

**DISCLOSURE DOCUMENT ON THE TERMS AND CONDITIONS OF APPOINTMENT OF  
INDEPENDENT DIRECTORS AND FAMILIARISATION PROGRAM  
FOR SUCH DIRECTORS**

The State Bank of India, (“SBI” or “the Bank”) a body corporate constituted under the State Bank of India Act, 1955 (“SBI Act”) is governed by the provisions of the SBI Act and the State Bank of India General Regulations, 1955 (“SBIGR”) framed under section 50 of the SBI Act. Further, SBI is bound by the provisions mentioned in Section 51 of the Banking Regulations Act, 1949 (“BR Act”), and the directions and guidelines issued by the regulatory authority i.e. the Reserve Bank of India (“RBI”) from time to time in accordance with the BR Act, Reserve Bank of India Act, 1934 (“RBI Act”) or any other statutory provisions.

The SBI, being a listed entity is also to comply with the Clauses of the Equity Listing Agreement executed with the Stock Exchanges and the relevant guidelines issued by the Securities and Exchange Board of India (“SEBI”) from time to time. In terms of the guidelines issued by the SEBI, Clause 49 of the Equity Listing Agreement shall apply to the body corporates such as SBI to the extent that it does not violate their respective statues and guidelines or directives issued by the relevant regulatory authorities. As per Clause 49(II)(B)(4)(b), the terms and conditions of appointment of independent director shall be disclosed on the website of the Bank, and hence this document.

**1. Independent Directors**

Among the members of the Central Board of the Bank, the below mentioned directors are considered as independent directors for the purpose of the Equity Listing Agreement:

- (i) Directors elected among the Shareholders other than Government of India u/s 19 (c) of the SBI Act.(Maximum of four directors);
- (ii) Directors nominated by the Central Government from among persons having special knowledge of the working of co-operative institution and of rural economy or experience in commerce, industry, banking or finance, u/s 19 (d) of the SBI Act ( Not less than two and maximum upto six directors); and

- (iii) Director possessing necessary expertise and experience in matters relating to regulation or supervision of commercial banks nominated by the Central Government on the recommendation of the RBI, u/s. 19 (f) of the SBI Act (one Director)

For the purpose of this document, the Directors as per clause (i) above, shall be referred herein as '**Shareholder Directors**' and directors as per clause (ii) and (iii) collectively referred to as '**Other Independent Directors**' and directors as per clause (i), (ii) and (iii) collectively referred to as '**Independent Directors**'.

## 2. Qualifications & Disqualifications

### 2.1 Qualifications for Shareholder Directors

Enumerated herein below are the qualifications for the Directors to be elected by Shareholders; as per Section 19 (c) of the SBI Act.

- i. He shall have special knowledge or experience in respect of one or more of the following areas namely:
  - o agriculture and rural economy;
  - o banking;
  - o co-operation;
  - o economics;
  - o finance;
  - o law;
  - o small-scale industry;
  - o any other area the special knowledge of, and experience in, which in the opinion of the RBI shall be useful to the Bank
- ii. He represents the interests of depositors; or
- iii. He represents the interests of farmers, workers and artisans.
- iv. He is a person having fit and proper status based upon track record, integrity and such other criteria as the RBI may notify from time to time in this regard.

## **2.2 Qualifications for Other Independent Directors**

The other Independent Directors shall be nominated by the Central Government in accordance with the provisions of SBI Act from the persons having special knowledge of the working of co-operative institution and of rural economy or experience in commerce, industry, banking or finance and possessing necessary expertise and experience in matters relating to regulation or supervision of commercial banks.

