

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

**POLICY ON APPOINTMENT AND SELECTION OF INDEPENDENT DIRECTORS &**  
**FAMILIARIZATION PROGRAMMES FOR INDEPENDENT DIRECTORS**

Note No.: MEMO/SBIFML/BO/279

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## I. PRELUDE

SBI Funds Management Private Limited ("SBIFML" 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 a Private Limited Company to Public Limited Company and named as SBI Funds Management Limited effective from December 16, 2021.

## II. SCOPE AND PURPOSE:

This Policy sets out the guiding principles for identifying persons who are qualified to become Directors and to determine the independence of Directors, in case of their appointment as independent directors of the Company.

Further, Regulation 25(7) read with 46(2) of the SEBI Listing Regulations inter-alia stipulates that the Company shall familiarise its independent directors with the Company, their roles, rights, responsibilities in the Company, business model of the Company, nature of the industry in which the Company operates and any other relevant information, through periodical programmes. Additionally, these programmes allow independent directors to interact closely with the senior leadership of the Company.

## III. DEFINITIONS:

- **"Act"** means the Companies Act, 2013 and Rules framed thereunder, as amended from time to time.
- **"Applicable Laws"** shall mean all applicable laws, statutes, enactments, acts of central or state legislature, ordinances, rules, regulations, notifications, guidelines, directions, directives, policies, circulars, decisions and any other pronouncements issued in accordance with the Companies Act, the SEBI Act, SEBI Listing Regulations, SEBI (Mutual Fund) Regulations, SEBI (PMS) Regulations, SEBI (AIF) Regulations or any other law applicable to the jurisdiction of India by any central, state, local, or other governmental, administrative or regulatory authority exercising executive, legislative, judicial, regulatory or administrative functions. **"Board"** means Board of Directors of the Company.
- **"Companies Act"** shall mean the Companies Act, 2013, and rules and regulations made thereunder, as amended from time to time;
- **"Company"** shall mean **SBI Funds Management Limited**;
- **"Directors"**- means as a member of Board of the Company;

- **“Chief Executive Officer”** means an officer of a company, who has been designated as such by it.
- **“Independent director”** means an independent director on the Board as appointed from time to time.
- **“Key Managerial Personnel”** means as Key Managerial Personnel defined in the Nomination and Remuneration policy for Directors, Key Managerial Personnel (KMP) and Other Employees.
- **“Policy”** means this Policy for Policy on Appointment and Selection of Independent Directors & Familiarization Programmes for Independent Directors, as amended from time to time;
- **“SEBI Act”** shall mean the Securities and Exchange Board of India Act, 1992, as amended from time to time;
- **“SEBI Listing Regulations”** shall mean the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.
- **“Senior Management”** means Senior Management as defined in the Nomination and Remuneration policy for Directors, Key Managerial Personnel (KMP) and Other Employees.

#### IV. CONSTITUTION OF THE BOARD:

##### Number of Independent Directors:

- In terms of the provisions of the Companies Act, 2013, a prescribed class of public companies shall have minimum two Independent Directors. Further, the Company being also regulated under SEBI (Mutual Funds) Regulations, 1996 (“SEBI Regulations”) shall comprise of atleast fifty percent of Independent Directors as prescribed under the SEBI Regulations. Further, in terms of SEBI Listing Regulations, if the chairperson of the board of directors is a non-executive director, at least one-third of the board of directors shall comprise of independent directors and where the listed entity does not have a regular non-executive chairperson, at least half of the board of directors shall comprise of independent directors:

Provided that where the regular non-executive chairperson is a promoter of the listed entity or is related to any promoter or person occupying management positions at the level of board of director or at one level below the board of directors, at least half of the board of directors of the listed entity shall consist of independent directors.

Explanation.- For the purpose of this clause, the expression “related to any promoter” shall have the following meaning: (i) if the promoter is a listed entity, its directors other than the independent directors, its employees or its nominees shall be deemed to be related to it; (ii) if the promoter is an unlisted entity, its directors, its employees or its nominees shall be deemed to be related to it.

