

## **STATE BANK OF INDIA**

### **CORPORATE GOVERNANCE - CODE OF CONDUCT**

#### **I. Need and objective of the Code**

Clause 49 of the Listing Agreement entered into with the Stock Exchanges, requires, as part of Corporate Governance, the listed entities to lay down a Code of Conduct for Directors on the Board of an entity and its Senior Management. Senior Management has been defined to include personnel who are members of its Core Management comprising all members of Management one level below the executive Directors, including all functional heads.

Reserve Bank of India (RBI) has, vide Notification DBOD.BC. No. 53/29.39.001/2011-12 dated 21<sup>st</sup> November 2011, desired that elected Directors execute a Deed of Covenants after the election and every year.

In keeping with the spirit and contents of (a) the Code of Conduct, vide Clause 49 of the Listing Agreement and (b) the Deed of Covenants (meant to be obtained from elected Directors), as desired by RBI, State Bank of India has laid down this Code to be obtained from *all* Directors on the Central Board, its Core Management (Deputy Managing Directors) and Chief General Managers.

#### **II. Bank's belief system**

This Code of Conduct attempts to set forth the guiding principles on which the Bank shall operate and conduct its daily business with its multitudinous stakeholders, government and regulatory agencies, media, and anyone else with whom it is connected. It recognises that the Bank is a trustee and custodian of public money and in order to fulfil its fiduciary obligations and responsibilities, it has to maintain and continue to enjoy the trust and confidence of public at large.

The Bank acknowledges the need to uphold the integrity of every transaction it enters into and believes that honesty and integrity in its internal conduct would be judged by its external behaviour. The Bank shall be committed in all its actions to the interest of the countries in which it operates. The Bank is conscious of the reputation it carries amongst its customers and public at large and shall endeavour to do all it can to sustain and improve upon the same in its discharge of obligations. The Bank shall continue to initiate policies, which are customer- centric and which promote financial prudence.

### **III. Philosophy Of The Code**

The Code envisages and expects -

- A. adherence to the highest standards of honest and ethical conduct, including proper and ethical procedures in dealing with actual or apparent conflicts of interest between personal and professional relationships;
- B. full, fair and accurate disclosures in the periodic reports required to be filed by the Bank with government and regulatory agencies;
- C. compliance with applicable laws, rules and regulations;
- D. to address misuse or misapplication of the Bank's assets and resources; and
- E. the highest level of confidentiality and fair dealing within and outside the Bank.

#### **A. General Standards of Conduct**

❖ The Bank expects all its Directors

- to acknowledge that his/her appointment as Director on the Board of the Bank is subject to applicable laws and regulations including the State Bank of India Act, 1955 and SBI General Regulations, 1955;
- to acquire proper understanding of the business of the Bank;
- not to evade responsibility in regard to matters entrusted to him/her by the Board;
- not seek to influence any decision of the Board for any consideration other than in the interests of the Bank;

- to bring independent judgement to bear on all matters affecting the Bank brought before the Board including but not limited to statutory compliances, performance reviews, compliances with internal control systems and procedures, key executive appointments and standards of conduct;
- in exercising his/her judgement in matters brought before the Board or entrusted to him/her by the Board be free from any business or other relationship which could materially interfere with the exercise of his/her independent judgement;
- to express his/her views and opinions at Board meetings without any fear or favour and without any influence on exercise of his/her independent judgement;
- to use such degree of skill as may be reasonable to expect from a person with his/her knowledge or experience;
- to perform his/her duties honestly and with utmost care, due diligence and produce to take such care as he/she might be reasonably expected to take on his/her own behalf and exercise any power vested in him/her in good faith and in the interests of the Bank and not for any other collateral purpose;
- not to make improper use of information disclosed to him/her as a member of the Board for his/her or someone else's advantage or benefit and shall use the information disclosed to him/her by the Bank in his/her capacity as Director of the Bank only for the purposes of performance of his/her duties as a Director and not for any other purpose;
- to exercise good judgment to ensure the interests, safety and welfare of customers, employees, and other stakeholders and to maintain a cooperative, efficient, positive, harmonious and productive work environment and business organisation;

These standards need to be applied while working in the premises of the Bank, at offsite locations where the business is being conducted whether in India or abroad, at Bank-sponsored business and social events, or at any other place where they act as representatives of the Bank.

