STEWARDSHIP REPORT

2025-26

JULY 24, 2026

SBI FUNDS MANAGEMENT LIMITED

Introduction

Welcome to SBIFML's Stewardship Report 2025-26, where we delve into the vital world of responsible investment and the crucial role stewardship plays within this framework. In an era of growing awareness and concern about environmental, social, and governance (ESG) factors, responsible investment has emerged as a powerful means of aligning financial goals with sustainable practices. Stewardship, as an integral component of responsible investment, provides investors with the opportunity to exercise active ownership, engage with companies, and leverage their voting rights to drive positive change.

The concept of responsible investment goes beyond the traditional focus on financial returns; it recognizes that businesses have broader responsibilities to society and the environment. Responsible investors seek to integrate ESG considerations into their investment decisions, aiming to generate both financial and societal value. By allocating capital to companies that demonstrate sound ESG practices, investors can encourage sustainable business models and contribute to a more inclusive and sustainable future.

At the heart of responsible investment lies the principle of stewardship. Stewardship entails the active and engaged management of investments, where investors adopt a long-term perspective and assume a fiduciary duty to protect and enhance the value of their assets. Stewards go beyond passive ownership; they actively monitor and influence the companies in which they invest, fostering accountability, transparency, and responsible practices.

Engagement and voting are two pivotal tools of active ownership. Engagement involves direct dialogue and collaboration between investors and companies to address ESG concerns, influence strategic decisions, and promote positive change. By engaging with company management, investors can encourage the adoption of sustainable practices, advocate for improved corporate governance, and foster better stakeholder relations. This active dialogue serves as a catalyst for positive transformation within companies and helps to align their practices with sustainable development objectives.

Voting, on the other hand, allows investors to exercise their rights as shareholders during corporate decision-making processes. By casting votes on matters such as board appointments, executive compensation, and related party transactions, investors can influence company behaviour and shape corporate practices. Voting acts as a tangible expression of investor values, providing an avenue for collective action and holding companies accountable for their actions.

SBI Funds Management Limited's (SBIFML/the AMC) 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 SBIFML, it is a core belief that a business run in the best interests of all stakeholders seldom fails to create lasting value for its investors. This responsibility of not trying to maximize short-term profitability but ensuring optimization of long-term return and risks is well elucidated in our Responsible Investment Policy. The Stewardship Code (Policy) 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 Limited.

In this stewardship report, we account for the stewardship activities undertaken in FY26 by SBIFML.

As per clause 7.26.14 of SEBI Master Circular for Mutual Funds dated March 20, 2026, SEBI has mandated all Mutual Funds and Alternative Investment Funds to frame Stewardship Code in relations to their investments in listed equities. It requires reporting of stewardship activities as prescribed in the clause. SEBI as per clause 4.6.3 of SEBI Master Circular for Mutual Funds dated March 20, 2026, has prescribed the disclosure requirements for ESG schemes separately. Further, as per clause 4.6.3(d) of SEBI Master Circular for Mutual Funds dated March 20, 2026, SEBI mandates the ESG Funds to provide the fund manager's commentary highlighting the stewardship initiatives under the fund. This commentary and stewardship activities carried out under the fund are available in the annual scheme report of the SBI ESG Exclusionary Strategy Fund

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

Compliance Status: Complied with

The Board of AMC and Trustee Company approved the Stewardship Code on February 26, 2020. Further, an updated policy was reviewed and approved by the Board of AMC and Trustee Company at their meeting held on March 04, 2026 and March 19, 2026 respectively.

Our Stewardship Code may be accessed here: https://www.sbimf.com/docs/default-source/disclosures/sbi-mutual-fund's-stewardship-code.pdf

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.

Compliance Status: Complied with

SBIFML 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. A Committee comprising of Deputy CEO, Chief Risk Officer and Chief Compliance Officer & Company Secretary has been constituted to deal with exceptional circumstances of conflict. The Chief Investment Officer (s) will be a permanent invitee to this committee.

SBIFML will identify actual or potential conflict of interest situations and shall manage them in line with the Policy. In FY26, there were 71 voting resolutions from 4 group companies of SBI. Since SBIFML's MD is appointed by SBI, he recuses himself from voting on such resolutions. In FY26, SBIFML MD recused himself from voting on all 71 resolutions in accordance with the proxy voting policy.

There was no other significant instance of conflict of interest noted / reported during the period. SBIFML's dealings with investee companies which are a group entity have been carried out at arms-length basis and are in compliance with applicable laws and regulations.

Principle 3 Institutional investors should monitor their investee companies Compliance Status:

Compliance Status: Complied with

The Fund Management & Research Team (referred to as investment team) is responsible for the monitoring of the investee companies' performance. 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 use publicly available information, sell side research and industry information and endeavour to engage with selected investee companies at least once a year, through any means detailed above. The Investment Committee has reviewed the investee company monitoring and engagement activities for the said period.

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.

Compliance Status: Complied with

SBIFML 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 Committee consisting of Chief Investment Officer (CIO) - Equity, CIO - Fixed Income, respective Fund Managers(s), ESG analyst(s), Chief Risk Officer, Chief Compliance Officer, Company Secretary and Head Legal, or any other official(s) as invited.

Following are the details of our engagements especially on ESG related topics in Financial Year (FY) 2025-26

SBIFML believes in being a steward for all its investee companies and nudge them towards better ESG disclosures as well as improving their initiatives year on year. SBIFML also believes that along with corporate engagements, interactions with other non-corporate stakeholders like regulators, investors, industry associations, NGOs, research organisation etc. are critical to creating the whole ecosystem around ESG as part of the AMC's fiduciary responsibility.

In FY26, SBIFML expanded its reach and engaged with corporate and non-corporate stakeholders on a variety of ESG topics to gain more knowledge on ESG issues, to better incorporate the ESG lens on investments and to make an impact on the ESG ecosystem at large.

Corporate Engagements

In FY26, SBIFML conducted 355 corporate engagements, out of which 96 (27%) were carried out during proxy voting, 153 (43%) were carried out to encourage investee companies to improve ESG disclosures and to know more about their ESG initiatives before initiating an investment in them, and 106 (30%) were carried out on specific ESG topics material to the companies. Of all these engagements, overall ESG practices were discussed in 179 (50.42%) engagements, environmental topics were discussed in 70 (19.72%) engagements and social topics were discussed in 7 (2%) engagements. Table 1 and 2 provide the summary.

Table 1: Corporate Engagements in FY26

Engagements	Numbers	Percentage
Engagements on material topics	106	30%
Engagements on ESG assessment	153	43%
Engagements during voting	96	27%
Total engagements	355	

Table 2: Pillar-wise Corporate Engagements in FY26		
Pillar wise Engagements	**Numbers**	**Percentage**
Overall ESG Initiatives	179	50.42%
Environmental	70	19.72%
Social	7	1.97%
Governance	99	27.89%
Total	355	

Engagement Process and Levels:

SBIFML prioritizes companies for engagement through the course of a financial year based on presence in ESG fund and themes decided in the beginning of the financial year. However, based on requests from investee companies and due to any concerns or opportunities observed through the year, ad-hoc engagements are added. The AMC reaches out to the companies via letters, emails or queries using various forums and meetings to raise ESG related issues. At least one meeting with the company, where ESG issues are discussed as considered as level 1 engagements. If a second meeting is held to discuss the ESG issues further, it is considered as level 2 engagement. Materiality assessments where SBIFML participates are considered level 2 engagements as they help companies define their ESG strategies. Level 3 engagements are those in which more than two meetings were held to discuss the ESG issues in depth, or an outcome has been achieved. These outcomes can vary from improvement in ESG ratings of the firm, increased disclosures by the firm, improved initiatives by the firm, voting by the AMC based on their ESG initiatives or divestment or reduction in position due to ESG issues etc.