## **2.3 Disqualifications for appointment of Independent Director**

(i) No person shall be qualified to be appointed as an Independent Director on the Central Board of the Bank, if-

- he holds the office of director, provisional director, promoter, agent or manager of any banking company already established or advertised as about to be established; or
- he is a salaried officer of Government not specially authorised by the Central Government to be a director; or
- he has been removed or dismissed from the service of Government on a charge of corruption or bribery; or
- he holds any office of profit under the Bank other than the office of Chairman, Managing Director, Chief General Manager or legal or technical adviser; or
- he is or at any time has been adjudicated an insolvent or has suspended payment of his debts or has compounded with his creditors; or
- he is declared lunatic or becomes of unsound mind; or
- he is or has been convicted of any offence involving moral turpitude; or
- in the case of Shareholder Directors, he is not registered as a holder in his own right of unencumbered shares in the Bank either as a sole holder or as first named holder when jointly held of a nominal value of at least five thousand rupees;

(ii) No two persons who are partners of the same firm or are directors of the same private company or one of whom is an agent of the other or holds a power of attorney from a firm of which the other is a partner, may be directors of the Central Board at the same time;

(iii) The appointment / nomination or election of any person who is a Member of Parliament or the Legislature of any State shall be void unless within two months of the date of his appointment / nomination or election he ceases to be a Member of Parliament or the State Legislature.

### **3. Process of Appointment**

#### **3.1 Shareholder Director**

The appointment of Shareholder' Directors shall take place in a General Meeting of Shareholders. The time and venue of the General Meeting will be decided by the Central Board or the Executive Committee of the Central Board (ECCB). After deciding the time and venue, the Chairman will issue a Notice to convene a General Meeting of Shareholders at least 28 days before the date fixed for the meeting in the Gazette of India and also in not less than two daily newspapers having wide circulation in India. The Notice shall state the time, date and place of such meeting and also the business that shall be transacted at the meeting.

#### **3.2 Other Independent Directors**

The Other Independent Directors are appointed by Government of India as per the provisions of the SBI Act and Regulations thereunder.

### **4. Term of Office**

Subject to the provision of the SBI Act, the Independent Director shall hold office for three years and shall be eligible for re-election. However, no such director shall hold office continuously for a period exceeding six years.

The office of Independent Director shall be deemed to be vacated on the occurrence of the following events:-

- Becoming subject to any disqualifications prescribed for Directors;
- On resigning by giving a notice in writing to the Central Board, and the resignation is accepted;
- Fails to attend the meeting of Central Board without Leave of absence for more than three consecutive meetings

An Independent Director nominated by the Central Government under section 19(d) of the SBI Act may be removed from his office at any point of time by the Central Government. Before removing the Director by the Central Government as above, an opportunity of being heard will be provided. An Independent Director elected by the Shareholders other than Central Government may be removed by a resolution passed by majority of the votes of such shareholders holding in the aggregate not less than one-half of the share capital held by all such shareholders.

A Shareholder's Director can also be removed by RBI, if RBI is of the opinion that such director does not fulfil the requirements, after giving to such director and the Bank a reasonable opportunity of being heard

## 5. Fees

An Independent Director, not being an officer of the Central Government or of the Reserve Bank of India, shall be eligible to be paid Fees in the manner as stated below:

- For attending meetings of the Central Board: At such rate as may be advised from time to time by the Central Government for public sector banks;
- For attending meetings of the Executive Committee: One half of the rate applicable for attending meeting of the Central Board;
- For attending any other work of the State Bank:  
Such sum as the Central Board may fix from time to time having regard to the nature and amount of work involved.

In terms of the provisions of SBI Act, Independent Director who is an ordinarily resident in the area falling within the jurisdiction of a Local Head Office is a Member of the Local Board constituted at the Local Head Office at such place ('Local Board') and he/she shall be paid fees at the following rates:-

- For attending meetings of the Local Board: At such rate as may be advised from time to time by the Central Government for public sector banks;
- For attending meetings of the committee of the local Board: One half of the rate applicable for attending the meeting of the Local Board;
- For attending to any other work of the State Bank: Such sum as the Central Board may fix from time to time having regard to the nature and amount of work involved.

In addition to the above stated fees, every Independent Director travelling in connection with the work of the Bank is eligible to be reimbursed for his travelling and halting expenses on such basis as may be fixed by the Central Board from time to time.

