

**Suryoday Small Finance Bank Limited**

**Policy on Determination of Materiality of Events**

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## **POLICY FOR DETERMINATION OF MATERIALITY OF EVENTS/INFORMATION FOR DISCLOSURES**

### **1. BACKGROUND**

Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**SEBI Listing Regulations**”), requires all listed entities to report:

- (a) all material events that are deemed to be material as per the Listing Regulations; and
- (b) all other events which are determined as material events based on the criteria for determination of materiality of events / information specified in the Listing Regulations.

In relation to point (b) above, the SEBI Listing Regulations mandate all listed entities to frame a policy for determination of materiality for disclosure of events or information (“**Policy**”) to BSE Limited and National Stock Exchange of India Limited (the “**Stock Exchanges**”).

This Policy is also required to be disclosed on the website of the Bank on or before the date of listing of equity shares of the Bank on the Stock Exchanges. The events/information that would be disclosed would be as presently prescribed by the Securities and Exchange Board of India vide circular CIR/CFD/CMD/4/2015 dated September 9, 2015 and as would be amended from time to time.

### **2. SCOPE AND OBJECTIVE OF THE POLICY**

This Policy will be applicable to all the events which fall under the criteria as disclosed under the section relating to “Disclosure of events or information to Stock Exchanges”. This Policy shall be read along with the Bank’s Policy on Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information framed in adherence to the principles for fair disclosure as outlined in the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015.

The objectives of this Policy are as follows:

- (i) To ensure that the information is disclosed by the Bank in a timely and transparent manner.
- (ii) To ensure that corporate documents and public statements are accurate and do not contain any misrepresentation.
- (iii) To protect the confidentiality of Material / Price sensitive information within the framework of the Bank’s disclosure obligations.
- (iv) To provide a charter that supports and fosters confidence in the quality and integrity of information released by the Bank.
- (v) To ensure uniformity in the Bank’s approach to disclosures, raise awareness and reduce the risk of selective disclosures.

This Policy shall be effective from the date of listing of the equity shares of the Bank on the Stock Exchanges.

### 3. DISCLOSURES OF EVENTS OR INFORMATION TO STOCK EXCHANGES

The events or information which will be necessary to be disclosed to the Stock Exchanges are divided into three categories as specified in Part A of Schedule III of the SEBI Listing Regulations:

- a) Events whose disclosure is mandatory and which would need to be disclosed without any application of the test/guidelines for materiality. These events shall be disclosed as soon as reasonably possible and not later than the period specified for the same under the Listing Regulations. These events which are detailed in Para A of Part A of Schedule III, are detailed in **Annexure 1** to this Policy.
- b) Events which shall be disclosed to the Stock Exchanges based on the test of materiality referred to sub-regulation (4) of regulation (30) as detailed in **Para 5 of** this Policy.
- c) Any other event/information that is likely to affect business. Such events may include but not be limited to the following:
  - i) Change in accounting policy that may have a significant impact on the accounts of the Bank.
  - ii) Emergence of new technologies, expiry of patents and any other event which is in the nature of major development that is likely to affect business of the Bank.
  - iii) Any other information exclusively known to the Bank which may be necessary to be disseminated to enable the holders of the securities of the Bank to apprise its position and avoid any mis-information in the marketability of such securities.
- d) Without prejudice to the generality of para (a), (b) or (c) above, the Bank may make disclosures of event/information as may be specified by the Board of the Bank from time to time.

### 4. KEY MANAGERIAL PERSONNEL AUTHORIZED TO DETERMINE MATERIALITY

The Board of the Bank has authorized the Managing Director and Chief Executive Officer (“**MD & CEO**”), the Chief Services Officer (“**CSO**”), the Chief Financial officer (“**CFO**”), Head- Legal, Chief Risk Officer (“**CRO**”), Chief Credit Officer (“**CCRO**”) and the Company Secretary (“**CS**”) collectively referred to as “senior management personnel” or “**SMPs**” to determine the materiality of an event or information and to make appropriate disclosure to the Stock Exchanges.