Select case studies from the engagements are presented in the Stewardship Report. Engagements can be a multi-year process, therefore SBIFML team keeps engaging with companies continuously when objective-led engagements are undertaken. SBIFML team records and circulates meeting notes as it not only helps to understand the progress in an engagement but also helps during ESG Audits. Out of the 355 corporate engagements carried out throughout the year, 235 engagements (67.20%) were level 1 engagements, 17 (4.79%) were level 2 and 103 (29.01%) were level 3 engagements. Table 3 provides the summary.

Table 3: Levels of Corporate Engagement in FY26		
Level 1	235	66.20%
Level 2	17	4.79%
Level 3	103	29.01%
Total	**355**	

Under corporate engagements, SBIFML focused on deepening the focus on identification of ESG related red flags and opportunities within investee companies and also explored ways of effective communication and engagement with the companies. Much progress was made in ESG integration initiatives with wider adoption of internal ESG assessment framework for unlisted companies and new IPOs where ESG data is not published, nor the issuers are rated by external ESG ratings providers. The sheer number of new ESG assessments done on SBIFML's internal framework is testimony to the robust integration mechanism followed by the fund house since this research is done in-house by the financial and the ESG analysts together and is verified by the Head of Research and subsequently by

CIO-Equities or CIO-Fixed Income. This ESG assessment is made a part of the initiation report for each stock which is invested in for the first time. Following were the learnings from this exercise[1]:

- Engagement with investee companies is quite effective when the companies are in the fund-raise process or IPO process. At this time, prospective investors have the chance to ask for more ESG disclosures, better initiatives and reinforce the importance of ESG oriented practices as a pre-requisite by investors.

- Assessment of long ESG risks, opportunities and management capability to handle such risks adds value to investment decision making as it helps screen out stocks where the gap of unmanaged risks is high or to identify companies where engagement can lead to improvements.

- In external ESG ratings, investors often face issues like no correlation between ratings provided by different ESG Rating Providers (ERPs) and contextualisation of domestic market. With the ESG assessment done internally, SBIFML is able to cover the issuers not rated by ERPs, engage at length with companies, encourage them towards improved ESG practices and disclosures and produce internal ratings that are comparable.

In FY26, SBIFML assessed 153 companies on its internal ESG assessment framework and used these ratings to inform the investment decisions. Out of these, 128 were under Equities and 22 under Fixed Income. There were 3 companies where both Equity and Fixed Income level assessments were done. SBIFML counts these as a part of Level 1 engagements (under ESG Disclosures) as SBIFML reaches out to these companies for data on ESG actively in many such cases. Financial analysts and Fund Managers meet the company many times during the course of assessment. Moreover, governance discussions form an active part of such meetings. When Environmental and Social issues find prominence in the internal ESG assessments, these are pursued with renewed vigour with multiple meetings with the managements under level 1, 2 and 3 engagements as described above.

Out of the total 355 corporate engagements, 96 were especially conducted with investee companies at the time of proxy voting. SBIFML believes that engagement at the time of voting is an extremely important tool to help companies improve their governance practices. We discuss the merits of such a strategy in the voting section. The 153 engagements carried out during ESG Assessments were on overall ESG initiatives, disclosures and improvements expected. The rest 106 corporate engagements were conducted on a variety of topics ranging from general disclosures or disclosure of ESG initiatives, nuclear energy, recycling, water carbon etc. Following graph provides an insight about the engagements carried out topic-wise.

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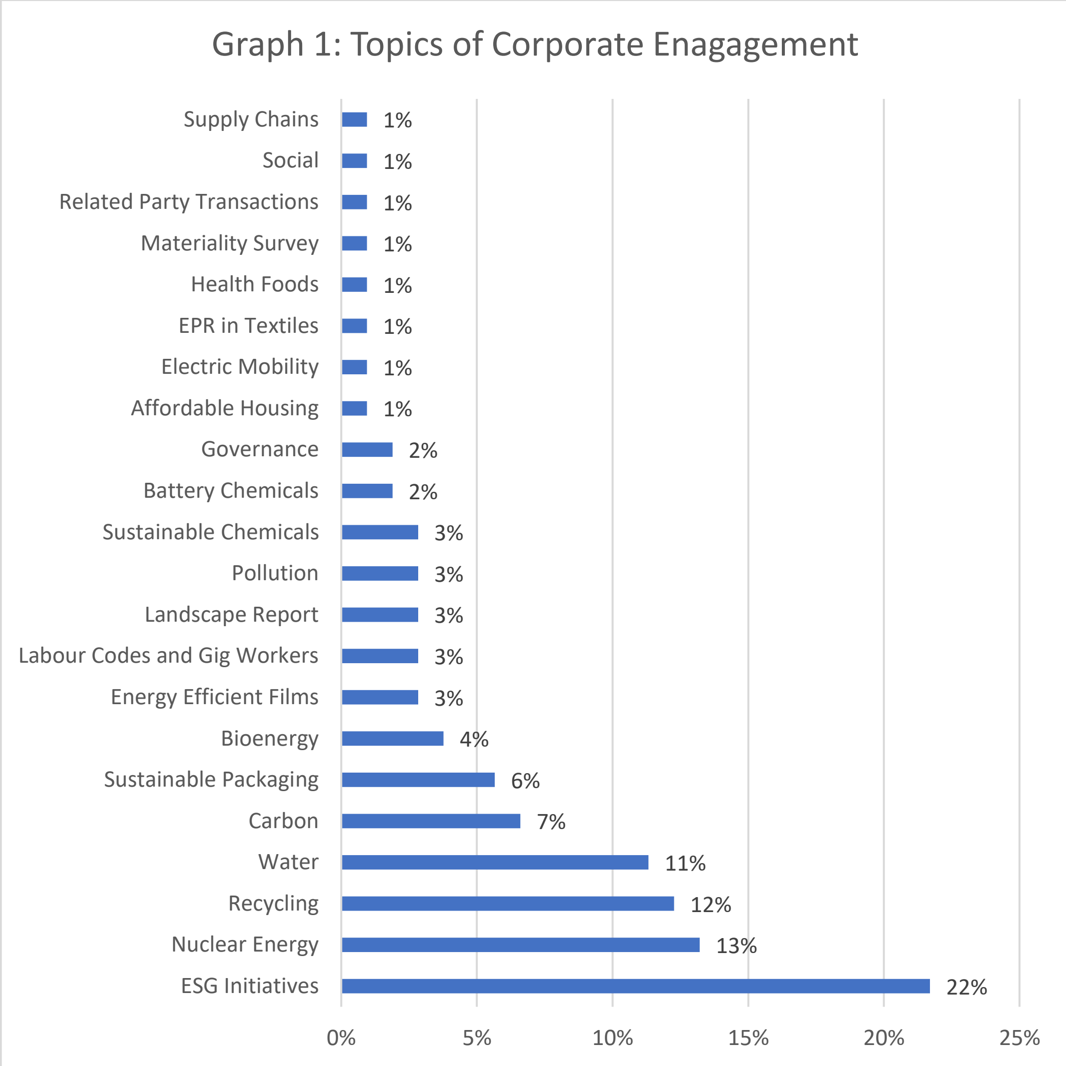
[1] The engagement related data presented in this report does not include unlisted companies engaged with for debt coverage of SBIFML, though it does include ESG assessments done for fixed income.

