

Suryoday Small Finance Bank Limited

Policy on Determination of Materiality of Events

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Contents

1. Background.....	4
2. Scope and Objective of the Policy	4
3. Disclosures of Events or Information to Stock Exchanges	4
4. Key Managerial Personnel Authorized to Determine Materiality.....	5
5. Events which may be disclosed to the Stock Exchanges based on the test of materiality:.....	5
6. Timelines for disclosure of material events/information:.....	6
7. Obligations of Internal Stakeholders and SMPS for Disclosure.....	9
8. Guidance on when an Event/Information is Deemed to Have Occurred.....	9
9. Disclosures on Website	10
10. Review of, and Amendments to, the Policy	10

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 SEBI 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 SEBI 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 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 This Policy shall be read along with the Bank’s Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information, forming part of the Prevention of Insider Trading Policy framed in adherence to the principles for fair disclosure as outlined in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

- a) The events, detailed in Para A of Part A of Schedule III of SEBI Listing Regulations, need to be mandatorily disclosed without any application of the test/guidelines for materiality as soon as reasonably possible and not later than the period specified for the same under the Listing Regulations.

- 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 Executive Director (“**ED**”), the Chief Financial officer (“**CFO**”), the Chief Credit Officer (“**CCrO**”), the Chief Risk Officer (“**CRO**”) and the Company Secretary (“**CS**”) collectively referred to as “**Senior Management Personnel**” or “**SMPs**” to determine the materiality of an event or information under Regulation 30 of the SEBI Listing Regulations whose names and contact details appears on the website of the Bank, and to make appropriate disclosure to the Stock Exchanges.

The CS shall act as the coordinator and liasoning officer for dissemination of material events/information 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’ based on the criteria specified under Regulation 30(4) of the SEBI Listing Regulations that qualifies for disclosures under Regulation 30 or to determine price sensitive information in terms of SEBI (Prohibition of Insider Trading) Regulations, 2015, as amended from time to time;
- b) To determine the appropriate time at which the disclosures are to be made to the stock exchanges based on guidance provided in the circulars issued by SEBI from time to time.
- 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 SEBI 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.

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) the omission of an event or information, whose value or the expected impact in terms of value, exceeds the lower of the following:
 - i. two percent of turnover, as per the last audited consolidated financial statements of the listed entity;
 - ii. two percent of net worth, as per the last audited consolidated financial statements of the listed entity, except in case the arithmetic value of the net worth is negative;
 - iii. five percent of the average of absolute value of profit or loss after tax, as per the last three audited consolidated financial statements of the listed entity;

Note: In respect to the above, it is clarified that the average of absolute value of profit or loss is required to be considered by disregarding the 'sign' (positive or negative) that denotes such value as the said value / figure is required only for determining the threshold for 'materiality' of the event and not for any commercial consideration.

- (d) In case where the criteria specified in sub-clauses (a), (b) and (c) is not applicable, an event or information may be treated as being material if in the opinion of the board of directors of the listed entity, the event or information is considered material and needs disclosure:

Provided that any continuing event or information which becomes material pursuant to notification of these amendment regulations shall be disclosed by the listed entity within thirty days from the date of coming into effect of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2023.

6. Timelines for disclosure of material events/information:

The Bank shall first disclose to the Stock Exchange(s) all events or information which are material in terms of the provisions of this regulation as soon as reasonably possible and in any case not later than the following:

- (i) Thirty minutes from the closure of the meeting of the Board of Directors in which the decision pertaining to the event or information has been taken;
- (ii) Twelve hours from the occurrence of the event or information, in case the event or information is emanating from within the Bank;
- (iii) Twenty-four hours from the occurrence of the event or information, in case the event or information is not emanating from within the Bank:

Provided that disclosure with respect to events for which timelines have been specified in Part A of Schedule III shall be made within such timelines:

Provided further that in case the disclosure is made after the timelines specified under this regulation, the Bank shall, along with such disclosure provide the explanation for the delay.

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	Award or contract amount not exceeding 10 % of the income of the Bank as per the last audited financial statements for each transaction
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, pandemics etc.), force majeure or events such as strikes, lock-outs etc.	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 In case of strikes or lock-outs etc., complete closure of any branch for a continuous period

Sr. No	Events / Information	Threshold Criteria
		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.
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, 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 & 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.

Sr. No	Events / Information	Threshold Criteria
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	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: RBI approval with respect to any matter except routine operational matters like closure of branches and so on.

7. 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 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.

8. 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.

9. 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.

10. 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.