The **SMPs** shall have the following powers and responsibilities for determining the material events or information:

- a) To review and assess an event or information that may qualify as ‘material’ and may require disclosure, on the basis of facts and circumstances prevailing at a given point in time.
- b) To determine the appropriate time at which the disclosures are to be made to the stock exchanges based on an assessment of actual time of occurrence of an event or information.
- c) To disclose developments that are material in nature on a regular basis, till such time the event or information is resolved/closed, with relevant explanations.
- d) To consider such other events or information that may require disclosure to be made to the stock exchanges which are not explicitly defined in the Listing Regulations and determine the materiality, appropriate time and contents of disclosure for such matters.
- e) To simultaneously share the event/ information with the Board.

The **CS** shall act as the coordinator and liasoning officer for dissemination of material events/information to the Stock Exchanges.

**5. EVENTS WHICH MAY BE DISCLOSED TO THE STOCK EXCHANGES BASED ON THE TEST OF MATERIALITY:**

The events as mentioned below will be disclosed based on the application of the test of materiality and key principles for determination of materiality, as outlined hereunder:

- (a) the omission of an event or information, which is likely to result in discontinuity or alteration of event or information already available publicly; or
- (b) the omission of an event or information is likely to result in significant market reaction if the said omission came to light at a later date or
- (c) in a case where the criteria specified in (i) and (ii) are not applicable, any event/information which in the opinion of the Board of Directors of the Bank, is considered material and needs disclosure.

The SMPs authorised under this Policy will determine on the disclosure of events or information to the Stock Exchanges based on the application of the test of materiality as mentioned above. In addition to this, the SMPs while determining the materiality will do so on a case to case basis depending on specific facts/circumstances relating to the information/event and apply such other qualitative/quantitative criteria if required and as may be deemed appropriate to the event. On completion of the assessment, the SMP shall, if required, make appropriate disclosures to the Stock Exchanges.

Description of events:

Sr. No	Events / Information	Threshold Criteria
1.	Commencement or any postponement in the date of commencement of commercial operations of any unit/division/capacity addition or product launch	The Bank shall inform about launch of new distinct line of product or commencement of commercial operations if it is expected to increase the income of the Bank by more than 10% of the total income of the Bank as per the last audited financial statements.
2.	(i) Change in the general character or nature of business brought about by arrangements for strategic, technical, manufacturing or marketing tie-up, adoption of new lines of business; or  (ii) Closure of operations of any unit/division (entirely or piecemeal)	Impact exceeding 10% of the income of the Bank as per the last audited annual financial statements for each transaction.
3.	Awarding, bagging/receiving, amendment or termination of awarded/bagged orders/contracts, not in the normal course of business	Contract amount exceeding 10 % of the income of the Bank as per the last audited financial statements for each transaction

Sr. No	Events / Information	Threshold Criteria
4.	Loan agreements (as a borrower) and not in the normal course of business or any other agreement(s) which are binding and not in the normal course of business and revision(s) or amendment(s) or termination(s) thereof)	Borrowings for a period exceeding five years or for an amount exceeding Rs. 500 crores. All other agreements which are entered into not in the normal course of business having a value exceeding Rs. 500 crores.
5.	Disruption of operations of any one or more units or division of the Bank due to natural calamity (earthquake, flood, fire, etc.), force majeure or events such as strikes, lock-outs etc.	<p>Disruption of operations due to natural calamity/force majeure, with estimated impact exceeding 10% of the income of the Bank as per the last audited financial statements for each transaction</p> <p>In case of strikes or lock-outs etc., complete closure of any branch for a continuous period of at least 15 days. This will not include lock outs owing to administrative / local authorities' orders because of law and order problem or any other reason beyond the control of the Bank.</p>
6.	Effect(s) arising out of change in the regulatory framework applicable to the Bank	Impact of which exceeds 10% of the income of the Bank as per the latest audited financial statements. Where the impact is 10% or less, the SMPs will decide the matter in consultation with the Audit Committee of the Board.
7.	Litigation(s)/dispute(s)/regulatory action(s) with impact	<p>Outcome of any single litigation/dispute determined by courts of law [(not below the High Court)] or individual matters with similar case of action (which shall be aggregated) and regulatory action having an impact of not less than 10% of the income of the Bank as per the last audited financial statements.</p> <p>No qualifying threshold limits will be applicable in case of regulatory actions, criminal / environmental matters and matters resulting from the breach of securities laws. The above materiality parameters will also apply to the directors,</p>

