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SBI PENSION FUNDS PRIVATE LIMITED

Stewardship Policy

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1. Preamble

SBI Pension Fund Private Limited (SBIPFPL) is a Pension Fund Manager registered with Pension Fund Regulatory and Development Authority (PFRDA) managing the pension fund under the National Pension Systems (NPS) as per the guidelines of PFRDA. SBIPFPL is managing the fund in the fiduciary capacity under the NPS architecture, as the ultimate beneficiaries of the assets are the subscribers contributing towards the fund. As part of its investment management activities, SBIPFPL invests in several companies with the intention to optimise the return for the subscribers. In this context, it has become important to keep a track of the activities of the investee companies and to engage with their management with regard to the decisions which may have major material impact on the companies, so that the interest of the subscribers is protected.

Stewardship responsibilities include monitoring and actively engaging with investee companies on various matters including performance (operational, financial, etc.), strategy, corporate governance (including Board structure, remuneration, etc.), material environmental, social, and governance (ESG) opportunities or risks, capital structure, etc. Such engagement may be through detailed discussions with management, interaction with investee Companies Board, voting in Board or Shareholders meetings, etc.

PFRDA has issued guidelines on Common Stewardship Code for implementation by the Pension Fund Managers and has advised that a comprehensive policy may be formulated. The broad areas to be covered in the policy are as under:

- 1) Managing the conflict of interest.
- 2) Monitoring the investee companies.
- 3) Active intervention/ engage with the investee companies.
- 4) Clear policy on voting and disclosure of voting activity.
- 5) Report periodically on the stewardship activities.

This policy intends to lay down the process and procedures to be followed by SBIPFPL on the above.

The Investment Sub-Committee would be the custodian of the policy and would ensure that the guidelines are strictly adhered to. In case of any breach, the same shall be reported to the Board and Investment Committee as well as the PFRDA (Regulator) on a quarterly basis.

2. Managing conflict of interest.

The conflicts of interest in decision making would happen in any of the following scenario:

- i) The Investee Company is associated with SBIPFPL or its sponsor in any manner.
- ii) SBIPFPL or any of its sponsors have any stake or interest in the Investee Company.
- iii) Any of the officials who are responsible for decision making in SBIPFPL have any kind of interest in the investee company.
- iv) Any reason other than the above, which may give rise to conflict of interest.

The Company would deal with the issues as per the following procedures:

- a) The investment would be made strictly as per the guidelines issued by PFRDA and the limits with regard to the sponsor group as well as other individual groups would be strictly adhered to.
- b) In case of any conflict of interest arising on account of any other reasons, the decisions taken would be clearly spelt out in the Internal Investment Sub- Committee note and the same would be put up to the Investment Committee on a quarterly basis.
- c) The Company has put in place a Guideline for Investment/ Trading in Securities by SBI Pension Funds Private Limited (SBIPFPL) employees (including employees on deputation from State Bank of India & employed by SBIPFPL) to check self-dealing and front running, which is strictly adhered to.

3. Monitoring the investee companies.

- Investment team will be responsible for monitoring all the companies in which SBI Pension invests. There will be no threshold limit applicable for monitoring purposes.

- The monitoring team will use publicly available information, management meetings, interaction with investee company boards, voting in board or shareholders meetings, sell side research and industry information to monitor these companies. While endeavor would be to ensure at least one meeting with the investee company in a year, there can be investee companies where the management is not accessible or not accessible at appropriate levels which would share any incremental information. In such cases, the monitoring would be done through other sources.
- Monitoring will include (but need not be restricted to) strategy and business outlook, operation and financial performance, Industry analysis, management evaluation and corporate governance issues including board structure/diversity, related party transactions, handling of shareholder rights, their grievances, capital structure and key risk areas. Monitoring on areas like succession planning, remuneration, material environmental, social and governance (ESG) opportunities or risks issues will be on a best effort basis.
- Investment team would monitor that all the information sought for the purpose of monitoring the investee companies is done keeping in mind regulations on insider trading and would ensure the compliance of the regulations.
- The monitoring of the Investee Company including the process of due diligence for the Investments will be done as detailed in the Risk Management Policy and Investment Policies of the Company.