❖ A “**Conflict of Interest**” occurs when personal interest of any member of the Central Board interferes or appears to interfere in any way with the interests of the Bank. Every member of the Central Board has a responsibility to the Bank, its stakeholders and to each other. Although this duty does not prevent them from engaging in personal transactions and investments, it does demand that they avoid situations where a conflict of interest might occur or appear to occur. They are expected to perform their duties in a way that they do not conflict with the Bank’s interest, such as –

- **Employment/Outside Employment** - The members of the Core Management are expected to devote their total attention to the business interests of the Bank. They are prohibited from engaging in any activity that interferes with their performance or responsibilities to the Bank or otherwise is in conflict with or prejudicial to the Bank.
- **Business Interests** - If any member of the Board of Directors and Core Management considers investing in securities issued by the Bank’s customer, supplier or competitor, they should ensure that these investments do not compromise their responsibilities to the Bank. Many factors including the size and nature of the investment; their ability to influence the Bank’s decisions, their access to confidential information of the Bank, or of the other entity, and the nature of the relationship between the Bank and the customer, supplier or competitor should be considered in determining whether a conflict exists. Additionally, they should disclose to the Bank any interest that they have which may conflict with the business of the Bank.
- **Related Parties** - The Director shall provide to the Bank a list of his/her relatives and to the extent the Director is aware Directorships and interests of such relatives in other bodies corporate, firms and other entities.

As a general rule, the Directors and members of the Core Management should avoid conducting Bank's business with a relative or any other person or any firm, company, association in which the relative or other person is associated in any significant role. Relatives shall include (as defined in the Companies Act, 1956):

- Spouse
  - Father
  - Mother (including step-mother)
  - Son (including step-son)
  - Son's wife
  - Daughter (including step-daughter)
  - Father's father
  - Father's mother
  - Mother's mother
  - Mother's father
  - Son's son
  - Son's son's wife
  - Son's daughter
  - Son's Daughter's husband
  - Daughter's husband
  - Daughter's son
  - Daughter's son's wife
  - Daughter's daughter
  - Daughter's daughter's husband
  - Brother (including step-brother)
  - Brother's wife
  - Sister (including step-sister)
  - Sister's husband
- If such a related party transaction is unavoidable, they must fully disclose the nature of the related party transaction to the appropriate authority. Any dealings with a related party must be conducted in such a way that no preferential treatment is given to that party.

- In the case of any other transaction or situation giving rise to conflicts of interests, the appropriate authority should after due deliberations decide on its impact.

## **B. Disclosure Standards**

### **❖ B.1 Directors**

The Directors shall :

- disclose by general notice to the Board his/her other Directorships, his/her memberships of bodies/corporate, his/her interest in other entities and his/her interest as a partner or proprietor of firms and shall keep the Board apprised of all changes therein as and when it occurs; and further
- disclose the nature of his/her interest, direct or indirect, if he/she has any interest in or is concerned with a contract or arrangement or any proposed contract or arrangement entered into or to be entered into between the Bank and any other person, immediately upon becoming aware of the same or at the meeting of the Board at which the question of entering into such contract or arrangement is taken into consideration or if the Director was not at the date of that meeting concerned or interested in such proposed contract or arrangement, then at the first meeting of the Board held after he/she becomes so concerned or interested and in case of any other contract or arrangement, the required disclosure shall be made at the first of the meeting of the Board held after the Director becomes concerned or interested in contract or arrangement.

### **❖ B.2 The Bank**

- The Bank shall make full, fair and accurate disclosures in the periodic reports required to be filed with Government and Regulatory agencies. The Bank shall disclose and provide to the Board including the Directors all information which is reasonably required for them to carry out their functions and duties as a Directors of the Bank and to take informed decisions in respect of matters brought before the Board for its consideration or entrusted to the Director by the Board or any Committee thereof.

