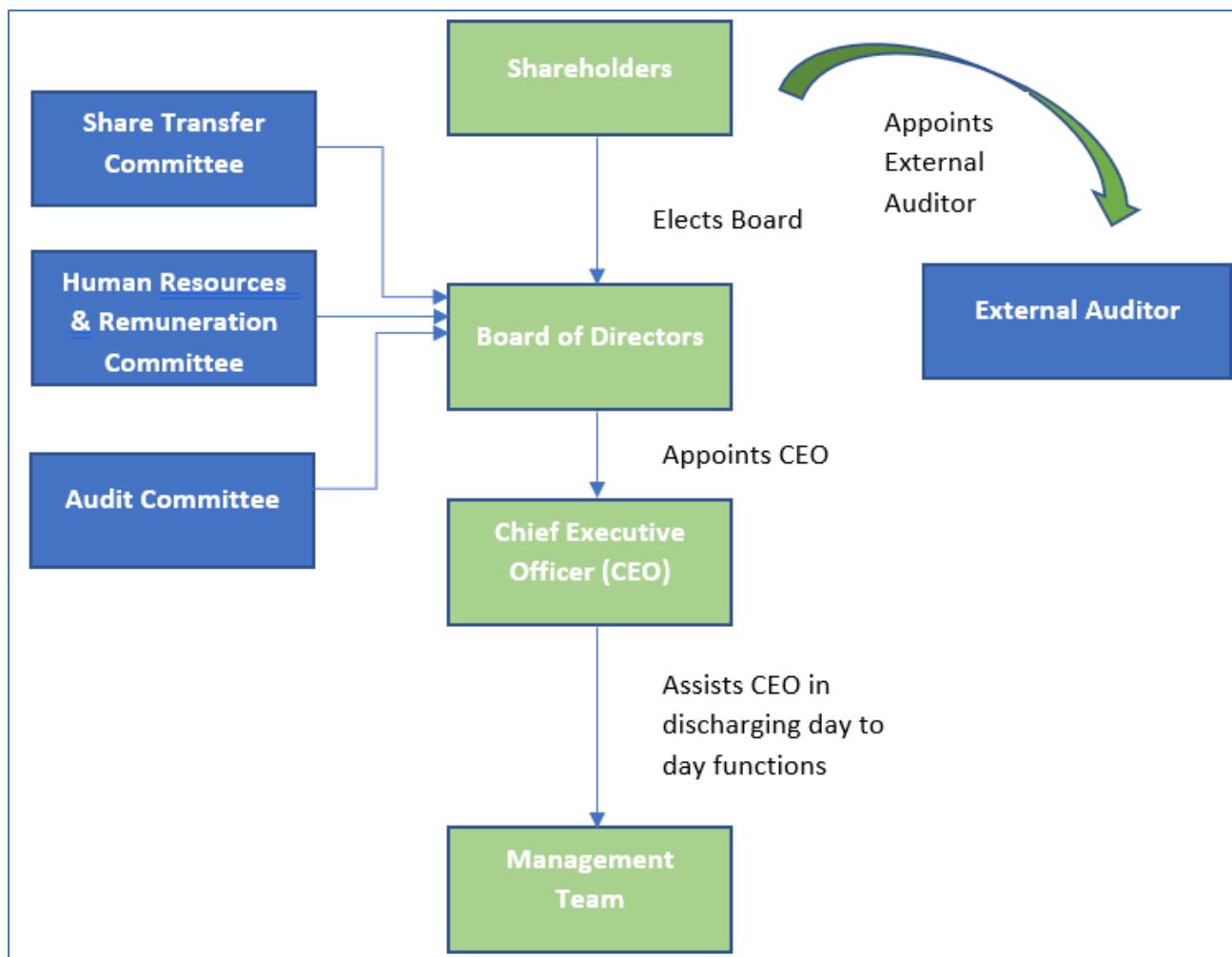


# **Governance Framework & Key Elements of Significant Policies**



## Governance Framework

Sanofi Aventis Pakistan Limited has a governance framework which provides a sound structure for effective and responsible decision-making within the organization. The Board has an oversight of the risks and opportunities arising from the Company's activities and is responsible for identifying the direction, strategies & objectives and for monitoring the implementation of the same by management.