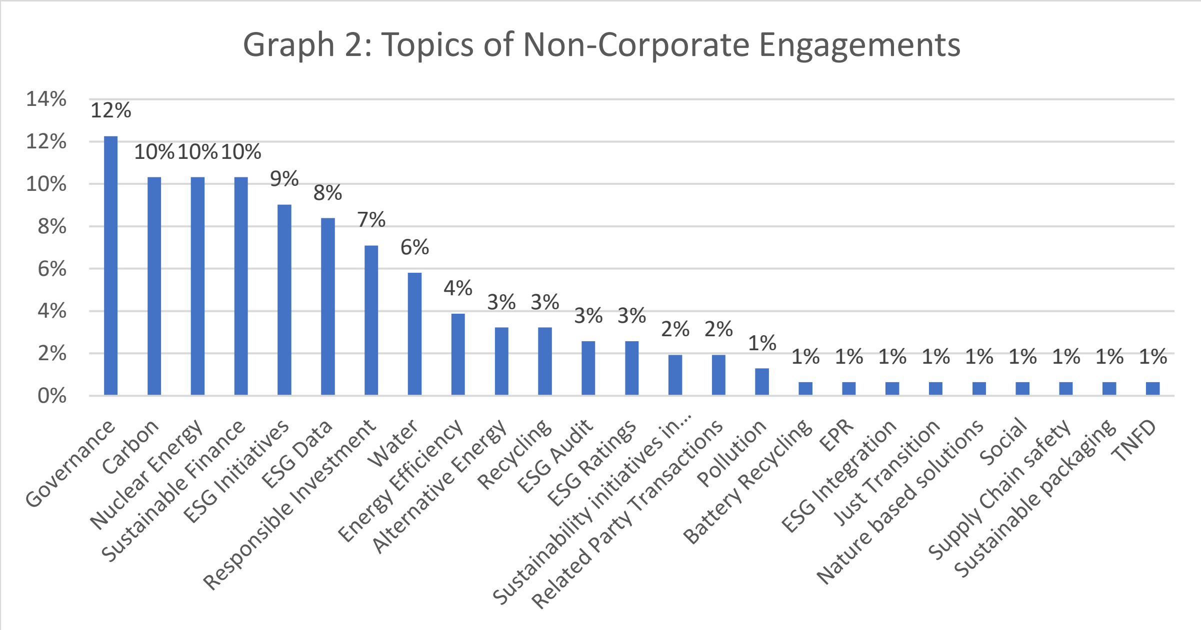


SBIFML remains a committed signatory to UNPRI and Climate Action 100+ and conducted multiple meetings with Indian companies identified as high carbon emitters from India by Climate Action 100+. SBIFML is the lead engaging-investor for 5 of the 7 such companies identified in India, and a collaborating engaging-investor for the remaining 2. The AMC's engagement with PSUs covered under CA100+ has especially been a highlight since significant progress has been made by PSUs in the context of climate mitigation initiatives across the years. The above graph includes such engagements under the "Carbon" sub-topic. In FY26, ESG team focussed on certain topics and engaged with companies that had significant involvement in these topics. Some of such engagement led to introduction of new thematic opportunities for the investment team. One such theme was nuclear energy. Similarly, various stocks were explored in the upcoming industry segment under Recycling.

A few case studies of corporate engagements have been presented in the annexure to this report titled "Case Studies".

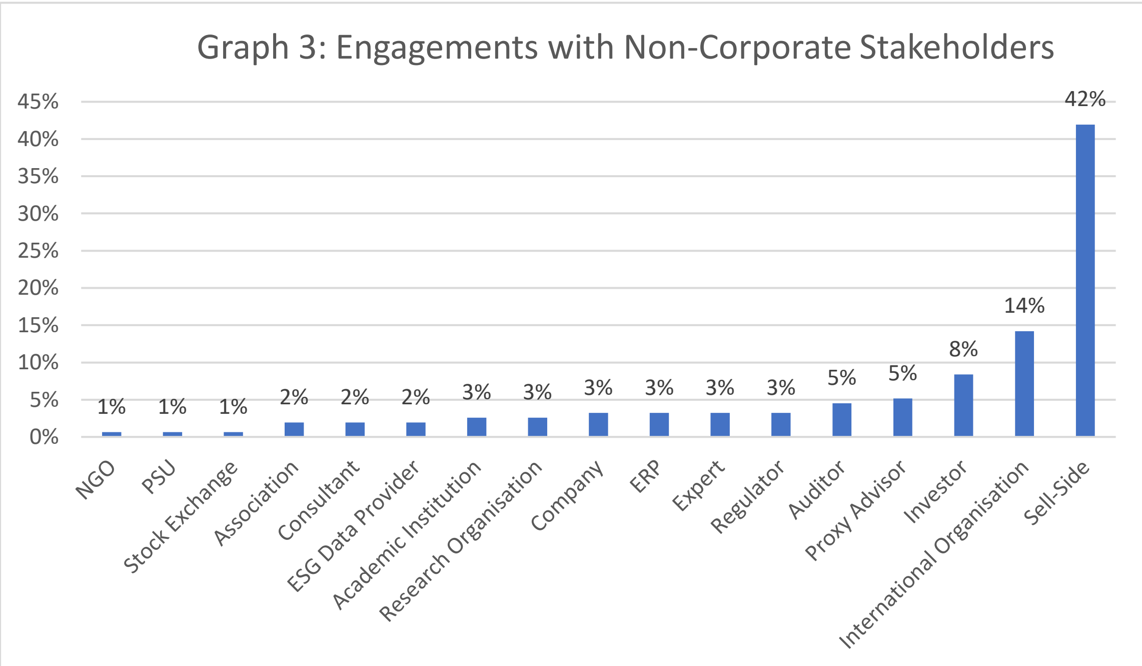
Non-Corporate Engagements

The Indian market is still warming to the idea of responsible investment. Regulatory frameworks are evolving rapidly, as is evident from the multitude of circulars and consultation papers published by SEBI and RBI respectively in the last financial year. In such a scenario, being one of the largest asset manager in India in mutual fund segment, SBIFML has the responsibility to help create an ecosystem where sustainable finance can flourish. The AMC is a part of critical ESG taskforces and committees to contribute to the evolving ESG ecosystem like the SEBI ESG Advisory Committee, SEBI ESG Rating Working Group and has been a part of AMFI ESG Committee and FICCI ESG Committee in the past to name a few.



As visible from the graph, maximum engagements were on the topics related to governance, followed by discussions on decarbonisation, and then on nuclear energy and sustainable finance.

From the perspective of stakeholders with whom these engagements were conducted, the maximum was with broking houses and their analysts who provide theme specific research, followed by international organisations like UNPRI, CA100+ or AIGCC. This was followed by SBIFML's in-depth



discussions on various investors, proxy advisors and auditors. Graph 3 represents the stakeholder groups engaged with in FY26.