No travelling and halting allowances shall be payable to an Independent Director for attending a meeting of the Executive Committee or a Committee of the Local Board except where he has been specifically requested by the Bank to attend any such meeting or such payment is specially authorised by the Central Board.

## **6. Representation in the Committees of Central Board**

The Central Board may constitute such committees comprising of the members of the Central Board (including Independent Directors) as it deems adequate to exercise such powers and perform such duties as the Central Board may delegate to them. An Independent Director may be appointed on any committee of the Central Board of the Bank. Different committees are formed as per various regulatory requirements.

## **7. Responsibilities**

Every Independent Director is expected to perform their duties, whether statutory, fiduciary or common law, faithfully, efficiently and diligently to a standard commensurate with both the functions of your role, knowledge, skills and experience.

The Independent Directors shall be guided by such directions in matters of Policy involving public interest as the Central Government may, in consultation with the Governor of the RBI and the Chairman of the Bank, give to them. Furthermore, the Independent Directors shall diligently adhere to certain Do's and Don'ts recommended by the Central Government, which are enumerated as follows:

### **Do's**

- i. Attend the Board meetings regularly and effectively;
- ii. Study the Board papers thoroughly and use the good office of the Chief Executive for eliciting any information at the Board meeting;
- iii. Ask the Chairman to furnish the Board papers and follow-up reports on a definite time schedule;
- iv. Involve himself as Directors on the Central Board thoroughly in the matter of formulation of general policy and also ensure that performance of the Bank is monitored adequately at Central Board level;
- v. Be familiar with the Board objectives of the Bank and the Policy laid down by the Government and the RBI;
- vi. Make remarkable contribution by providing constructive ideas for the better management of the Bank.
- vii. Directors must work as a team and not sponsor or be prejudiced against individual proposals;
- viii. Management on its part is supposed to furnish full facts and complete papers in advance to the directors;
- ix. Try to give as much of his wisdom, guidance and knowledge as possible to the Management;

- x. Try to analyse the trends of economy, assist in the discharge of Management's responsibility to public and formulation of measures to improve customer service and be generally of constructive assistance to the Bank management.

#### **Don'ts**

- i. Do not send any instruction to any individual officer of the Bank or give direction to individual officer in any matter;
- ii. Do not involve yourself in any matter relating to personnel administration- whether it is transfer, posting or a promotion or a redressal of individual grievance of an employee;
- iii. Do not interfere in the day- to- day functioning of the Bank;
- iv. Do not approach or influence for sanction of any kind of facility from an individual Branch Manager or any other official;
- v. Do not involve yourself in the routine of everyday business and in the management functions;
- vi. Do not participate in the Board discussion if a proposal in which such director is directly or indirectly interested comes up for discussion. Disclose his interest well in advance to the Chief Executive;
- vii. Do not reveal any information relating to any constituent of the Bank to anyone as the director is under oath of secrecy and fidelity;
- viii. Do not send for individual officers of the Bank or give directions to such officers on any matter;
- ix. Do not encourage the individual employee or unions approaching you in any matter;
- x. You may indicate your directorship of the Central Board of SBI on your visiting card or letter heads, but the logos or distinctive design of the Bank should not however, be displayed on the visiting card /letter head;
- xi. Do not directly call for papers/files/notes recorded by various departments for scrutiny etc. in respect of agenda items to be discussed in the meetings. All information/clarification that they may require for taking a decision will be made available by the Executives;
- xii. Do not sponsor any loan proposal, buildings and sites for Bank's premises, enlistment or empanelment of contractors, architects, doctors, lawyers, etc. Do not do anything which will interfere with and/or be detrimental for maintenance of discipline, good conduct and integrity of the staff.
- xiii. Directors are expected to ensure confidentiality of the Bank's agenda papers/notes. Ordinarily, it is suggested that by way of abundant precaution, the Board papers may be returned to the Bank after the meeting;

## **8. Code of Conduct of the Bank**

The Bank has formulated a Code of Conduct and the matters covered in the code are of utmost importance to the Bank, its stakeholders and its business partners, and are essential to the Bank's ability to conduct its business in accordance with its value system. Therefore, all the directors appointed on the Central Board, including the Independent Directors are bound by the Code of Conduct of the Bank. Confirmation as to the compliance of Code of Conduct shall be provided on an annual basis. Moreover the Independent Directors shall also be bound by the Code of Conduct as prepared under the SEBI (Prohibition of Insider Trading) Regulations 2015, and any amendment thereto.