#### V. SELECTION OF INDEPENDENT DIRECTORS

An independent director may be selected from a data bank containing names, addresses and qualifications of persons who are eligible and willing to act as independent directors, maintained by anybody, institute or association, as may be notified by the Central Government, having expertise in creation and maintenance of such data bank and put on their website for the use by the company making the appointment of such directors:

(1) Provided that responsibility of exercising due diligence before selecting a person from the data bank referred to above, as an independent director shall lie with the company making such appointment.

(2) The appointment of independent director shall be approved by the company in general meeting as provided in sub-section (2) of section 152 and the explanatory statement annexed to the notice of the general meeting called to consider the said appointment shall indicate the justification for choosing the appointee for appointment as independent director.

(3) The data bank referred to in sub-section (1) of Section 150, shall create and maintain data of persons willing to act as independent director in accordance with such rules as may be prescribed in Rule 6 of the Companies (Appointment and Qualification of Directors) Rules, 2014 as amended from time to time .

(4) The Central Government may prescribe the manner and procedure of selection of independent directors who fulfil the qualifications and requirements.

The candidature for Independent Director shall also meet the experience and qualification requirements as may be prescribe by SEBI under the SEBI Act, SEBI (Mutual Funds) Regulations, SEBI (Portfolio Managers) Regulations, SEBI (Alternative Investment Funds) Regulations or such other applicable regulations, as amended from time to time

## **VI. ROLE AND FUNCTIONS:**

The independent directors shall:

1. help in bringing an independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct;
2. bring an objective view in the evaluation of the performance of board and management;
3. scrutinize the performance of management in meeting agreed goals and objectives and monitor the reporting of performance;
4. satisfy themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible;
5. safeguard the interests of all stakeholders, particularly the minority shareholders;
6. balance the conflicting interest of the stakeholders;
7. determine appropriate levels of remuneration of executive directors, key managerial personnel and senior management and have a prime role in appointing and where necessary recommend removal of executive directors, key managerial personnel and senior management;
8. moderate and arbitrate in the interest of the company as a whole, in situations of conflict between management and shareholder's interest.

## **VII. MANNER OF APPOINTMENT:**

1. Appointment process of independent directors shall be independent of the Company management; while selecting independent directors the Board shall ensure that there is appropriate balance of skills, experience and knowledge in the Board so as to enable the Board to discharge its functions and duties effectively. The objective is to have a Board with diverse background and experience that are relevant for the Company's operations.

2. In evaluating the suitability of individual Board members, the NRC may take into account factors, such as:
  - General understanding of the Company's business dynamics, business and social perspective;
  - Educational and professional background;
  - Skills, expertise and competences
  - Standing in the profession;
  - Personal and professional ethics, integrity and values;
  - Willingness to devote sufficient time and energy in carrying out their duties and responsibilities effectively.
3. The appointment / re-appointment of independent director(s) of the company shall be approved at the meeting of the shareholders.
4. The explanatory statement attached to the notice of the meeting for approving the appointment of independent director shall include a statement that in the opinion of the Board, the independent director proposed to be appointed fulfils the conditions specified in the Act and the rules made thereunder and that the proposed director is independent of the management.
5. The appointment of independent directors shall be formalized through a letter of appointment, which shall set out:
  - a) the term of appointment;
  - b) the expectation of the Board from the appointed director; the Board-level committee(s) in which the director is expected to serve and its tasks;
  - c) the fiduciary duties that come with such an appointment along with accompanying liabilities;
  - d) provision for Directors and Officers (D and O) insurance, if any;
  - e) the Code of Business Ethics that the company expects its directors and employees to follow;
  - f) the list of actions that a director should not do while functioning as such in the company; and
  - g) the remuneration, mentioning periodic fees, reimbursement of expenses for participation in the Boards and other meetings and profit related commission, if any.
6. The terms and conditions of appointment of independent directors shall be open for inspection at the registered office of the company by any member during normal business hours.
7. The terms and conditions of appointment of independent directors shall also be posted on the company's website.