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

Compliance Status: Complied with

SBIFML exercises its voting responsibilities for its investments through the corporate proxy voting policy which is available on our website. When voting proxies, SBIFML takes 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 are available in the Proxy Voting Policy which is available on SBIFML website.

Voting exercised 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. The AMC discloses the proxy voting exercised on an annual basis on the website 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. SBIFML takes Proxy Voting very seriously as it is considered an important engagement tool for the AMC.

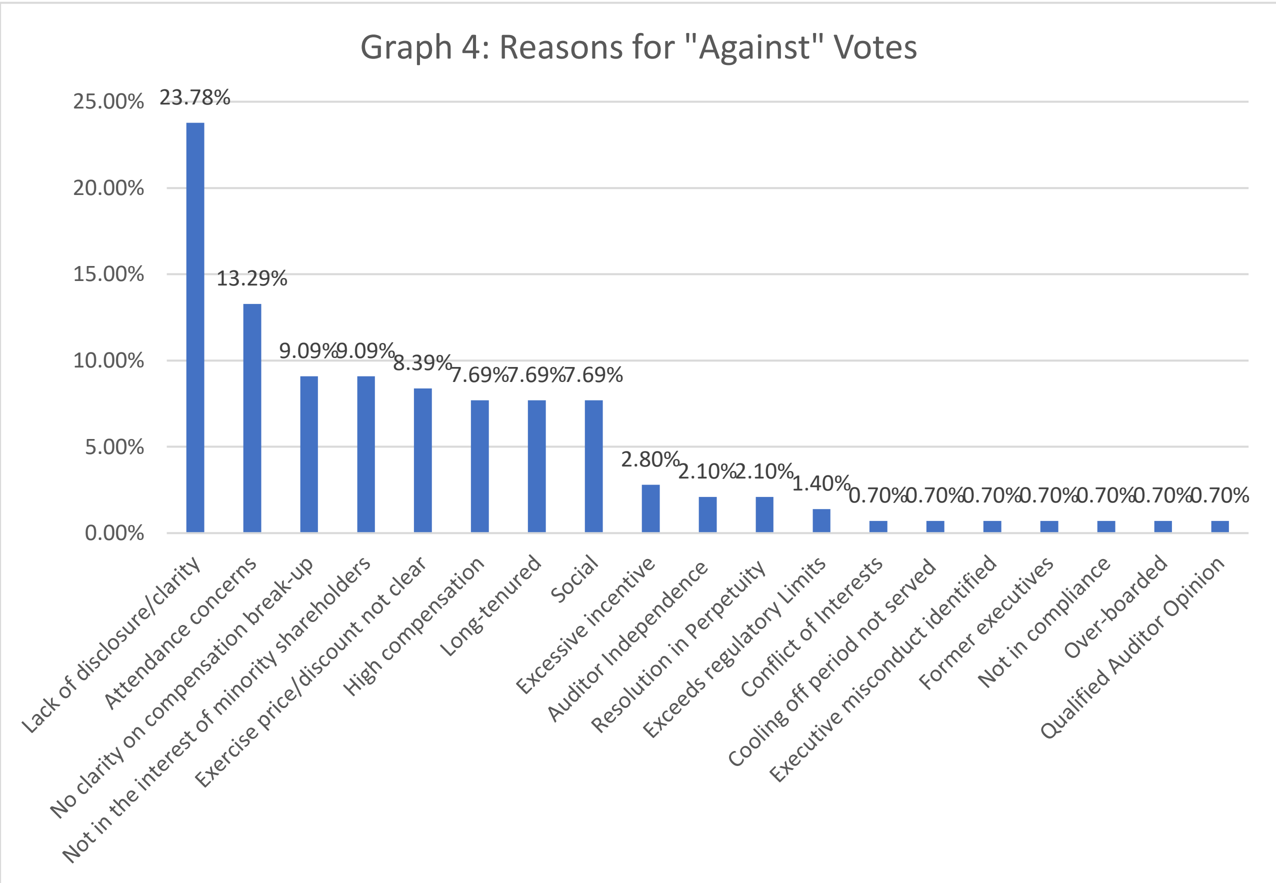
In FY26, SBIFML Voted on 6240 individual resolutions, out of which, 6097 (98%) resolutions were voted in favour and 143 (2%) were voted against. None of the resolutions were abstained.

Table 4: Summary of Votes cast during the Financial Year 2025-26 (Mutual Fund level)

F.Y.	Quarter	Total no. of resolutions	Break-up of Vote decision		
			For	Against	Abstained
2025-26	Quarter 1 - April to June	1023	971	52	0
2025-26	Quarter 2 - July to September	4243	4182	61	0
2025-26	Quarter 3 - October to December	419	402	17	0
2025-26	Quarter 4 - January to March	555	542	13	0

Out of the 143 against votes, 17.48% were related to ESOP Scheme approvals, 16.08% were on re-appointments of Independent Directors, Non-executive Directors or Promoter Directors. 13.99% resolutions were related to approvals of related party transactions and 8.39% for combined resolutions related to Director re-appointment & Compensation. Rest of the against votes were casted for director appointments, compensations, amendments in articles of associations, auditor re-appointment etc. These have been voted against since the premise did not fit within SBIFML's broad proxy voting framework and generally accepted good governance practices.

Table 5: Types of Resolutions Voted Against	
Type of resolutions	**Percentage of resolutions voted against in each type**
ESOP approval	17.48%
Director re-appointment	16.08%
Related Party Transaction approval	13.99%
Director re-appointment & Compensation	8.39%
Director appointment	7.69%
Shareholder resolution	6.99%
Director appointment & Compensation	6.29%
Director Compensation	6.29%
AoA amendment	4.20%
Auditor re-appointment	2.80%
Loan Approval	2.80%
Adoption of Accounts	1.40%
Charitable Contributions	1.40%
Right to call special meetings	1.40%
Investment Approval	0.70%
Issuance of equity	0.70%
Office of Profit appointment	0.70%
Sale of existing asset	0.70%



Of the 143 against votes casted by SBIFML in FY26, 23.78% were voted against because of lack of sufficient disclosure or clarity in the resolutions, 13.29% against appointment/re-appointment of directors as the three year rolling attendance was not 75%, 9.09% each were voted against due to unclear compensation designs for directors or the proposal not being in the interest of minority shareholders. 8.39% of the resolutions were mainly ESOP related where exercise price wasn't clear and 7.69% of resolutions each were voted against due to proposed compensation of directors being too high, presence of long tenured directors on the boards or shareholder resolutions where no large minority shareholder gain was envisaged. Rest were rejected due to excessive incentives to directors, resolutions in perpetuity, auditor independence concerns, audit quality, cooling off period, etc. These details ae available in the graph 4.

While voting "against" resolutions is traditionally seen as a way of exercising the minority shareholders' rights when they do not agree with board decisions or wish to send a clear signal to the companies to improve their performance, at SBIFML, we believe that more than voting "against" alone, engagement and clarification with the companies at the time of voting, helps to create more immediate impact. This is why SBIFML engages with companies when the resolutions proposed by them are not in line with SBIFML's broad proxy voting framework. With such engagement, the AMC has been able to get numerous resolutions corrected and changed while helping companies in realising the investors' expectations around governance. In many cases, engagement has led to better and in-depth understanding of the resolutions and proposals and SBIFML has been able to push companies towards better disclosures or practices.

