

INTRODUCTION

SBIFMPL's vision is to be a trusted and respected Asset Manager by being an ethical, responsive and innovative partner in investment solutions. The AMC's fiduciary responsibilities towards its clients include long-term wealth creation, protection of interest of investors and risk mitigation; and towards the community at large include matters of social, governance and environmental factors. At SBIFMPL, it is a core belief that a business run in best interests of all stakeholders seldom fails to create lasting value for its investors. This responsibility of not trying to maximise short-term profitability, but ensuring optimisation of long-term return and risks is well elucidated in our [Responsible Investment Policy](#). The Stewardship Code is a natural extension of the AMC's responsibility to protect and enhance the long-term economic value of our clients' assets.

This policy is applicable for Mutual Fund as well as AIF (Alternative Investment Fund) activities undertaken by SBI Funds Management Private Limited.

Principle 1: Institutional Investors should formulate a comprehensive policy on the discharge of their stewardship responsibilities, publicly disclose it, review and update it periodically.

SBIFMPL stands by the principles of responsible investment and uses a robust framework to overlay financial analysis with ESG analysis for every stock covered by the AMC. The [Responsible Investment Policy](#) details the procedures used internally to apply the ESG lens on the investee companies and the proxy voting system.

The processes to identify, monitor and engage with the investee companies are already in place at the AMC. The primary stewardship responsibilities undertaken are as follows:

1. **Monitoring:** SBIFMPL shall continue to monitor every investee company on its financial performance, short, mid and long-term business strategy and Corporate Governance (especially board structure, constitution and directors' remuneration). The AMC shall also continue to monitor the Environmental and Social risks and initiatives taken by the investee companies to manage the risks effectively along with any other ESG related, or financial anomalies, irregularities or controversies that the investee company may be involved in.
2. **Engagement:** SBIFMPL shall continue to engage with the investee companies in the following manner:
 - a. Primary intimation of issues identified/expected through emails/letters
 - b. Meetings with management, board or relevant personnel to identify, deliberate on and find possible solutions to the issues
 - c. Provide help with respect to successful examples/case studies from national/international peers
 - d. Continued discussions to formalise a better process to fill existing gaps
3. **Voting:** SBIFMPL considers voting to be an important shareholder right and a valuable tool in the engagement process and endeavours to vote on all board resolutions of investee companies,

which are critical for protecting and enhancing the investors' interests. Although, the AMC uses proxy voting advisory services from reputed service providers to help analyse company proxy materials and statements, all votes are confirmed in house by the analyst team, in discussion with the portfolio manager/s. These voting decisions and the process undertaken to arrive at the decision is uploaded on the AMC's website ([Proxy Voting Policy](#)). The AMC shall continue to engage with and vote on the various resolutions by the investee companies with related disclosures being made available online.

4. **Incorporating the ESG Lens**: SBIFMPL shall continue to enhance internal capabilities to identify risks/opportunities for investee companies and continue to engage with external entities for provision of in-depth insights on ESG ratings. The AMC also intends to have customised frameworks for sector specific ESG analysis for mid and small cap companies that have lower disclosure on ESG frameworks. Periodic calls and meetings with external experts will aid the training and capacity building of in-house team. Information dissemination will continue between teams through emails, and monthly ESG review meetings.
5. **Public Policy & Market-wide Initiatives**: SBIFMPL seeks to influence and address thematic, sector and market related issues that could impact the performance of its investments. The AMC actively engages with the regulators and other stakeholders on policy advocacy matters. Active contributions are made to consultations and industry debates on these topics. SBIFMPL participates in various forums to share knowledge as well as create awareness regarding the experience of ESG integration and the roadmap ahead.
6. This Stewardship Code highlights SBIFMPL's stewardship responsibilities. The Code will be made available online and will be reviewed on a periodic basis.

Principle 2: Institutional Investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it.

SBIFMPL has designed the Policy for Management of Conflict of Interest to ensure that the interest of the client/beneficiary is placed before the interest of the AMC.