## **9. Performance Evaluation**

Every year the members of the Central Board will evaluate the performance of every Independent Director based on the performance evaluation framework approved by it..

## **10. Separate meeting**

Every independent director strive to hold and present in at least one meeting in a year without the presence of non-independent directors and members of management with the sole objective of:

- review the performance of non-independent directors and the Central Board as a whole;
- review the performance of the Chairperson of the Bank, taking into account the views of executive directors and non-executive directors;
- Assess the quality, quantity and timeliness of flow of information between the Bank management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

## **11. Indemnity**

Every Independent Director shall be indemnified by the Bank against all losses and expenses incurred by him in or in relation to the discharge of his duties unless such loss/expense is caused by his own wilful act or default. Further, an Independent Director shall not be responsible for any loss or expenses caused to the Bank by either of the following:

- the insufficiency or deficiency of the value of or title to any property or security acquired or taken on behalf of the Bank;
- the insolvency or wrongful act of any customer or debtor;
- by anything done in or in relation to the execution of the duties of his office,



except where the loss or expenses is caused by the Independent Director due to his own wilful act or default on his part.

## **12. Familiarisation Programs**

In order to familiarize Independent Directors with the operation of the Bank including functional areas, nature of industry, business model, internal and external risk associated with it, etc. presentations are arranged by the Bank for Independent Directors. This is being done on an ongoing basis. The Independent Directors are also being deputed to Seminars/Meetings convened by Professional bodies like IDRBT/CAFRAL (sponsored by RBI)/Government of India, from time to time. Further, various presentations on important topics like corporate governance, risk management and other functional areas like Credit are also arranged involving outside experts from time to time.

## **13. Conflict of Interest**

Directors hold a fiduciary duty towards the Bank and its shareholders and therefore they are barred from holding any position in any other organization in the manner as defined in the disqualification of directors specified hereinabove. A Director who is directly or indirectly concerned or interested in any contract, loan, arrangement or proposal entered into or proposed to be entered into by or on behalf of the Bank shall at the earliest possible opportunity disclose the nature of his interest to the Central Board and shall not be present at any meeting of the Central Board when such proposal is discussed unless his presence is required by the other Directors.

## **14. Co-operation**

In the event of any claim or litigation against the Bank, based upon any alleged conduct, act or omission on the part of Independent Director during his term, he shall render all reasonable assistance and co-operation to the Bank and provide such information and documents as are necessary and reasonably requested by the Bank.

## **15. Confidentiality**

During the course of performance of duties as an Independent Director of the Bank, the director might have a right to access or may become privy or aware of or in possession of any information, documents, records, including financial records related to the Bank.

All such information, documents, records which may come to knowledge of the independent director during his term is confidential to the Bank and should not be used for his own, or for another's benefit

or released during his term or following resignation from or termination of directorship, to any third party.

Every Independent Director, before entering upon his duties, has to make a declaration of Fidelity and Secrecy as in the form set out in the Second Schedule of the SBI Act.

**16. Governing law**

This document is governed by and will be interpreted in accordance with the applicable Indian law. This document is without prejudice to the provisions of the SBI Act and the Rules and Regulations made thereunder. In case of any contradiction, the provisions of SBI Act, Rules and Regulations thereunder shall prevail upon the clauses mentioned in this document.

**17. Review and Modification(s)**

The Central Board may from time to time review and modify this document in accordance with the applicable legal provisions.

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