In FY26, SBIFML engaged with companies for 137 resolutions where the resolutions did not seem aligned to SBIFML's understanding of good governance. However, the companies responded to the AMC's questions and either corrected or made commitments to bring about critical changes. SBIFML keeps track of such commitments for accountability and keeps engaging with companies to guide them further with their ESG journey. The following table provides the types of resolutions which were voted in favour after rigorous engagement with the companies, which either led to greater clarity and understanding about the resolution, helping SBIFML to use its vote judiciously, or helped the company to make the required changes so as to change the resolution or the governance practice itself. In both the cases, we found that companies highly appreciated the engagement and forged a long-term relationship with the AMC for continued engagement. We also find that companies now pro-actively reach out to the AMC to seek guidance and discuss investors' opinions and expectations from upcoming policy changes that may require shareholder approvals.

Table 6: Types of Resolutions Voted in Favour with Engagement	
ESOP approval	34.31%
Director Compensation	16.06%
Director re-appointment	16.06%
Director re-appointment & Compensation	16.06%
Director appointment & Compensation	7.30%
AoA amendment	4.38%
Director appointment	2.92%
Issuance of equity	0.73%
Loan Approval	0.73%
Office of Profit appointment	0.73%
Related Party Transaction approval	0.73%

Most of the engagement was carried out when ESOP schemes have come for approval without clarity on exercise price or performance parameters for eligible candidates for such ESOPs. This becomes a meaningful part of the director compensation and clarity around such schemes is essential for taking informed decisions on such proposals. Director Compensations where either regulatory breach to upper limits have been proposed or the salary proposed in not commensurate with the peers or size and complexity of the business also need in-depth engagement to understand the design of such salaries. Re-appointments and appointments proposed also warranted engagements, especially where boards are not 50% independent in numbers and in spirit. SBIFML follows the Kotak Committee Guidelines in this respect and expects boards to be 50% independent. Similarly, there were high number of engagements carried out where proposed AoA amendments did not have clarity of rationale or implications for minority shareholders were not clear. Various companies wrote back to the AMC with detailed explanation along with mails to proxy advisors and in some cases even added addendums or clarifications on stock exchanges in order to provide additional information, which is when the AMC decided to vote in favour. We expect such engagements to bring in more collaborative changes in the corporate governance practices in the country.

Stewardship Reporting of SBI ESG Exclusionary Strategy Fund

As per clause 4.6.3 of SEBI Master Circular for Mutual Funds dated March 20, 2026, SEBI has specified the disclosure requirement on ESG schemes. Further, as per clause 4.6.3(d) of SEBI Master Circular for Mutual Funds dated March 20, 2026, SEBI mandates the ESG Funds to provide the fund manager's commentary highlighting the stewardship initiatives under the fund. The stewardship activities carried out under the SBI ESG Exclusionary Strategy Fund in 2025-26 are included in this section of the Stewardship Report.

Corporate Engagements:

In FY26, SBIFML engaged with 13 engagements with 12 companies under the ESG Fund on ESG issues. These engagements are summarised in case studies as follows:

S.No.	Nature of Business	Engagement Case Study	Topic and Mode of Engagement
1	Auto Company	Engagement focused on environmental performance and product sustainability. Renewable energy usage increased from 1% in FY22 to 36% in FY24, with ~55–60% reduction in emissions intensity and a target of 80% reduction by 2030. Circularity initiatives include ~12% recycled steel, ~74% recycled aluminium, and ~95% product recyclability. The company is also improving fuel efficiency through new platforms and progressing EV development. Supply-chain resilience is being addressed through geographic diversification. Post engagement, a benchmarking note was shared highlighting strengths in emissions reduction and product design, while flagging gaps around the absence of a formal net-zero commitment and limited Scope 3 measurement. The engagement helped in identifying areas for enhanced disclosure and alignment with global best practices.	ESG Initiatives; via meeting
2	Private Sector Bank	Engagement focused on climate risk integration and ESG governance. The bank has implemented a TCFD-aligned ESG risk management framework and institutionalised an ESG CapEx Council at senior leadership level. Borrowers are evaluated through sector-specific ESG frameworks at both origination and refinancing stages. The bank targets Scope 1 and 2 carbon neutrality by FY31–32 and has initiated financed emissions measurement using the PCAF methodology. Physical climate risks are assessed using NATCAT scoring across the loan book. A Sustainable Finance Framework covering 10 green and 6 social categories is in place, with green lending supported by certifications. However, climate factors are not yet decisive in credit decisions, and data gaps remain for smaller borrowers. The engagement provided insight into evolving practices while identifying areas for deeper integration of climate considerations.	ESG Initiatives, Climate Risk; via meeting

3	Private Sector Bank	Engagement covered climate risk pilots, ESG integration and technology transformation. The bank has undertaken transition risk analysis across cement, steel and power sectors, mapping borrower emissions against sector pathways, and initiated physical risk assessments focused on infrastructure and business continuity. ESG evaluation is embedded in wholesale lending above defined thresholds through exclusion lists and structured questionnaires. However, portfolio-level climate scenario analysis and stress testing remain under development. The loan book is largely working capital-oriented, limiting exposure to high ESG-risk projects. On the operational side, the bank is shifting from outsourced technology to in-house capabilities, supported by senior hires and dedicated customer experience roles. The engagement highlighted progress in ESG integration while identifying the need for deeper climate analytics and decision-level integration.	ESG Initiatives, Climate Risk; via meeting
4	Engineering and EPC company	Engagement provided insight into the company's positioning in green hydrogen and nuclear energy. It has secured 90,000 MTPA green hydrogen capacity under PLI schemes with ~₹300 crore incentives and executed supply contracts at ~₹397/kg using in-house electrolyzers. The company also has capabilities across green ammonia and methanol. In nuclear EPC, it sees a ₹50,000–60,000 crore annual opportunity versus ~₹8,770 crore current revenue, though margins can decline from ~13% to 7–8% due to project delays and execution risks. The company highlighted disciplined bidding and willingness to walk away from unviable projects. Contractor safety challenges were acknowledged, with mitigation through monitoring, training and governance oversight. The engagement provided visibility into long-term energy transition opportunities alongside execution and safety risks.	ESG Initiatives; via meeting
5 a	Auto Component company in EV space	Engagement focused on emissions performance, circularity and EV-led growth strategy. Emissions intensity improved ~6% in FY25, though absolute emissions increased to ~205,000 tons. Renewable energy usage rose to ~3.5%, and ~20,799 of 21,490 tons of waste were recycled. The company has initiated Scope 3 measurement and embedded ESG considerations in >60% of vendor evaluation criteria. A key development was the rapid shift to rare-earth-free magnet technologies, with only 2–3% efficiency trade-off, reducing geopolitical risk. Around 60–65% of revenue now comes from low-carbon mobility, including EV and electrified rail segments. While operational progress is strong, a formal net-zero roadmap is still evolving. The engagement highlighted both innovation-led sustainability and areas requiring long-term target clarity.	ESG Initiatives; via meeting