The policy shall be reviewed and updated by the Conflict of Interest Committee, which constitutes Deputy CEO, Head of Risk and Head of Compliance. The Chief Investment Officer will be a permanent invitee to this committee.

SBIFMPL will identify actual or potential conflict of interest situations and shall manage them in line with the Policy.

1. Identifying conflict of interest:

While dealing with investee companies, SBIFMPL may be faced with a conflict of interest, in an instance, where the investee company holds a material interest, in the overall business or is a distributor for the AMC. There may be a conflict of interest if a nominee of the AMC has been appointed as a director or a key managerial person of the investee company, or the AMC and the

investee company are part of the same group. SBIFMPL would look out for any other situations that may potentially lead to a conflict of interest. Individual employees holding stocks investee companies may also face conflict of interest when dealing with the same companies on behalf of the AMC.

2. Managing Conflict of Interest:

In order to ensure the protection and primacy of client's interests and to comply with the applicable regulations, SBIFMPL has implemented policy and procedures aimed at preventing situations involving conflicts of interests and resolving such situations should they arise.

SBIFMPL manages the potential conflict of interest situations as under:

- a) All decisions pertaining to votes will be taken in the best interest of the unit holders of SBIFMPL. In instances where the investments are in the group companies of the AMC or the investee company has substantial investments in the schemes of SBI Mutual Fund, the Proxy Voting Committee will specifically review all such proposals and will take voting decisions in the best interest of unit holders. The Committee shall at all times have the discretion to decide to exercise a voting right or abstain from it.
- b) While voting for the parent of SBIFMPL or a company of the same group, it will be made sure that any employee nominated by the parent does not form part of the Proxy Voting Committee for that decision.
- c) There will be a clear segregation of the voting function and sales functions. No sales team member shall form part of the Proxy Voting Committee.
- d) In the usual course of AMC's business, any services engaged with investee companies including associates, sponsor & group companies shall be selected in the best interests of the AMC/AMC's clients. The services shall be selected on an *arms-length basis* and based on policies adopted by SBIMF, SBITCPL & SBIFMPL under direction & supervision of the Board of Directors of AMC & Trustee Company, if required.
- e) The policy will allow for persons to recuse from decision making in case of the person having any actual/potential conflict of interest in the transaction.
- f) For all matters related to Proxy Voting, the Proxy Voting Committee will take decisions keeping in view the conflicts.
- g) For all other possible instances of conflict, the Conflict of Interest Committee will decide the course of action.
- h) For managing internal conflicts of interests between teams and employees, the following steps have been taken:
 - i. Segregation of Functions: All permissible activities are clearly segregated, structured and carried in such a way so that potential conflicts of interests, if any, can be avoided. Further, all such activities are subject to compliance of applicable regulations.
 - ii. There are clear Chinese Walls within the Investment Management Division of the different activities carried by the SBIFMPL. The operation of a Chinese wall involves a range of practices including the segregation of data and computer systems, as well as physical separation of certain areas to ensure effective separation.

- i. A Code of Conduct & Employee Dealing Policy has been established for Directors, Key Personnel and Senior Management. A Code of Ethics has been adopted for all employees which provides general code of conduct, obligation, non-disclosure & protection of confidentiality of information including code for trading in securities & procedure for handling of Unauthenticated Market Related News or rumours.
- ii. All employees shall comply with the Code of Conduct for Prevention of Insider Trading in compliance with SEBI (Prohibition of Insider Trading) Regulations.
- iii. Best Execution Policy has been adopted to ensure fair allocation of trades executed for SBIFMPL's clients under all its businesses for whom the AMC has fiduciary responsibility.

Measures to prevent and manage Conflicts of Interests have been outlined in detail in the following policies:

1. Policy for Prevention and Management of Conflict of Interest
2. Code of Conduct and Employee Dealing Policy
3. Code of Ethics
4. Proxy Voting Policy
5. Best Execution Policy

Principle 3: Institutional Investors should monitor their investee companies.