4. Active intervention/engage with the investee companies.

- Active intervention in the Investee companies Concerns may arise with respect to the investee companies from time to time mainly on account of insufficient disclosures, non-compliance to regulations, governance issues, corporate plans/strategy, and CSR related matters.
- SBIPFPL may intervene on case-by-case basis if it feels that its intervention is required to protect value of its investment and discharging its stewardship responsibility.
- Decision for intervention will be decided by Investment Team based on the following broad parameters:

- The investment in the company should be above the threshold level (1% of shareholding in investee company). However, SBIPFPL can decide to intervene in the companies where the investment is below threshold level, depending on the issue and its implication on the Company.
- In case the investment is already earmarked for divestment or post planned divestment holding will be below threshold level, intervention may not be considered, unless there are other factors which warrant intervention.
- SBIPFPL as an active shareholder will seek to engage with the company's management to discuss the concerns and apprehensions and actions to mitigate the concerns. The interactions must be held with the company personnel authorized and empowered to act on the areas of concerns.
- If there is no response from the management or there is any lack of follow-up action as promised despite the passage of a reasonable period of time, SBIPFPL may re-engage with the management to reiterate the conclusions or the plans of action decided at the prior meetings. A time bound plan to rectify or re-align the business practices or actions should be discussed and agreed upon.
- In all cases of engagement with the management of the investee company, all communications and discussions are to be conducted in private and confidential manner. The objective of the interactions is to play a constructive role in enhancing the value of the investment in the equity of the investee companies to benefit the subscribers of SBIPFPL
- Collaboration with other Institutional Investors - In select cases, the nature of the engagement with the investee company management or the issues involved in resolutions that need to be voted upon by shareholders, may have an impact on all institutional shareholders of the investee company. - In some cases, collaboration with other investors may be the most effective manner to engage with the investee companies. Collaborative approach is not only cost effective, it is efficient and potent as well and is likely to deliver the desired results. - Collective engagement may be most appropriate at times of significant corporate or wider economic stress, or when the risks posed threaten to destroy significant value. SBIPFPL may choose to engage with the investee company through consultations with the other institutional investors, with those whose interests are aligned with SBIPFPL, in

order to have a wider group of investors representing a larger proportion of shareholders to engage with the company.

5. Clear policy on voting and disclosure of voting activity.

The company has formulated a voting policy as per the PFRDA circular no. PFRDA/2017/17/PF/1 dated 20th April, 2017 and would continue to exercise the voting as per the policy. The eventual voting is exercised by the custodian as per the consensus arrived at by taking into account the decisions of all the PFMs as mandated by PFRDA.

6. Periodically reporting on the stewardship activities.

SBIPFPL shall publicly disclose this policy on its website including the updated policy as amended from time to time. SBIPFPL shall also place on its website the voting decision it has made on the investee companies on a quarterly basis and also file the same with PFRDA on a quarterly basis. SBIPFPL shall also annually intimate to PFRDA/NPS Trust about the implementation of every principle laid down in the Policy.

7. Training of Personnel.

SBIPFPL will ensure that adequate training with respect to compliances stipulated under this Stewardship Policy is imparted to its personnel and employees who are part of Investment Team this includes CIO, Fund Manager for both Equity and Debt, Debt Analyst and Equity Analyst, and Debt and Equity Dealers. A training session to the relevant employees will be conducted on a yearly basis outlining the guidelines and measures that are required to be kept in mind for fulfilling the stewardship responsibilities.

8. Disclosure of Change in Interest or concern in the Company/Body corporate/firms or other association on quarterly basis.

SBIPFPL will ensure to collect from Directors, members of Investment Committee and Key Managerial personnel details of any change in interest or concern in the Company, body corporate, firms or other association of individuals to the Pension fund in form MBP-1 on quarterly basis.