#### **VIII. CRITERIA OF INDEPENDENCE:**

1. The NRC shall assess the independence of Directors at the time of appointment / re appointment and the Board shall assess the same annually. The Board shall re-assess determinants of independence when any new interests or relationships are disclosed by a Director.
2. The criteria of independence shall be as laid down in the Act, Listing Regulations (in case becomes applicable) and other relevant laws, if any, as amended from time to time.
3. The Independent Directors shall abide by the "Code for Independent Directors" as specified in Schedule IV to the Act.

## **IX. RE-APPOINTMENT**

The re-appointment of independent director shall be on the basis of report of performance evaluation and as per the provisions of the Companies Act and applicable SEBI Regulations.

## **X. RESIGNATION OR REMOVAL**

1. The resignation or removal of an independent director shall be in the same manner as is provided in sections 168 and 169 of the Act.
2. An independent director who resigns or is removed from the Board of the company shall be replaced by a new independent director within three months from the date of such resignation or removal, as the case may be.
3. Where the company fulfils the requirement of independent directors in its Board even without filling the vacancy created by such resignation or removal, as the case may be, the requirement of replacement by a new independent director shall not apply.

## **XI. MEETINGS**

1. The independent directors of the Company shall hold at least one meeting in a financial year, without the attendance of non-independent directors and members of management.
2. All the independent directors of the Company shall strive to be present at such meeting; The meeting shall:
  - a) review the performance of non-independent directors and the Board as a whole;
  - b) review the performance of the Chairperson of the company, taking into account the views of executive directors and non-executive directors;
  - c) assess the quality, quantity and timeliness of flow of information between the company management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

## **XII. DUTIES**

The independent directors shall:

1. undertake appropriate induction and regularly update and refresh their skills, knowledge and familiarity with the company;
2. seek appropriate clarification or amplification of information and, where necessary, take and follow appropriate professional advice and opinion of outside experts at the expense of the company;
3. strive to attend all meetings of the Board of Directors and of the Board committees of which he is a member;
4. participate constructively and actively in the committees of the Board in which they are chairpersons or members;
5. strive to attend the general meetings of the company;
6. where they have concerns about the running of the company or a proposed action, ensure that these are addressed by the Board and, to the extent that they are not resolved, insist that their concerns are recorded in the minutes of the Board meeting;

7. keep themselves well informed about the company and the external environment in which it operates;
8. not to unfairly obstruct the functioning of an otherwise proper Board or committee of the Board;
9. pay sufficient attention and ensure that adequate deliberations are held before approving related party transactions and assure themselves that the same are in the interest of the company;
10. ascertain and ensure that the company has an adequate and functional vigil mechanism and to ensure that the interests of a person who uses such mechanism are not prejudicially affected on account of such use;
11. report concerns about unethical behavior, actual or suspected fraud or violation of the company's code of conduct or ethics policy;
12. act within their authority, assist in protecting the legitimate interests of the company, shareholders and its employees;
13. not disclose confidential information, including commercial secrets, technologies, advertising and sales promotion plans, unpublished price sensitive information, unless such disclosure is expressly approved by the Board or required by law.

### **XIII. FAMILIARIZATION PROGRAMMES:**

#### **A. Objective:**

Aims to institutionalise a formal induction mechanism for Independent Directors to enhance their effectiveness in corporate governance and strategic oversight of the Company.

The objectives of the familiarization programmes are as below:

1. To provide Independent Directors with a comprehensive understanding of the Company's business model, operations, products, services and the industry ecosystem within which the Company operates;
2. To facilitate Independent Directors' thorough comprehension of their roles, rights, responsibilities and liabilities pursuant to the Companies Act, SEBI Listing Regulations and other applicable laws and regulations;
3. To familiarize Independent Directors with the following:
  - Financial performance parameters
  - Organizational structure
  - Meetings with stakeholders,
  - Visits to business locations
  - Meetings with senior and middle management,
  - Meeting with eminent industry and technology experts,
  - Visit to markets & interaction with the customers.
  - Company's strategic objectives,
  - risk management frameworks,
  - and internal control systems to enable effective corporate governance oversight;
4. To apprise Independent Directors of significant developments in the regulatory landscape and industry trends that may impact the Company's business operations and governance practices;
5. To foster meaningful engagement between the Independent Directors and the senior management team to facilitate informed decision-making and strategic guidance;

6. To equip Independent Directors with requisite knowledge and insights to effectively discharge their fiduciary duties in the best interests of the Company and its stakeholders; and
7. To ensure continuous professional development of Independent Directors through structured programmes aligned with evolving corporate governance standards and business complexities.