### Board of Directors

The Company has an experienced and dynamic Board with the right blend of skills to develop strategies. The Board comprises of 11 Directors out of which 6 are Non-Executive, 3 are Independent and 2 are Executive Directors. The Chairman of the Board is a Non-Executive Director representing minority interest. The roles of Chairman and the CEO have been segregated and responsibilities have been clearly defined.

The CEO is responsible for operations of the Company, whereas the Board, under the Chairman, performs oversight. Non-executive Directors are elected to enhance objectivity. The Chairman is responsible for the overall discharge of the Board's duties.

The statute requires the Board to formulate Audit Committee and Human Resource & Remuneration Committee. All the matters including election, appointment and disclosure of interest are governed by the statutory requirements and regulations laid down by Securities Exchange Commission of Pakistan (SECP) and Pakistan Stock Exchange (PSX).

## Representation of Female Director on the Board

The Company, as part of its policy of diversity & equal opportunity and to ensure compliance with new Code of Corporate Governance's requirement, has one female member on its Board.

## Roles and Responsibilities of the Board

The Board provides leadership to the Company in a manner that promotes its long-term success, thereby maximizing value for the stakeholders. It also sets the direction for the Company's values, ethics & business policies and practices. The Board exercises all powers granted to it by the Companies Act, 2017 with responsibility, diligence, and in compliance with the legal framework.

These include, but are not limited to, appointment of key management positions, approval of annual budgets including capital expenditures, investments in new ventures and approval of related party transactions. Financial statements of the Company, including interim and final dividends and review of internal / external audit observations regarding the overall control environment including effectiveness of the control procedures, are also approved by the Board. The Internal Audit department ensures continuous compliance and monitoring of formal policies and effectiveness of the internal control framework, designed by the Board for the conduct of the Company's business.

## Committees of the Board and Terms of Reference

Each committee of the Board has a written 'Terms of Reference' outlining their duties and responsibilities. The committees report on their activities and results to the Board. The table below summarizes the terms of reference for audit committee and the Human Resource & Remuneration Committee;

Committee	Roles and responsibilities	Frequency of meetings
<p><i>AUDIT COMMITTEE</i></p>	<ul style="list-style-type: none"> <li>• Monitors the integrity of financial statement and reporting and makes recommendation to the board for approval.</li> <li>• Recommending to the Board the appointment of external auditors by the company's shareholders</li> <li>• Monitoring compliance with best practices of corporate governance and identification of significant violations.</li> <li>• Ascertain that the internal control system, including financial and operational controls, accounting system and reporting structure are adequate and effective.</li> <li>• Review of quarterly, half yearly and annual financial statements prior to their approval by the Board</li> <li>• Regularly report to the board of directors about committee activities, issues, and related recommendations.</li> </ul>	<p>At least Once every quarter</p>
<p><i>HUMAN RESOURCE &amp; REMUNERATION COMMITTEE</i></p>	<ul style="list-style-type: none"> <li>• Recommend to the board for consideration and approval of a policy framework for determining remuneration of directors (both executive and non-executive directors)</li> <li>• In collaboration with the company secretary undertake annually a formal process of evaluation of performance of the board as a whole and its committees.</li> <li>• Recommending human resource management policies to the board.</li> <li>• Recommending to the board the selection, evaluation, development, compensation (including retirement benefits) of chief financial officer, company secretary and head of Internal audit</li> </ul>	<p>At least Once every year</p>
<p><i>BOARD SHARE TRANSFER COMMITTEE</i></p>	<ul style="list-style-type: none"> <li>• The Board Share Transfer Committee has been authorized by the Board to approve transfer of shares. All share transfer resolutions are ratified by the Board in subsequent meetings.</li> </ul>	<p>As and when required</p>

## Remuneration of Executive, Non-Executive and Independent Directors

The Company has a comprehensive policy for fixing executive Directors' remuneration. In order to attract well qualified and experienced Directors, the Company's remuneration policies are structured in line with prevailing industry trends and business practices. As per the applicable legal and regulatory requirements, the remuneration of the Board members is approved by the Board itself. However, in accordance with the Code of Corporate Governance, it is ensured that no director takes part in deciding their own remuneration. The Company pays remuneration to non-executive directors including independent directors for attending meetings of the Board.

## Board's Performance Evaluation

The evaluation of Board's role of oversight and its effectiveness is an ongoing process, which is appraised by the Board itself.