Sr. No	Events / Information	Threshold Criteria
		<p>promoter(s) and key managerial personnel of the Bank, except where the litigation is of a purely personal nature and unlikely to affect the involved director's, promoter's or key managerial personnel's ability to discharge their responsibilities towards the Bank.</p> <p>For non-quantifiable matters, the MD &amp; CEO shall determine materiality on a case to case basis.</p>
8.	Frauds/defaults by directors (other than key managerial personnel or employees of the Bank)	No qualifying threshold limits will be applicable in this case.
9.	Options to purchase securities, including any employees stock option plan/ employees stock purchase scheme	In the event grant of such options exceed 5% of the issued and outstanding paid-up share capital of the Bank.
10.	Giving of guarantees or indemnity or becoming a surety for any third party	Amount exceeding 10% of the income of the Bank as per the last audited financial statements.
11.	Granting, withdrawal, surrender, cancellation or suspension of key licenses or regulatory approvals	<p>Granting, withdrawing, surrender, cancellation or suspension of the following license or regulatory approvals the impact of which would exceed 10% of the income of the Bank as per the last audited financial statements:</p> <p>RBI approval with respect to any matter except routine operational matters like closure of branches and so on.</p>

**6. OBLIGATIONS OF INTERNAL STAKEHOLDERS AND SMPS FOR DISCLOSURE**

Any event or information, including the information forming part of Annexure 1 and/or Para 5 of this Policy shall be forthwith (post listing of equity shares) informed by the internal stakeholders to the SMPS upon occurrence, with adequate supporting data / information, to facilitate a prompt and appropriate disclosure to the Stock Exchanges.



For the purpose of this Policy, 'internal stakeholders' will mean heads of all departments of the Bank.

The SMPs collectively or any two of them jointly, will then ascertain the materiality of such event(s) or information based on the above guidelines. On completion of the assessment, the SMPs shall, if required, make appropriate disclosures to the Stock Exchanges within the prescribed time and simultaneously inform the Board of Directors.

#### **7. GUIDANCE ON WHEN AN EVENT/INFORMATION IS DEEMED TO HAVE OCCURRED**

- a) The events/information shall be said to have occurred upon approval of Board of Directors of the Bank in certain events, for example further issue of capital by rights issuance and in certain events/information after receipt of approval of both i.e. board of the Bank and shareholders of the Bank.
- b) Certain events which are price sensitive in nature like declaration of dividends etc. will be deemed to have occurred and disclosed on approval of the board of the Bank pending shareholder's approval.
- c) Events such as frauds, natural calamities or disruption can be said to have occurred when the Bank becomes aware of the event/information.

#### **8. DISCLOSURES ON WEBSITE**

The Bank shall disclose on its website all such events or information which has been disseminated to the Stock Exchanges under this Policy and such disclosures shall be hosted on the website of the Bank for a minimum period of five years and thereafter as per the archival process followed by the Bank.

#### **9. REVIEW OF, AND AMENDMENTS TO, THE POLICY**

The SMPs authorised under this Policy will review this Policy on an annual basis from the perspective of the SEBI Listing Regulations to assess modifications, if any required, to the disclosure of events in order to align this Policy in line with the SEBI Listing Regulations. Any modification to the Policy will be effective on being approved by the Board of Directors.

## Annexure 1

### Events or information to be disclosed without any application of materiality listed in the Policy

1. Acquisition(s) (including agreement to acquire), scheme of arrangement (amalgamation/merger/ demerger/restructuring), or sale or disposal of any unit(s), division(s) or subsidiary of the Bank (if any) or any other restructuring.

Explanation: For the purpose of this para, Acquisition would mean:

- a) acquiring control, whether directly or indirectly; or,
  - b) acquiring or agreeing to acquire shares or voting rights in, a Bank, whether directly or indirectly, such that –
    - i) the Bank holds shares or voting rights aggregating to five per cent or more of the shares or voting rights in the said Bank, or;
    - ii) there has been a change in holding from the last disclosure and such change exceeds two per cent of the total shareholding or voting rights in the said Bank.
2. Issuance or forfeiture of securities, split or consolidation of shares, buyback of securities, any restriction on transferability of securities or alteration in terms or structure of existing securities including forfeiture, reissue of forfeited securities, alteration of calls, redemption of securities etc.
  3. Revision in rating(s).
  4. Outcome of meetings of the board of directors: The Bank shall disclose to the Stock Exchanges, within 30 minutes of the closure of the meeting, held to consider or decide the following:
    - a) dividends and/or cash bonuses recommended or declared or the decision to pass any dividend and the date on which dividend shall be paid/dispatched;
    - b) any cancellation of dividend with reasons thereof;
    - c) the decision on buyback of securities;
    - d) the decision with respect to fund raising proposed to be undertaken;
    - e) increase in capital by issue of bonus shares through capitalization including the date on which such bonus shares would be credited/dispatched;
    - f) reissue of forfeited shares or securities, or the issue of shares or securities held in reserve for future issue or the creation in any form or manner of new shares or securities or any other rights, privileges or benefits to subscribe to;
    - g) short particulars of any other alterations of capital, including calls;
    - h) financial results; and
    - i) decision on voluntary delisting by the Bank from Stock Exchanges.

5. Agreements (viz. shareholder agreement(s), joint venture agreement(s) (to the extent that it impacts management and control of the Bank), agreement(s)/treaty(ies)/contract(s) with media companies) which are binding and not in normal course of business, revision(s) or amendment(s) and termination(s) thereof.
6. Fraud/ defaults by promoter or key managerial personnel (which includes the Chief Business Officers, the Chief Credit Officer, Chief Information Officer, Chief Technical Officer, Chief People Officer and the Chief Services officer besides the Managing Director and Chief Executive Officer, Chief Financial Officer and Company Secretary) of the Bank or by the Bank or arrest of key managerial personnel or promoter.
7. Change in directors, key managerial personnel, Auditor and Compliance officer.
8. In case of resignation of the auditor of the listed entity, detailed reasons for resignation of auditor, as given by the said auditor, shall be disclosed by the Bank to the stock exchanges as soon as possible but not later than twenty four hours of receipt of such reasons from the auditor.
9. In case of resignation of an independent director of the listed entity, within seven days from the date of resignation, the following disclosures shall be made to the stock exchanges by the listed entities:
  - a) Detailed reasons for the resignation of independent directors as given by the said director shall be disclosed by the listed entities to the stock exchanges.
  - b) The independent director shall, along with the detailed reasons, also provide a confirmation that there is no other material reasons other than those provided.
  - c) The confirmation as provided by the independent director above shall also be disclosed by the listed entities to the stock exchanges along with the detailed reasons as specified in sub-clause (a) above
10. Appointment or discontinuation of share transfer agent.
11. Corporate debt restructuring.
12. One time settlement with any lender of the Bank.
13. Reference to any winding-up petition filed by any party/creditors.
14. Issuance of notices, call letters, resolutions and circulars sent to shareholders, debenture holders or creditors or any class of them or advertised in the media by the Bank.
15. Proceedings of annual and extraordinary general meetings of the Bank.
16. Amendments to memorandum and articles of association of Bank, in brief.
17. Schedule of analyst or institutional investor meet and presentations on financial results made by the bank to analysts or institutional investors.
18. Following events in relation to the corporate insolvency resolution process (“CIRP”) of the Bank as corporate debtor under the Insolvency and Bankruptcy Code, 2016, (“IBC”) if applicable:
  - a) Filing of application by the corporate applicant for initiation of CIRP, also specifying the amount of default;

- b) Filing of application by financial creditors for initiation of CIRP against the corporate debtor, also specifying the amount of default;
- c) Admission of application by the tribunal, along with amount of default or rejection or withdrawal, as applicable;
- d) Public announcement made pursuant to order passed by the tribunal under Section 13 of the IBC.
- e) List of creditors as required to be displayed by the corporate debtor under Regulation 13(2)(c) of the Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons) Regulations, 2016;
- f) Appointment/ replacement of the resolution professional;
- g) Prior or post-facto intimation of the meetings of committee of creditors;
- h) Brief particulars of invitation of resolution plans under section 25(2)(h) of the IBC in the form specified under regulation 36A(5) of the Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons) Regulations, 2016;
- i) Number of resolution plans received by resolution professional;
- j) Filing of resolution plan with the tribunal;
- k) Approval of resolution plan by the tribunal or rejection, if applicable;
- l) Salient features, not involving commercial secrets, of the resolution plan approved by the tribunal, in such form as may be specified;
- m) Any other material information not involving commercial secrets.