- The members of Core Management of the Bank shall initiate all actions deemed necessary for proper dissemination of relevant information to the Board of Directors, Auditors and other Statutory Agencies, as may be required by applicable laws, rules and regulations.
  
- **The Bank shall apprise the Director about :**
  - qualification requirements and provide copies of State Bank of India Act, 1955 and SBI General Regulations, 1955;
  - Board procedures including identification of legal and other duties of Director and required compliances with statutory obligations;
  - any changes in policies, procedures, control systems, applicable regulations including State Bank of India Act, 1955 and SBI General Regulations, 1955, delegation of authority, Senior Executives, etc.;
  - voting rights at Board meetings including matters in which Director should not participate because of his/her interest, direct or indirect therein;
  - corporate policies and procedures;
  - control systems and procedures;
  - insider dealing restrictions;
  - remuneration policy;
  - constitution of, delegation of authority to and terms of reference of various committees constituted by the appointments of Senior Executives and their authority;
  - appointments of Senior Executives and their authority; and
  - deliberations of Committees of the Board.
  
- The disclosure to be made by the Bank to the Directors shall include but not be limited to the following :
  - all relevant information for taking informed decisions in respect of matters brought before the Board;
  - Bank's strategic and business plans and forecasts;

- organisational structure of the Bank and delegation of authority;
- corporate and management controls and systems including procedures;
- economic features and marketing environment;
- information and updates as appropriate on Bank's products;
- information and updates on major expenditure;
- periodic reviews of performance of the Bank;
- report periodically about implementation of strategic initiatives and plans;
- periodic reports on the functioning of internal control system including effectiveness thereof;
- communicate outcome of Board deliberations to Directors and concerned personnel and prepare and circulate minutes of the meeting of Board to Directors in a timely manner and to the extent possible within reasonable time of the date of conclusion of the Board meeting; and
- advise the Director about the levels of authority delegated in matters placed before the Board.

### **C. Applicable Laws**

The Directors of the Bank must act only within the powers as laid down by State Bank of India Act, 1955 and SBI General Regulations, 1955 and by applicable laws, regulations, rules and regulatory orders. They should report any inadvertent non-compliance, if detected subsequently, to the concerned authorities.

### **D. Use of Bank's Assets and Resources**

Each member of the Board of Directors and the Core Management has a duty to the Bank to advance its legitimate interests while dealing with the Bank's assets and resources.

Members of the Board of Directors and Core Management are prohibited from:

- using corporate property, information or position for personal gain;
- soliciting, demanding, accepting or agreeing to accept anything of value from any person while dealing with the Bank's assets and resources;



- acting on behalf of the Bank in any transaction in which they or any of their relative(s) have a significant direct or indirect interest.

## **E. Confidentiality and Fair Dealings**

### **❖ Bank's Confidential Information**

- The Bank's confidential information is a valuable asset. It includes all trade related information, trade secrets, confidential and privileged information, customer information, employee related information, strategies, administration, research in connection with the Bank and commercial, legal, scientific, technical data that are either provided to or made available to each member of the Board of Directors of the Bank either in paper form or electronic media to facilitate their work or that they are able to know or obtain access by virtue of their position with the Bank. All confidential information must be used for Bank's business purposes only.
- This responsibility includes the safeguarding, securing and proper disposal of confidential information in accordance with the Bank's policy on maintaining and managing records. This obligation extends to confidential information of third parties, which the Bank has rightfully received under non-disclosure agreements.
- To further the Bank's business, confidential information may have to be disclosed to potential business partners. Such disclosure should be made after considering its potential benefits and risks. Care should be taken to divulge the most sensitive information, only after the said potential business partner has signed a confidentiality agreement with the Bank.
- Any publication or publicly made statement that might be perceived or construed as attributable to the Bank, made outside the scope of any appropriate authority in the Bank, should include a disclaimer that the publication or statement represents the views of the specific author and not the bank.