5 b	Auto Component company in EV space	Engagement addressed concerns on a proposed performance share plan involving up to 1.5 million shares for senior management. The company clarified that the grant structure is linked to consolidated EBITDA growth, strengthening performance alignment. It also provided peer benchmarking, showing CEO remuneration at ~0.57% of PAT compared to ~2.91% for peers. Variable pay is structured within a range of 0–150% based on performance metrics. These disclosures helped reframe the proposal as a performance-linked and benchmarked retention tool rather than an open-ended equity transfer. Based on this enhanced clarity, the resolution was supported. The case highlights the importance of linking equity grants to measurable financial outcomes.	Governance; via mail
6	FMCG Company	Engagement addressed governance concerns related to director reappointment and executive remuneration. The initial concern was potential overboarding of an independent director. The company clarified that the external role in question was advisory and not equivalent to a full-time executive position, addressing concerns around capacity and commitment. A separate issue related to stock-based compensation for a whole-time director, where initial disclosures lacked clarity. Following engagement, the company provided details on grant structure, target values and performance-linked parameters. Internal benchmarking of remuneration growth and pay ratios supported alignment with peers. Based on these clarifications, both resolutions were supported. The engagement demonstrated how targeted dialogue and improved disclosure can convert initial governance concerns into informed voting outcomes.	Governance; via mail
7	Real Estate Company	Engagement focused on clarity around executive remuneration structure. Initial concerns arose due to high reported pay and limited transparency on long-term incentives. The company clarified that variable pay constitutes 25–40% for senior leadership and is linked to operational metrics such as booking value, collections, PAT and NPS. The long-term incentive plan (FY24–28) is designed as a performance and retention tool linked to multi-year profitability and cash flow metrics. Additional disclosure enabled benchmarking of remuneration against peers on parameters such as pay-to-sales and median employee ratio. Following assessment, remuneration levels were considered aligned with industry standards and the resolution was supported. The engagement highlights how enhanced disclosure improves confidence in remuneration frameworks.	Governance; via mail
8	FMCG Company	Engagement related to a proposed demerger of the ice cream business into a separately listed subsidiary, with 1:1	Governance; via mail

		mirror shareholding for investors. The company proactively engaged ahead of voting, sharing the scheme rationale and inviting queries. Management clarified that the business has a distinct margin and return profile and would benefit from focused management and a separate board structure. The structure preserves shareholder ownership while enabling independent scaling of the segment. Discussions addressed concerns around rationale, governance and minority shareholder treatment. Enhanced engagement alongside scheme disclosures helped improve investor understanding of the transaction. The case demonstrates the value of proactive communication in complex restructuring situations.	
9	Building Materials company	Engagement addressed governance concerns around board independence in a promoter-related resolution. At the time of voting, the board had 3 independent directors out of 7 (~42.9%), below the expected 50% threshold. The company clarified that this was a temporary outcome of a recent resignation and confirmed that it was in the process of appointing an additional independent director to restore the earlier level of independence. This addressed the key concern around board composition. The company also acknowledged the need to communicate this more clearly to investors. Based on these clarifications, the governance concern was resolved and the resolution was supported. The case highlights the importance of contextual clarity in board composition assessments.	Governance; via mail
10	IT Company	Engagement focused on executive remuneration and its alignment with performance. The proposals involved appointment and remuneration revisions for senior executives, with estimated fixed compensation of ~₹143 million, including stock options, along with variable pay. Initial proxy feedback was cautious given pay levels. However, internal analysis showed that >50% of compensation was variable and linked to performance outcomes. Benchmarking indicated that remuneration as a percentage of sales and relative to median employee pay was broadly in line with peers. Following detailed internal review and engagement, the remuneration structure was considered aligned with performance and industry norms, leading to support for the resolutions. The engagement underscores the role of benchmarking in evaluating executive pay.	Governance; via mail
11	Real Estate company	Engagement provided insight into strengthening environmental systems and operational practices. The company is building structured ESG architecture through certifications across environment, health and safety, quality and cybersecurity. A large share of assets is under green	ESG Initiatives; via meeting

		building frameworks, supported by initiatives such as low-carbon materials, water-efficient design and metering systems. Management also indicated early work on internal carbon pricing and climate risk assessment. Contractor oversight has improved through structured safety audits and monitoring systems. While environmental and operational initiatives show progress, governance, litigation and stakeholder-related concerns remain areas to monitor. The engagement highlighted improving ESG systems along with the need for continued evolution in governance practices.	
12	Apparel company	Engagement highlighted progress in environmental management and supply-chain practices. The company is implementing a structured decarbonisation approach and improving water efficiency through recycling, rainwater harvesting and process innovation, despite reliance on groundwater in certain locations. It has adopted a zero-landfill approach with systematic waste segregation and recycling. Supplier oversight is strengthened through audits, certifications and ESG scorecards, with growing focus on value-chain compliance and future regulatory requirements such as EPR. Management also addressed external labour-related concerns, noting limited substantiation in audits. While environmental and operational practices are improving, governance perceptions and global benchmarking gaps remain key considerations.	ESG Initiatives; via meeting

Voting done under the SBI ESG Exclusionary Strategy Fund:

In FY26, total resolutions voted on companies which were held in the ESG Exclusionary Strategy Fund were 380. Out of them 379 were voted in favour, and 1 was voted against. The vote casted against was due to over-boarding of the Independent director in question on SBIMF framework. There were 6 resolutions where SBIFM engaged with the company to either receive more information, to get resolutions corrected or to get a written intent from the company towards improvement before voting in favour. All the resolutions under the SBI ESG Exclusionary Strategy were voted on "governance" rationales.

Table 7: Voting in SBI ESG Exclusionary Strategy Fund

	No of resolution	Percentage of resolutions
Total Resolutions	**380**	
Against Votes	1	0.3%
For Votes	379	99.7%
Engagement	6	1.6%

Annexure: Stewardship Case Studies

Case Study 1: Multi-stakeholder engagement for a mid-sized fluorochemical company

Introduction:

In the context of tightening global regulation on legacy refrigerants, rising demand for lower-emission fluorochemicals, and increasing scrutiny of environmental practices in the chemical sector, our engagement focused on a mid-sized fluorine-based chemicals company with operations across high-performance products, specialty chemicals, and contract development and manufacturing. A key part of the company's strategy is its shift from legacy refrigerants such as R22 towards lower-global-warming-potential alternatives including R32 and hydrofluoroolefins (HFOs), alongside expansion into higher-value fluorine downstream opportunities. The engagement was initiated in the context of prior pollution control board actions and National Green Tribunal-related scrutiny, which prompted the ESG fund manager to evaluate the strength of the company's environmental compliance and risk management practices. Given the hazardous nature of fluorine chemistry and the company's regulatory track record, a detailed multi-stakeholder engagement was undertaken to assess both product sustainability and operational controls.

Engagement Process and Discussion:

We engaged with the company's CFO and supplemented this with expert interactions including a current employee and an external sustainability expert familiar with the Dahej chemicals belt. This approach enabled triangulation of management commentary with sector-level insights on environmental compliance, safety practices, and regulatory risks. A key discussion theme was the transition from R22 to R32 and eventually to HFOs. Management highlighted that R22 faces global phase-down mandates, while R32 offers materially lower global warming potential and HFOs provide near-zero ozone depletion and global warming impact. The company has developed R32 capacity operating at scale and expects HFOs to emerge as a stronger long-term growth driver, particularly in export markets undergoing faster regulatory transition.

