board	4
5.	Board Meetings	4
6.	Committees of the Board of Directors	5
7.	Disclosure and transparency	5
8.	Appointment of Statutory Auditors	6
9.	Policies adopted by the Company	6
10.	Interaction with Regulators	6

1. Company's Philosophy on Corporate Governance

Pan Emami cosmed limted ('the Company/ SFPL') is registered with Reserve Bank of India ('RBI') as a Non- banking Financial Company ('NBFC') in the category of NBFC (ND-SI) to be regulated under the provisions of **Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023.**

The Company recognizes its role as a corporate citizen and endeavors to adopt the best practices and the highest standards of Corporate Governance through transparency in business ethics, accountability to its customers, government and others. The Company's activities are carried out in accordance with good corporate practices and the Company is constantly striving to better them and adopt the best practices.

The comprehensive Corporate Governance practices ensure that the Company always works optimally, protecting the best interests of the stakeholders and withholding the reputation and status of the Company.

2. Objectives of guidelines on Corporate Governance

In order to enable NBFCs to adopt best practices and greater transparency in their operations, RBI has issued the Guidelines in accordance with the provisions of Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 on Corporate Governance. In pursuance of the aforesaid Guidelines, the Board of Directors of the Company has framed the following Internal Guidelines on Corporate Governance at its meeting held on 10th April, 2024

Any subsequent amendments or any statutory modifications or re-enactments in the above stated guidelines / norms / clarifications or in any other applicable acts / regulations shall prevail in the event of a conflict with this Internal Guidelines on Corporate Governance.

The following are the objectives of the guidelines on Corporate Governance:

a. Complex environment has mandated the need for good corporate governance.
b. Greater transparency enabling stakeholders in having a better understanding.
c. Adopt Industry best practices.

3. Board of Directors

The Board of Directors along with its Committees shall provide leadership and guidance to the Company's management and direct, supervise and control the performance of the Company.

The role of the Board is to determine the overall strategic direction and management of the Company, including monitoring its performance. The Board is responsible to the shareholders and its conduct is determined by various provisions of the laws and the Articles of Association of the Company. In performing its duties, the Board shall meet regularly and act in the best interests of the Company.

The Board's primary responsibility is on the direction, control and governance of the Company and in particular, to articulate and commit to a corporate philosophy and governance that will shape the level of risk adoption, standards of business conduct and ethical behaviour of the Company.

The Board shall delineate the role of various committees and lay down a calendar of reviews. The Board will lay out and oversee a whistle blower mechanism for directors and employees to report genuine concerns. The Board shall ensure good corporate governance practices in the subsidiaries of the Company.

4. Composition of Board

4.1. The Company shall have at least two independent directors.

4.2. The Company shall have at least one director who has stayed in India for a total period of not less than one hundred and eighty-two days during the financial year.

4.3. While appointing directors, the Company shall ensure that the procedures prescribed by the RBI are followed and that the minimum 'fit and proper' criteria (as per separate policy approved by the Board) is fulfilled by the person/s before they are appointed on the Board. Considering the need for professional experience in managing the affairs of NBFC, at least one of the directors shall have relevant experience of having worked in a bank/NBFC.

4.4. In the case of appointment of non-independent director, the Company shall approach RBI for seeking prior approval wherever applicable.

4.5. 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 or such other number as may be prescribed under the Act and in line with extant RBI guidelines.

4.6. Within the permissible limits in terms of Companies Act, 2013, an independent director shall not be on the Board of more than three NBFCs (NBFC-Middle Layer or NBFC-Upper Layer) at the same time. The Board of SFPL will ensure that there is no conflict arising out of the independent directors being on the Board of another NBFC at the same time. This restriction shall not apply for directorships on the Boards of NBFC-Base Layer, subject to applicable provisions of Companies Act, 2013.

4.7. Except for directorship in a subsidiary, Key Managerial Personnel shall not hold any office (including directorships) in any other NBFC-ML or NBFC- UL.

5. Board Meetings

Meetings of the Board of Directors shall be held at least four times a year, with a minimum one meeting in a quarter.

The minimum information to be statutorily made available to the Board shall be furnished to the Directors. The Board shall constitute a set of Committees with specific terms of reference / scope to focus effectively on the issues and ensure expedient resolution of diverse matters. The Committees shall operate as empowered agents of the Board as per their terms of reference. The minutes of the meetings of all Committees of the Board shall be placed before the Board for discussions / noting.

6. Committees of the Board of Directors

The Board shall constitute several committees such as Audit Committee, Asset Liability Management Committee, Corporate Social Responsibility Committee, Nomination and Remuneration Committee, Risk Management Committee, ALM Support Group, Group Risk Management Committee and Information Technology Strategy Committee, IT Steering Committee, to deal with specific matters and delegated powers for different functional areas in accordance with the provisions of the Companies Act, 2013 and / or Guidelines issued by the Reserve Bank of India from time to time. Terms of references and functioning of all committees shall be decided by the Board in accordance with the provisions of Companies Act, 2013 and Guidelines issued by the Reserve Bank of India.

7. Disclosure and transparency

A. The following information will be provided to the Board of Directors on annual basis:

a. Progress made in putting in place a progressive risk management system, and risk management policy and strategy followed.
b. Conformity with corporate governance standards viz; in composition of various committees, their role and functions, periodicity of the meetings and compliance.
c. Updates of the various committee's meetings from time to time.

B. The following information shall be disclosed by SFPL in its Annual Report:

a. Registration/ licence/ authorisation, by whatever name called, obtained from other financial sector regulators;
b. Ratings, if any, assigned by credit rating agencies and migration of ratings, if any, during the year;
c. Penalties, if any, levied by any regulator;
d. Information namely area, country of operation and joint venture partners with regard to Joint ventures and overseas subsidiaries;
e. Corporate governance section including Composition of the Board, breach of covenant, divergence in asset classification and provisioning.
f. Asset-Liability profile, NPAs and movement of NPAs, details of all off-balance sheet exposures, and other disclosures, as given in RBI Master Direction and Scale Based Regulation.
g. Disclosures in the financial statements shall be in accordance with RBI Master Direction, Scale Based Regulation, applicable accounting standards, laws, and regulations.

8. Appointment of Statutory Auditors

The Company shall appoint Statutory Auditors as per the provisions of the Companies Act, 2013 and the Reserve Bank of India Guidelines for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs dated April 27, 2021, as applicable. The Statutory Auditors shall be appointed for a period of three continuous years subject to the audit firm satisfying the prescribed eligibility norms under RBI Guidelines every year.

9. Policies adopted by the Company

The policies adopted by the Company may be reviewed from time to time.

10. Interaction with the Regulator

The Company shall maintain good working relationship with its regulators and with other external bodies and authorities. It is also part of the role and objectives of the Compliance function to foster good relations with regulators and to work proactively with the Regulator.

----------X----------