#### ❖ **Other Confidential Information**

- The Bank has many kinds of business relationships with many companies and individuals. Sometimes, they will volunteer confidential information about their products or business plans to induce the Bank to enter into a business relationship. At other times, the Bank may request that a third party provide confidential information to permit the Bank to evaluate a potential business relationship with that party. Therefore, special care must be taken by the Board of Directors to handle the confidential information of others responsibly. Such confidential information should be handled in accordance with the agreements with such third parties.
- The Bank requires that every member of Board of Directors should be fully compliant with the laws, statutes, rules and regulations that have the objective of preventing unlawful gains of any nature whatsoever.
- Directors shall not accept any offer, payment, promise to pay or authorisation to pay any money, gift, or anything of value from customers, suppliers, shareholders/stakeholders, etc., that is perceived as intended, directly or indirectly, to influence any business decision, any act or failure to act, any commission of fraud, or opportunity for the commission of any fraud.

#### IV. **Good Corporate Governance practices**

Each member of the Board of Directors of the Bank should adhere to the following so as to ensure compliance with good Corporate Governance practices.

##### ❖ **Dos**

- Attend Meetings of Board and Committees thereof (collectively referred to as “Board” for the sake of brevity) regularly and participate in the deliberations and discussions effectively, and conscientiously fulfil his/her obligations as Director of the Bank;

- Study the Board papers thoroughly and enquire about follow-up reports on definite time schedule;
- Involve actively in the matter of formulation of general policies;
- Be familiar with the broad objectives of the Bank and the policies laid down by the Government and the various laws and legislations;
- Keep himself/herself informed about the business, activities and financial status of the Bank to the extent disclosed to him/her; and
- Ensure confidentiality of the Bank's agenda papers, notes and Minutes.

❖ **Don'ts**

- Do not interfere in the day to day functioning of the bank .and in the performance of their duties wherever the Director has reasons to believe otherwise, he/she shall forthwith disclose his/her concerns to the Board (**This stipulation does not apply to the Chairman and the Managing Directors**).
- Do not reveal any information relating to any constituent of the Bank to anyone.
- Do not display the logo/distinctive design of the Bank on their personal visiting cards/letter heads (**This does not prevent the Chairman, Managing Directors and Core Management from using DO letterheads or visiting cards with SBI's logo thereon**).
- Do not sponsor any proposal relating to loans, investments, buildings or sites for Bank's premises, enlistment or empanelment of contractors, architects, auditors, doctors, lawyers and other professionals etc.
- Do not do anything, which will interfere with and/or be subversive of maintenance of discipline, good conduct and integrity of the staff.

- Do not assign, transfer, sublet or encumber his/her office and his/her rights and obligations as Director of the Bank to any third party provided that nothing herein contained shall be construed to prohibit delegation of any authority, power, function or delegation by the Board or any committee thereof subject to applicable laws and regulations including State Bank of India Act, 1955 and SBI General Regulations, 1955.

#### **V. Waivers**

Any waiver of any provision of this Code of Conduct must be approved in writing and signed by the Directors and the duly authorised representative of the Bank.

The failure on the part of either the Bank or the Director to perform, discharge, observe or comply with any obligation or duty shall not be deemed to be a waiver thereof nor shall it operate as a bar to the performance, observance, discharge or compliance thereof at any time or times thereafter.

The Bank shall appoint a compliance officer who shall be a Senior executive reporting to the Board and be responsible for setting forth policies and procedures and shall monitor adherence to the applicable laws and regulations and policies and procedures including but not limited to directions of Reserve Bank of India and other concerned statutory and governmental authorities.

The matters covered in this Code of Conduct are of the 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 and be duly signed by the Director and the duly authorised representative of the Bank.

Signature :	Signature :
Name : Shri	Name :
Title : Chief Financial Officer	Director
State Bank of India	State Bank of India
Place :	Place :
Date :	Date :