Environmental compliance and operational risk formed the second pillar of engagement. Management acknowledged a closure notice and environmental compensation imposed on a subsidiary following an air-emission incident, outlining corrective measures including stronger contractor oversight and improved safety infrastructure. Expert discussions emphasised that fluorochemical operations remain subject to stringent regulatory scrutiny, particularly around wastewater, hazardous waste, and air emissions, with repeated notices seen as a critical red flag. We further evaluated renewable energy adoption, effluent treatment systems, and supply chain practices. While the company highlighted investments in zero-liquid-discharge infrastructure and plans to increase renewable energy usage, external inputs indicated that consistent compliance execution and supply chain ESG integration remain areas requiring ongoing monitoring.

Conclusion:

The engagement provided a balanced view of the company's positioning. On one hand, the transition towards low-GWP refrigerants supports a structurally positive outlook aligned with global sustainability trends. On the other hand, the company's history of regulatory actions and the inherently high-risk nature of fluorine chemistry highlight the need for sustained discipline in environmental compliance and safety systems. The ESG fund manager recognised the cumulative regulatory history and sector-specific risks remained material considerations. Accordingly, it was decided not to include the company in the ESG Fund portfolio.

Case Study 2: Multi-stakeholder engagement on the ethanol value chain and the evolving economics of India's biofuels market

Introduction:

Our engagement on the ethanol theme was designed to assess the full biofuels value chain rather than rely on a single company narrative. We interacted with a dedicated biofuels producer, a listed biofuel technology provider, technical experts at a large sugar company, and sector specialists to contextualise utilisation, economics, and policy support across the industry. This multi-stakeholder approach was critical, as the ethanol opportunity in India is increasingly driven by policy dynamics, feedstock availability, execution, and downstream demand creation rather than by capacity addition alone. A consistent theme was that India has broadly achieved the 20% blending milestone, but the next phase of growth is more complex. Incremental upside now depends on higher blends, flex-fuel vehicles, sustainable aviation fuel (SAF), compressed biogas (CBG), and potential industrial or export-linked demand.

Engagement Process and Discussions:

We first engaged with a dedicated biofuels producer to understand how a focused ethanol model differs from integrated sugar players. Management emphasised multi-feed flexibility, working capital efficiency, low-cost procurement during seasonal troughs, and priority offtake under long-term OMC arrangements as key advantages. The company also highlighted superior margins driven by lower feedstock costs, boiler conversion benefits, and better monetisation of by-products such as DDGS, CO_2, and press mud. Importantly, the opportunity was positioned as a broader bioenergy platform spanning ethanol, fuel retail, CBG, SAF, and 2G ethanol. These claims required triangulation. Industry inputs indicated that utilisation remains below peak levels and that long-term offtake contracts are critical to ensuring project bankability. While multiple molasses-based, grain-based, and dual-feed capacities have been approved under policy schemes, visibility on the extent and structure of contracted offtake remains limited.

Engagement with technical experts at a large sugar producer highlighted that differentiation among equipment providers lies less in core technology and more in execution quality, timely commissioning, and retrofit capability. This interaction also revealed a more cautious industry stance: despite strong blending narratives, inconsistent policy signals and uncertainty around grain economics are slowing new investments. Existing national capacity appears adequate for near-term targets, but further expansion will require clearer pricing, stronger confidence in feedstock availability, and regional diversification. Financing conditions have tightened following the withdrawal of earlier subsidies, and project timelines are affected by approval delays. In response, the company is pivoting towards international opportunities, recurring engineering revenues, modular solutions, and a diversified bioenergy portfolio.

Conclusion:

Overall, the engagements provided a balanced view of the ethanol opportunity. Structural tailwinds remain intact, supported by blending mandates, energy security priorities, and the emergence of adjacent biofuel segments. Competitive advantage increasingly depends on feedstock flexibility, execution, working capital management, and integration across the bioenergy value chain. However, the next phase of growth is unlikely to be linear. Policy consistency, viable grain economics, financing support, and demand creation beyond E20 will be critical in determining the pace of expansion. The key takeaway is that the ethanol story is evolving from capacity-led growth to one defined by the ability to navigate policy volatility, feedstock risks, and execution complexity.

Case Study 3: Multi-stakeholder engagement on India's nuclear energy supply chain and execution preparedness

Introduction:

Our engagement on the nuclear theme aimed to assess whether India's domestic industrial ecosystem is prepared for a potential scale-up in nuclear capacity, given the ambition to expand from ~8 GW currently to 100 GW by 2047. Nuclear energy is becoming critical to India's decarbonisation pathway, offering reliable, low-carbon baseload power that complements intermittent renewables and supports energy-intensive sectors such as data centres and manufacturing. To build a grounded view, we engaged with key stakeholders across the supply chain, including the turbine island leader, the primary coolant pump manufacturer, and a specialised reactor component supplier. The focus was on evaluating localisation, execution readiness, competitive positioning, and whether the ecosystem can scale in line with policy ambition.

Engagement Process and Discussions:

Interactions across stakeholders highlighted that India's nuclear supply chain is deeper than commonly perceived, particularly for PHWR technology, where localisation levels are high and supported by an established vendor base. However, the core challenge lies less in capability and more in execution consistency, order visibility, and sustained capital commitment from suppliers. Engagement with the turbine island leader indicated a strong incumbent position, supported by technical expertise, long-standing operator relationships, and high entry barriers. Despite this, nuclear remains a small contributor to overall revenues due to long gestation cycles and episodic ordering.

Discussions with the primary coolant pump manufacturer reinforced the importance of technical qualification and operator approvals in sustaining competitive advantage. While the company has a credible pipeline and strong technological backing, revenue ramp-up remains contingent on testing cycles and project clearances. The engagement also indicated that emerging domestic competitors could gradually introduce pricing pressure in even highly specialised segments. Engagement with a reactor-core component supplier highlighted well-established domestic capabilities in niche, high-value manufacturing areas. Management indicated that the shift towards a more integrated EPC-led procurement model has the potential to compress execution timelines, provided standardisation and implementation discipline improve.

Across engagements, three consistent themes emerged. First, localisation for domestic reactor technology is largely achieved, reducing import dependence. Second, the transition from fragmented procurement to EPC contracting represents a structural inflection point that could improve execution efficiency. Third, while margin profiles are superior across the supply chain, long project gestation periods continue to constrain revenue visibility and deter aggressive capacity expansion.

Conclusion:

The engagement reinforced that India's nuclear opportunity is less about technological readiness and more about execution scalability. The supply chain is credible, with strong incumbents and high entry barriers, but its ability to scale will depend on policy continuity, procurement reform, and improved execution timelines. From a stewardship perspective, the focus remains on monitoring how consistently project announcements translate into execution, how supplier capacity evolves alongside the pipeline, and whether governance and regulatory changes can reduce delays. The opportunity remains structurally attractive, but contingent on the system's ability to deliver at scale.

Case study 4: In-Depth ESG Engagement with a Public Sector Bank on Climate Risk Integration and TCFD Readiness

Introduction:

Our engagement on climate risk in banking aimed to assess how prepared Indian banks are to integrate climate considerations into lending decisions, as the regulatory landscape evolves. The RBI initiated the VAST exercise to evaluate climate risks across hard-to-abate sectors, but participation quality varied, with many banks treating it as a compliance exercise rather than a strategic shift. Our broader assessment indicates that private banks remain in a wait-and-watch mode, largely deferring meaningful investment until final regulatory mandates are issued. In contrast, public sector banks have been more proactive, including building dedicated climate-risk capabilities. Against this backdrop, we engaged with a leading public sector bank that is advancing ahead of regulatory requirements, to understand how climate risk integration is being operationalised in practice.

