

**SBI FUNDS MANAGEMENT LIMITED**  
**(A JOINT VENTURE BETWEEN SBI AND AMUNDI)**

**NOMINATION & REMUNERATION POLICY FOR DIRECTORS, KEY MANAGERIAL  
PERSONNEL (KMP) & OTHER EMPLOYEES**

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## I. PRELUDE

SBI Funds Management Private Limited (“SBIFMPL” or “the Company”) was incorporated in the state of Maharashtra on February 07, 1992 as a Private Limited Company under the provisions of the Companies Act, 1956. On June 30, 1992, by virtue of the erstwhile section 43A(1) of the Companies Act, 1956, SBIFMPL had become a deemed public company which was therefore renamed as ‘SBI Funds Management Limited’. On subsequent deletion of section 43A, the same became non applicable to the Company and therefore the word ‘Private’ was added back to the name of the Company. The Company was re-named as ‘SBI Funds Management Private Limited’ with effect from August 24, 2001.

Considering the current as well as future business expansion, the Company has been converted from Private Limited Company to Public Limited Company and named as ‘SBI Funds Management Limited’ with effect from December 16, 2021.

The Companies Act, 2013 (‘the Act’) and the Rules framed there under requires the Company to frame policy for determining the qualification, appointment and removal & remuneration payable to the Directors, Key Managerial Personnel (KMPs) and other employees.

## II. INTRODUCTION

This Policy has been formulated by the Nomination and Remuneration Committee and approved by the Board of Directors of the Company in compliance of Section 178 of the Companies Act, 2013.

## III. DEFINITIONS

- Act means the Companies Act, 2013 and Rules framed thereunder, as amended from time to time.
- Board means Board of Directors of the Company.
- Directors mean Directors of the Company.
- Company means ‘SBI Funds Management Limited’.
- Key Managerial Personnel means
  - (i) the Managing Director & Chief Executive Officer or Manager;
  - (ii) Company Secretary,
  - (iii) whole – time director
  - (iv) Chief Financial Officer; and
  - (v) such other officer as may be prescribed.

- Nomination & Remuneration Committee means the Committee of the Board of Directors of SBI Funds Management Limited constituted pursuant to the provisions of Section 178 of the Act.
- Remuneration means any money or its equivalent given or passed to any person for services rendered by him and includes perquisites as defined under the Income-tax Act, 1961.
- Senior Management means personnel of the company who are members of its core management team excluding the Board of Directors. This would also include all members of management one level below the executive directors including all functional heads.

#### IV. CONSTITUTION OF NOMINATION & REMUNERATION COMMITTEE

The Board of Directors of the Company had constituted 'Share Allotment and HR Sub Committee' to look after various HR related matters including ESOP and allotment of shares. The Board of Directors of the Company at their meeting held on January 24, 2022 has constituted the Nomination and Remuneration Committee in line with the section 178 of the Companies Act, 2013 and also pursuant to the power granted to the Board, the existing power & scope of 'Share Allotment and HR Sub Committee' pertaining to HR matters has been vested in the 'Nomination and Remuneration Committee'

The broad guideline of the Committee shall be as under:

##### 1. Membership

- The Committee shall consist of a 3 or more non-executive directors, out of which not less than one-half shall be independent directors
- The quorum for the meeting shall be three Directors of which one each from SBI and Amundi and at least one Independent Director. The Managing Director & CEO of the Company will be a permanent invitee.
- Membership of the Committee shall be disclosed in the Annual Report.
- Term of the Committee shall be continued unless terminated by the Board of Directors.

##### 2. Chairperson

- Chairperson of the Company may be appointed as a member of the Committee but shall not be a Chairman of the Committee.
- In the absence of the Chairperson, the members of the Committee present at the meeting shall choose one amongst them to act as Chairperson.
- Chairman of the Nomination and Remuneration Committee meeting could be present at the Annual General Meeting or may nominate some other member to answer the shareholders' queries.

##### 3. Frequency of Meetings

The meeting of the Committee shall be held at such regular intervals as may be required.

##### 4. Voting

Matters arising for determination at Committee meetings shall be decided by a majority of votes of Members present and voting and any such decision shall for all purposes be deemed a decision of the Committee.

In the case of equality of votes, the Chairman of the meeting will have a casting vote.

#### 5. Minutes of Committee Meeting

Proceedings of all meetings must be recorded as minutes and signed by the Chairman of the Committee at the subsequent meeting. Minutes of the Committee meetings will be tabled at the subsequent Board and Committee meeting.