1. The Fund Management & Research Team (referred as investment team) is responsible for the monitoring of the investee companies' performance. The investment team considers the investee companies' business strategy, financial performance, capital structure, leadership effectiveness, succession planning, corporate governance, ESG initiatives, disclosures and other parameters they consider important while making investment decisions. Corporate Governance parameters especially include board composition (with respect to independence and diversity), size and quality (with respect to leadership and credentials of the board members), director remuneration and related party transactions. Any instances of violation of shareholder rights and their grievances are also actively monitored.
2. The investment team carries out financial analysis of the investee companies, engages with the senior management/investor relations officials or the Chief Financial Officers (CFOs) or any other management personnel/promoters of the investee companies as part of the research process that could lead to an investment in an investee company.
3. Once an investment is made, the investment team continues to monitor each investee company. As a part of this process, the fund manager/analysts, where feasible, attend meetings/Conference calls conducted by the management of the investee company. Fund Managers and analysts also use publicly available information, sell side research and industry information and endeavour to engage with the investee companies at least once a year, through any means detailed above. SBIFMPL uses an internal classification for assigning priority to investee companies on the basis of various parameters including their size. Investee companies where SBIFMPL has higher interest involves higher levels of monitoring as compared to companies where there is a lower interest.

Details of the discussions, meetings etc. are maintained in an internal portal which ensures accountability and transparency in monitoring systems.

4. SBIFMPL's ESG analysts along with the equity analysts covering the companies monitor the ESG Ratings of the investee companies (provided by external agencies) and also use available disclosed information to arrive at an ESG Scoring with SBIFMPL's own questionnaire. In cases where enough disclosures on ESG parameters are not available, the analysts engage with the investee companies to get the information and in the process encourage companies to disclose ESG related information.
5. ESG Ratings of all investee companies are monitored for possible upgrades and downgrades and discussed in monthly ESG Review Meetings. Any events concerning the investee companies (mergers, acquisitions, controversies, new launches, employee layoffs, strikes etc.) are also regularly tracked and are discussed at the ESG Review Meeting.
6. SBIFMPL participates in collaborative engagements with other domestic as well as foreign institutional investors as part of various initiatives like UN PRI, Climate Action 100+, etc. and engages with associations like Association of Mutual Funds in India (AMFI), with regulators and other stakeholders on policy advocacy matters.

Principle 4: Institutional Investors should have a clear policy on intervention in their investee companies. Institutional investors should also have a clear policy for collaboration with other institutional investors where required, to preserve the interests of the ultimate investors, which should be disclosed.

SBIFMPL would intervene in its investee companies, on a case-to-case basis, wherever it deems necessary. The decision in this regard will be taken by the CIO (Stewardship Officer) in consultation with the Investment Team, ESG Team, Risk Team, Compliance team or any other committee as required.

1. Identifying possible circumstances of active intervention:

- a. Poor financial performance of a company
- b. Poor corporate governance practices
- c. Improper Director/Executive remuneration
- d. Leadership issues
- e. Inequitable treatment of shareholders
- f. Poor business strategy
- g. Prevailing ESG Risks
- h. Lawsuits/Litigations
- i. Poor disclosures (insufficient as per regulatory requirement)
- j. Non-compliance with regulations
- k. Any other important issue

2. Mechanism of intervention and regular assessment of outcome of intervention

The decision for intervention shall be decided by the CIO (Stewardship Officer) on a case-to-case basis, based on all available facts of the investee company at that point of time.