Engagement Process and Discussions:

We engaged with the bank's ESG leadership team over multiple interactions to assess its approach to climate risk integration across physical and transition risks. A key differentiator is the integration of ESG and risk functions, ensuring that climate data directly feeds into credit risk frameworks. The bank has also taken a leadership role in industry initiatives, contributing to the development of India-specific emissions factors. However, full maturity of climate risk integration is still expected to take several years.

Engagement with the regulator through the VAST exercise and a subsequent climate stress testing pilot provided an important catalyst. The bank has used this to develop an integrated framework that incorporates both physical and transition risks at the borrower level. On physical risks, the bank has moved beyond basic geographic mapping to more granular modelling of hazards and their financial implications. This includes assessing potential disruption to borrower operations and collateral values, with outputs linked to credit metrics such as cash flow impact. However, some elements, particularly loss estimation, remain at an early stage of development.

On transition risks, the bank has developed bottom-up borrower-level assessments, incorporating factors such as emissions intensity, capital expenditure requirements, and sectoral transition pathways. Scenario modelling is used to evaluate how changes in policy or carbon costs could affect borrower leverage and credit quality over time. A key insight from the engagement was the gap in borrower preparedness. While some clients are relatively well positioned on transition risks, awareness of physical risks remains limited, particularly over longer time horizons. Data availability is a constraint, especially for smaller borrowers, requiring the use of simplified assessment frameworks. Importantly, climate considerations are not yet embedded in pricing or credit decisions, with implementation still focused on risk assessment and internal capability building.

Conclusion:

The engagement suggests that climate risk integration in Indian banking is at an early but meaningful inflection point. This bank stands out as a first mover, with a relatively comprehensive framework spanning physical and transition risks and early integration into credit processes. However, scaling remains dependent on data availability, borrower awareness, and regulatory clarity. The opportunity is significant, but progress will depend on consistent execution and regulatory follow-through.

Case study 5: Engagement on India's water sector and the "Blue Opportunity"

Introduction:

Our engagement on the water theme aimed to assess where durable business models are emerging within India's water infrastructure landscape, against the backdrop of rising structural scarcity. With ~4% of global freshwater resources supporting ~18% of the global population, declining per-capita availability, and worsening groundwater depletion, water stress is becoming a critical economic and policy challenge. To build a comprehensive view, we engaged with a wide set of stakeholders, including water treatment companies, municipal bodies, policy experts, and industry participants across the value chain. The objective was to understand the full spectrum of opportunities—from municipal sewage treatment and groundwater recharge to industrial zero liquid discharge (ZLD) systems and ultra-pure water for semiconductors and to evaluate how business models differ in terms of sustainability, scalability, and cash-flow quality.

Engagement Process and Discussions:

Policy and expert discussions highlighted a significant structural gap in India's water infrastructure. Sewage treatment capacity remains materially below generation levels, with operational inefficiencies further reducing effective treatment. While policy direction is increasingly supportive—through reuse mandates and central programmes—implementation remains uneven due to fragmented governance, funding delays, and execution challenges at the municipal level. Corporate engagements revealed a diverse spectrum of business models. A globally positioned water technology company stood out for its asset-light, IP-driven model across desalination, wastewater recycling, ZLD, and long-term operations and maintenance.

In contrast, EPC-focused domestic players continue to benefit from strong order inflows linked to government programmes such as sewage treatment and water supply schemes. However, these models remain more working capital intensive and exposed to delays in receivables, highlighting the trade-off between growth visibility and cash flow quality. Technology-driven specialists in industrial wastewater treatment offer differentiated capabilities, including high water recovery rates and energy efficiency benefits, but financial sustainability is contingent on disciplined execution and balance sheet management. A regional player focused on groundwater recharge demonstrated the potential for localised, impact-led models, particularly in water-stressed regions. Meanwhile, equipment manufacturers represent an important but often underappreciated layer of the value chain, with scalable opportunities linked to both domestic demand and export markets.

A key thematic insight across engagements was the growing importance of water in emerging sectors such as semiconductors, where ultra-pure water is critical. However, early project awards to global players highlight a capability gap that domestic companies will need to bridge. Another important takeaway is that reported EBITDA margins can be misleading in this sector. Higher headline margins are often associated with weaker payment structures and poorer cash conversion, while lower-margin, asset-light models with stronger counterparties deliver superior returns on capital over time.

Conclusion:

The engagement reinforced that the water opportunity in India is structural and multi-decade, but business model quality is the key differentiator. Companies with proprietary technology, diversified customer bases, stronger payment security, and exposure to high-value segments such as industrial reuse, desalination, and advanced treatment are better positioned for durable value creation.

Case study 6: Multi-stakeholder engagement on gig worker regulation and evolving labour codes

Introduction:

Our engagement on gig worker regulation aimed to assess how Indian platform companies and staffing intermediaries are preparing for the evolving labour code framework, particularly around gig workers, platform workers, and social security obligations. The transition towards a more formalised labour ecosystem is expected to increase compliance requirements, reporting complexity, and cost burdens across business models. To develop a practical view, we engaged with stakeholders across the ecosystem, including a large food-delivery platform, a major e-commerce marketplace, and a leading staffing services provider. The focus was on understanding cost implications, structural changes to operating models, and how companies are balancing compliance with business flexibility.

Engagement Process and Discussions:

A consistent theme across engagements was that companies view the labour reforms as a process of standardisation and formalisation rather than a disruptive shift. Most participants indicated that incremental compliance costs particularly around social security contributions are unlikely to be absorbed within margins and would instead be passed through to end customers, enterprise clients, or ecosystem partners. Engagement with a food-delivery platform highlighted that while regulatory changes will increase costs, these are expected to be offset through adjustments in pricing, delivery fees, or platform economics. Management also noted that the net cost impact could be moderated if public welfare frameworks reduce the need for privately funded benefits already provided to gig workers.

A leading e-commerce platform emphasised its contractor-led operating structure, where logistics partners act as the primary statutory interface for labour compliance. While this model limits direct exposure, the engagement suggested that cost pressures could still be transmitted indirectly if partners pass on higher compliance-related expenses. In contrast, the staffing services provider operates within formal employment structures and therefore views the transition differently. Management indicated that while statutory cost increases are fully pass-through in nature, the shift towards stricter compliance could structurally benefit organised players by reducing regulatory arbitrage and consolidating market share away from informal contractors.

Another key insight was the continued preference for flexible engagement models. None of the platforms viewed full employee classification for gig workers as a desirable outcome, citing significant increases in fixed costs and loss of operational flexibility. However, most acknowledged that operating structures may evolve over time depending on regulatory clarity and economic feasibility. Several players already provide insurance and certain benefits to gig workers, implying that only statutory contributions may represent incremental costs.

Conclusion:

The engagement suggests that the labour code transition is unlikely to disrupt existing business models materially, but will increase focus on compliance, governance, and transparency. Companies are adapting by recalibrating pricing, contracts, and partner structures while preserving operational flexibility. From a stewardship perspective, the key focus is on assessing how clearly responsibilities are defined across platforms and partners, how effectively compliance systems are implemented, and how resilient business models remain under increasing regulatory scrutiny. The transition represents an important step towards formalisation, with long-term implications for both industry structure and worker outcomes.