### V. SCOPE / TERMS OF REFERENCE

1. To guide the Board in relation to appointment and removal of Directors, Key Managerial Personnel and Senior Management.
2. To evaluate the performance of the members of the Board and provide necessary report to the Board for further evaluation of the Board.
3. To recommend to the Board on Remuneration payable to the Directors, Key Managerial Personnel and Senior Management.
4. To provide to Key Managerial Personnel and Senior Management reward linked directly to their effort, performance, dedication and achievement relating to the Company's operations.
5. To formulate the criteria for determining qualifications, positive attributes and independence of a director, and recommend to the Board a policy, relating to the remuneration for the directors, key managerial personnel and other employees.
6. To formulate the criteria for evaluation of Independent Directors and the Board.
7. To carry out any other function as is mandated by the Board from time to time and / or enforced by any statutory notification, amendment or modification, as may be applicable.
8. All power granted to Share Allotment and HR Sub Committee' pertaining to HR related matters.
9. To perform such other functions as may be necessary or appropriate for the performance of its duties.

### VI. GUIDING PRINCIPLES

The policy is framed with the following objectives :

1. That the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the Company successfully.
2. That the relationship of remuneration to performance is clear and meets appropriate performance benchmarks;
3. That the remuneration to Directors, Key Managerial Personnel, Senior Management and other employees of the Company involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals;
4. To lay down criteria and terms and conditions with regard to identifying persons who are qualified to become Directors (Executive and Non-executive) and persons who may be appointed in Senior Management, Key Managerial positions and to determine their remuneration;
5. To determine remuneration based on the Company's size and financial position and trends and practices on remuneration prevailing in peer companies, in the industry;
6. To carry out evaluation of the performance of Directors, as well as Key Managerial and Senior Management and to provide for reward(s) linked directly to their effort, performance, dedication and achievement relating to the Company's organizations;
7. To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage ; and
8. To lay down criterial for appointment, removal of directors, Key Managerial personnel and Senior Management.

## **VII. CRITERIA FOR DETERMINING THE APPOINTMENT OF FOLLOWING**

### **1. Managing Director:**

The Company shall appoint or re-appoint any person as its Managing Director in line with the requirement of the Companies Act and Articles of Association of the Company.

### **2. Qualifications for appointment of Independent Directors and Directors:**

- i. Persons of eminence, standing and knowledge with significant achievements in business, professions and/or public service.
- ii. Their financial or business literacy/skills.
- iii. Their experience in the business / and related area.
- iv. Appropriate other qualification/experience to meet the objectives of the Company.
- v. As per the applicable provisions of Companies Act 2013, Rules made thereunder.

*The Nomination and Remuneration Committee shall have discretion to consider and fix any other criteria or norms for selection of the most suitable candidate/s.*

### **3. Positive attributes of Independent Directors and Directors:**

- i. Directors are to demonstrate integrity, credibility, trustworthiness, ability to handle conflict constructively, and the willingness to address issues proactively.
- ii. Actively update their knowledge and skills with the latest developments in the relevant industry, market conditions and applicable legal provisions.
- iii. Willingness to devote sufficient time and attention to the Company's business and discharge their responsibilities
- iv. To assist in bringing independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct.
- v. Ability to develop a good working relationship with other Board members and contribute to the Board's working relationship with the senior management of the Company.
- vi. To act within their authority, assist in protecting the legitimate interests of the Company, its shareholders and employees.
- vii. Independent Directors to meet the requirements of the Companies Act, 2013 read with the Rules made thereunder as amended from time to time.
- viii. The person for the appointment of directors should fit the criteria prescribed by SEBI guidelines, circular as amended from time to time.
- ix. The tenure of the directors / independent director will be in line with the Companies Act 2013, SEBI (Mutual Funds) Regulations & Articles of Association of the Company and other applicable regulations, if any.
- x. The appointment of a Director will be subject to the approval of the Trustee Company and compliance with the requirements prescribed by SEBI for all Mutual Funds vide its circular no. MFD/CIR/11/354/2001 dated December 20, 2001 and any amendments made thereto the said circular.

#### **4. Criteria for appointment of KMP/Senior Management:**

- i. To possess the required qualifications, experience, skills & expertise to effectively discharge their duties and responsibilities.
- ii. To practice and encourage professionalism and transparent working environment.
- iii. To build teams and carry the team members along for achieving the goals/objectives and corporate mission.
- iv. To adhere strictly to code of conduct
- v. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person are sufficient/satisfactory for the concerned position.
- vi. All other provisions of HR Policy (any other named or applicable to all employees) will also be applicable.

### **VIII. POLICY RELATING TO REMUNERATION OF DIRECTORS, KMP & SENIOR MANAGEMENT PERSONNEL**

1. To ensure that the level and components of remuneration is reasonable and sufficient to attract, retain and motivate Directors, KMP and other employees of the quality required to run the Company successfully.
2. No director/KMP/ other employee is involved in deciding his or her own remuneration.