The broad criteria for evaluation of its performance includes;

- Ensuring maximum attendance at Board meetings to enhance the quality of decision making as well as effective discharge of its roles & responsibilities.
- Review and approval of strategic plans and significant policies.
- Monitor Company's performance against planned objectives and advise the management on strategic initiatives.
- Review of business risks and compliance with the applicable laws & regulations
- Establishing adequate internal control system in the Company and its regular assessment through internal audit activities.
- Ensuring orientation of the Board of directors including new appointments so that each member is fully aware of his/ her roles & responsibilities

## Roles & Responsibilities of Chairman & CEO

The Chairman's role is primarily to guide long-term strategic planning for the Company.

The CEO is responsible for reporting the Company's performance to the Board of Directors. He is also responsible for all matters pertaining to operations of the Company under direction of the Board of Directors. His responsibilities mainly include:

- To plan, formulate and implement strategic policies;
- To ensure the achievement of productivity and profitability targets and that the Company operates efficiently;
- To maintain a regular review of duties and functions of the staff to ensure that that all operations are carried out efficiently and economically;
- To ensure that the Company's interests and assets are properly protected & maintained and all the required legal obligations are complied with in a timely manner;
- To present to the Board of Directors the following reports/details;
  - Annual business plan
  - cash flow projections and long-term strategic plans
  - Quarterly operating results of the company in terms of its operating divisions & segments.
- Reviewing performance against budgets /targets, revenue and capital expenditure, profits, other administration, commercial, personnel and other matters of importance to the Company.

## Key Elements of Significant Policies

### Related Parties

The Company maintains a comprehensive and updated list of all related parties and their transactions. Names of all such related parties with whom the Company had entered into transactions during the year, along with the nature of their relationship and percentage holdings have been appropriately disclosed in the annual financial statements as per the requirements of fourth schedule of the Companies Act 2017.

### Risk Management

The Company has an entity-wide risk management process for identifying, evaluating and managing the principal risks. The key features of the Company's entity-wide risk management and internal control process include:

- The Board Audit Committee, on behalf of the Board, considers the effectiveness of the internal control procedures during the financial year. It reviews reports from the internal and external auditors and reports its conclusions to the Board.
- The Company's Internal Audit function carries out the continuing assessments of the quality of risk management and control, reports to the management and the Audit Committee on the status of specific areas identified for improvement and promotes effective risk management in the lines of business processes.

### Compliance and Integrity Management

The Company's Code of Ethics (the Code) provides guidelines on ethical standards. It covers issues such as bribery and corruption, fraud, insider trading, legal compliance, conflicts of interests, human rights and discrimination etc. The Code includes a commitment to conduct the Company's business with due regard to the interests of all stakeholders. The Code requires compliance with all applicable laws and regulations as a minimum standard.

### Preserving Health and Safety

Our collective engagement is to ensure Sanofi a safe and healthy workplace for our employees and external partners, to minimize the environmental footprint of our activities and products and to protect surrounding communities. Sanofi is committed to preserving the health, quality of work, life and safety of employees and every person connected to us.

### Privacy and Data Protection

Privacy and Personal data protection is a fundamental right of every individual. At Sanofi, protecting the personal data of our employees, patients, healthcare professionals and other business partners is critical, especially given the development of communication and information technologies. The Company works regularly to enhance robust processes and systems that protect vendors, customers and employees data and to raise awareness about the importance of data protection and privacy through the Company's IT Governance Policy.

## Fighting Bribery and Corruption

At Sanofi, fighting all forms of corruption is a priority. Promoting a culture of ethics and integrity is key to maintaining the trust of patients, stakeholders and society. Sanofi is committed to fostering a culture of integrity throughout the organization and clearly communicating expectations to reduce the risk of corruption.

## Conflict of Interest Policy

Sanofi is committed to proactively detecting and disclosing any conflict of interest situations and provides measures to eliminate or mitigate them. To prevent a conflict of interest, any Sanofi employee must be vigilant and adopt appropriate behavior in situations in which the objectivity of his/her business decision may be impaired.

The Company has a policy in place to ensure that any conflict of interest is properly disclosed, recorded and addressed, upholding the interests of the company. In line with the provisions of Companies Act 2017, every Director is required to disclose his interest in writing to the Company Secretary, in respect of any contract/appointment, etc.

## Whistleblower Policy

The Company's Whistleblower Policy has been developed to ensure that concerns are raised regarding actual or suspected contraventions of the Company's ethical and legal standards, freely and without fear of repercussions. Matters reported are investigated and it is determined whether there is evidence to support the matter raised or to refute it.