**B. Process:**

At the time of any new Independent Director joining the Board, a meeting of such Independent Director shall be organized with the management of the Company to give an overview of the Company's business and to acquaint the incoming Independent Director(s) with inter alia, the business strategy, business model, operations, functions, policies and procedures, financial performance and governance structure of the Company and any others areas that are deemed necessary. The programme will also familiarise such Independent Director(s) with their roles, rights and responsibilities in the Company.

**C. On-going Programmes:**

The Company shall conduct orientation programmes/presentations/training sessions, periodically at regular intervals, to familiarise the Independent Director(s) with the strategy, operations and functions of the Company.

Such orientation programmes/presentations/training sessions will provide an opportunity to the Independent Director(s) to interact with the senior leadership team of the Company and help them understand the aspects like industry developments, accounting standards, Company's strategy, business model, business-specific opportunities, associated risks and mitigation strategies, group structure, operations, service and product offerings, markets, organisation structure, finance, human resources, technology, quality, facilities, governance policies, designated channels for flow of information and such other areas as deemed necessary.

Further, Director(s) shall be provided with necessary documents, reports and internal policies to enable them to be familiar with the Company's procedures and practices. Independent Directors shall have the freedom to interact with the Company's management as deemed necessary. Independent Director(s) may also have independent discussions with relevant stakeholders to discuss the Company's business matters and put forth their combined views to the Board.

The Company may also conduct training programmes for its Independent Director(s) by experts outlining the roles, rights, duties and responsibilities of Independent Director(s) from the perspective of various Applicable Laws from time to time.

The Chairperson of the Board, with such support from the other directors as required, shall be responsible for the induction of new directors in accordance with the Company's induction procedure and to ensure that each director is aware of the Code of Conduct.

The Company shall also have in place a continuing education program for Directors which is part of the annual Board cycle, with specific sessions scheduled around Board meeting dates. The Board is committed to provide training avenues to its members on matters, which are current and relevant for the Board's effective performance.

Apart from the above, the management team makes periodic presentations on business performance updates of the Company at Board and Committee meetings.

Board shall be encouraged to periodically attend training programs/ seminars/ discussion forums to understand and make suggestions for improving the prevalent practices in the Company.

#### **D. Programme and Disclosure:**

The programme will be conducted as may be required during the year. The details of familiarization programmes imparted to independent directors shall be made available on the website of the Company in compliance with the SEBI Listing Regulations and a web link thereto shall also be given in the annual report of the Company.

#### **XIV. GUIDELINES ON PROFESSIONAL CONDUCT:**

The independent director shall:

1. uphold ethical standards of integrity and probity;
2. act objectively and constructively while exercising his duties;
3. exercise his responsibilities in a bona fide manner in the interest of the company;
4. devote sufficient time and attention to his professional obligations for informed and balanced decision making;
5. not allow any extraneous considerations that will vitiate his exercise of objective independent judgment in the paramount interest of the company as a whole, while concurring in or dissenting from the collective judgment of the Board in its decision making;
6. not abuse his position to the detriment of the company or its shareholders or for the purpose of gaining direct or indirect personal advantage or advantage for any associated person;
7. refrain from any action that would lead to loss of his independence;
8. where circumstances arise which make an independent director lose his independence, the independent director must immediately inform the Board accordingly;
9. assist the company in implementing the best corporate governance practices.
10. Maintain of Confidentiality of information provided, unless such disclosure is expressly required by law.

#### **XV. REVIEW & MODIFICATION OF POLICY**

The policy shall be reviewed by the Nomination & Remuneration Committee and the Board, once in three years or earlier in the light of amendments to laws, rules and regulations, as applicable.

In the event of any conflict between this Policy and Applicable Laws, the Applicable Laws shall prevail. Any amendment/modification to the Applicable Laws shall automatically apply to this Policy, to the extent applicable.

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