3. The trend prevalent in the similar industry, nature and size of business is kept in view and given due weightage to arrive at a competitive quantum of remuneration.
4. It is to be ensured that relationship of remuneration to the performance is clear & meets appropriate performance benchmarks which are unambiguously laid down and communicated.
5. Improved performance should be rewarded by increase in remuneration and suitable authority for value addition in future at the discretion of the Committee .
6. Remuneration packages should strike a balance between fixed and incentive pay, where applicable, reflecting short and long term performance objectives appropriate to the Company's working and goals.
7. Following criteria are also to be considered:-
  - Responsibilities and duties ;
  - Time & efforts devoted;
  - Value addition;
  - Profitability of the Company & growth of its business;
  - Analyzing each and every position and skills for fixing the remuneration yardstick.
8. Where any insurance is taken by the Company on behalf of its Directors / Managing Director, whole time director Chief Executive Officer, Chief Financial Officer, the Company Secretary and any other employees for indemnifying them against any liability, the premium paid on such insurance shall not be treated as part of the remuneration.

**A. Policy related to remuneration of Directors**

1. The Director nominated by SBI (except MD & CEO) and who is an officer of the State Bank of India or any subsidiary of the State Bank of India will not get any Remuneration from the Company including sitting fees. MD & CEO is not entitled for sitting fees. The profit linked incentives (or any such in similar nature ) to the Managing Director & CEO will be determined by the Committee and recommended to the Board for approval.
2. The Independent and other Non – Executive Directors may receive sitting fees and such other remuneration as permissible under the provisions of Companies Act, 2013. The amount of sitting fees shall be such as may be recommended by the Nomination and Remuneration Committee and approved by the Board of Directors.
3. Stock Options may be granted to such employees and Directors of the Company as approved by the Committee. Independent Directors will not be granted stock options.

**B. Remuneration paid to KMPs, Senior Management and to other employees:**

1. Managing Director/ CEO is a person on deputation from SBI. His Remuneration & perquisites will be as per SBI's standard Policies and Practices and subject to the approval of the Board of Directors and shareholders.

2. Other deputees from SBI / Amundi shall also be paid Remuneration & perquisites as per SBI's / Amundi standard Policies and Practices. Further, other deputees (including MD & CEO) can paid incentive in line with Company's Policy.
3. Other employees, CFO and Company Secretary shall be paid Remuneration & perquisites in accordance with processes and procedures followed by the Company to determine the Remuneration & perquisites.
4. The Key Managerial Personnel, Senior Management and other employees of the Company shall be paid monthly remuneration as per the Company's HR policies and/ or as may be approved by the Committee. The break-up of the pay scale and quantum of perquisites including, employer's contribution to PF, gratuity etc shall be as per the Company's HR policies.
5. The remuneration of Key Employees {as defined under SEBI ( Mutual Funds) regulations} will be aligned with the unitholders of mutual fund schemes in line with SEBI Circular SEBI Circular no. SEBI/HO/IMD/IMD-I/DOF5/P/CIR/2021/553 dated April 28, 2021 (as amended from time to time) pursuant to which a part of the Compensation of the Designated Employees shall be mandatorily invested in Units of the Eligible Schemes managed by the AMC in which they have role/oversight.
6. Criteria of performance evaluation and payment of Performance Linked Incentive to KMPs, Senior Management Personnel and other employees shall be in accordance with Company's Policy.
7. This Policy shall apply to all future / continuing employment / engagement(s) with the Company In other respects, this Policy shall be of guidance for the Board / committee. Any deviation from this Policy shall be recorded with reasons in the minutes of the Committee and Board meeting.

#### **IX. EVALUATION:**

1. The Committee shall carry out evaluation of performance of Key Managerial Personnel and Senior Management on an annual basis.
2. The Committee shall determine the manner for evaluation of performance of Board, committees of the Board and directors on an annual basis to be carried out either by the Board, by the Committee or by an independent external agency and review its implementation and compliance. The Committee may also seek the support and guidance of external experts and agencies for this purpose.

#### **X. REMOVAL OF DIRECTOR, KMP OR SENIOR MANAGEMENT PERSONNEL**

Due to reasons for any disqualification mentioned in the Act or under any other applicable Act, rules and regulations thereunder, or for any other reason the Committee may recommend to the Board with reasons recorded in writing, removal of a Director, KMP or Senior Management Personnel subject to the provisions and compliance of the said Act, rules and regulations as applicable to the Company.

## **XI. RETIREMENT OF DIRECTOR, KMP OR SENIOR MANAGEMENT PERSONNEL**

The Director, KMP and Senior Management Personnel shall retire as per the applicable provisions of the Act and the prevailing policy of the Company. The Board will have the discretion to retain the Director, KMP, Senior Management Personnel in the same position/ remuneration or otherwise even after attaining the retirement age, for the benefit of the Company.

## **XII. MODIFICATION OF POLICY**

The Committee may modify this Policy at any time and recommend the same to the Board for approval. Modification may be necessary, among other reasons, to maintain compliance with the rules and regulations imposed by the Regulatory authorities.

## **XIII. REVIEW**

The policy shall be reviewed by the Nomination & Remuneration Committee and the Board, from time to time as may be necessary.

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