- a. **Engagement:** Sending letters to individual investee companies, one-to-one meetings with the management team, engagement with specific teams etc. to resolve any concerns including steps to be taken to mitigate such concerns.
- b. **Re-Engagement:** In the event the management of the investee company fails to undertake constructive steps to resolve the concerns raised by SBIFMPL within a reasonable timeframe, the AMC shall take all reasonable steps to re-engage with the management to resolve its concerns.
- c. **Collaboration:** The AMC shall also consider collaboration with other institutional investors, professional associations like AMFI, regulators, and any other entities it deems necessary for a collective engagement or joint representation with the investee company.
- d. **Escalation:** In case there is no progress despite the above three steps, SBIFMPL may engage with the Board of the investee company (through a formal written communication) and elaborate on the concerns. Further, the AMC may take appropriate steps to resolve the concerns including exiting its investments.
- e. **Voting:** SBIFMPL will vote against or abstain from voting in case the governance practices of the investee company are improper.
- f. **Legal Recourse:** SBIFMPL may take a legal recourse against a company if deemed necessary instead of exiting its investment.
- g. **Blanket Bans:** SBIFMPL may consider extending a blanket ban on a section of companies or create a list of black-listed companies as required if there is no engagement or improvement from the companies' side.

Principle 5: Institutional Investors should have a clear policy on voting and disclosure of voting activity

SBIFMPL exercises its voting responsibilities for its investments through the corporate proxy voting process available to its members. When voting proxies, SBIFMPL shall take utmost care to ensure that all decisions are made solely in the interests of the funds/unitholders and with the goal of maximizing the value of their investments. However, at no point in time does it intend to participate directly or indirectly in the management of the companies. The details of the voting process is available in the [Proxy Voting Policy](#).

- a. SBIFMPL has constituted a **Proxy Voting Committee** comprising of Senior Officials of the AMC. The Committee has the final authority to decide upon exercise of votes.
- b. Voting decisions are made in accordance with the AMC's [Proxy Voting Policy](#) available on its website.
- c. The Committee votes against resolutions that are not consistent with the company's voting policy including sustainability, growth prospects and profitability, impact on shareholder's value, governance issues, impact on minority shareholder's interest, impact on environment, impact on stakeholders like employees, customers, suppliers and surrounding community etc.

- d. SBIFMPL has subscribed to services offered by two **domestic unaffiliated third-party research firms** to receive analyses and recommendations on the shareholder meetings of companies. These analyses are reviewed and studied before taking a final voting decision. However, the Committee may not agree with the recommendation. In any situation, the decision of the Committee is regarded as final.
- e. The Proxy Voting Policy also provides the mechanism to deal with situations of conflict of interest, arises if any.
- f. The proceedings of the meetings and the exercise of voting decisions are recorded appropriately. The Committee periodically reviews the internal mechanism for the control process for implementation of its decisions. The AMC has an option to cast its votes by electronic means.
- g. Voting exercised and abstained along with the rationale supporting their voting decisions is **disclosed on a quarterly basis** within ten working days from the end of the quarter in the format prescribed by SEBI as amended from time to time.
- h. A **summary of the voting exercised** across all the investee companies and its break-up in terms of total number of votes cast in favour, against or abstained from is also uploaded.
- i. The AMC discloses the proxy voting exercised on an annual basis in the Annual Report of the Schemes of SBI Mutual fund along with due certification from the 'scrutinizer' in terms of Rule 20 (3) (ix) of Companies (Management and Administration) Rules, 2014 and any future amendment/s to the said Rules thereof.

Principle 6: Institutional Investors should report periodically on their stewardship activities

- a. SBIFMPL shall report to its clients/beneficiaries annually on how it has fulfilled its stewardship responsibilities as per this Stewardship Code in an easy-to-read format.
- b. The AMC understands that compliance with the principles of the Stewardship Code does not constitute an invitation to manage the affairs of a company or preclude a decision to sell a holding when it is in the best interest of the clients/beneficiaries.
- c. SBIFMPL will report on each principle annually. While Voting will continue to be reported separately on a quarterly basis, the rest of the principles will be reported on annually.
- d. Any updations in this Stewardship Code will be disclosed on the website.
- e. The disclosures will also be sent as a part of annual intimation to the clients/beneficiaries.