

# CAPITAL SMALL FINANCE BANK LIMITED

## Policy for Determination of Materiality of Events/Information [Updated upto September 23, 2021]

**CAPITAL SMALL FINANCE BANK LIMITED**

**Head Office:** MIDAS Corporate Park, 3<sup>rd</sup> Floor, 37, G.T. Road, Jalandhar  
CIN: U65110PB1999PLC022634 Phone: 0181-5051111, 5052222, Fax: 0181-5053333  
E-mail: [compliance@capitalbank.co.in](mailto:compliance@capitalbank.co.in) [www.capitalbank.co.in](http://www.capitalbank.co.in)

## 1. Objective and Scope

Pursuant to the Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements), 2015 (“Listing Regulations”), Capital Small Finance Bank Limited (herein after referred to as “Bank”) has formulated this policy (“Policy”) for determination of materiality of certain events/information and which in the opinion of the Board are material for appropriate disclosures as required thereunder.

Accordingly, this Policy for Determination of Materiality of Events, which has been reviewed and approved by the Board of Directors of the Bank, in terms of the Listing Regulations, shall be deemed to have come into effect immediately and shall be applicable and binding on the Bank.

## 2. Definitions

The terms and expressions used but not defined herein shall have the same meaning as assigned to those terms under the 2015 Regulations, the Companies Act, 2013, the Securities Contracts (Regulations) Act, 1956 or any other applicable laws or regulations, as the case may be.

## 3. Key principles in determining materiality

The Listing Regulations have not only provided for the manner in which details of events/ information relating to the affairs of a listed entity is required to be disclosed to the Stock Exchanges, but also the nature thereof and the time within which it must be disclosed, detailed as under :

- i. Events or information which, in the opinion of the Board of Directors of the Bank, are fit to be considered as material and therefore shall be mandatorily disclosed by the Bank to the Stock Exchanges, as soon as possible within a reasonable time of their occurrence, but not later than 24 (twenty-four) hours from the occurrence of such event.
- ii. Events listed in Para A & C of Part A of Schedule III of the Listing Regulations, as set out in **Annexure I** to this Policy, shall be mandatorily disclosed by the Bank to the Stock Exchanges, as soon as possible within a reasonable time of their occurrence, but not later than 24 (twenty four) hours from the occurrence of such event, i.e. without applying any test of materiality.
- iii. Events listed in Sub-Para 4 of Para A of Part A of Schedule III of the Listing Regulations, as set out in **Annexure II** to this Policy are deemed to be material events and as such shall be mandatorily first disclosed by the Bank to the Stock Exchanges within 30 minutes of the conclusion of the Board Meeting.
- iv. Events listed in Para B of Part A of Schedule III of the Listing Regulations, as set out in **Annexure III** to this Policy if considered material events and as such may be disclosed by the Bank to the Stock Exchanges within a reasonable time of their occurrence, but not later than twenty four hours from the occurrence of such event, subject to application of the following criteria to determine, whether such event is material or not:
  - a. Where the omission of an event or information, is likely to result in discontinuity or alteration of the event or information already available publicly; or

- b. Where 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. Where the criteria specified in sub-clauses (i) and (ii) above are not applicable, an event / information may be treated as being material, if in the opinion of Board of Directors of the Bank, the event / information is deemed fit to be considered as material, for onward disclosure to the Stock Exchanges. The Board of Directors do hereby authorise the Managing Director & CEO or the Executive Director(s) or the Chief Financial Officer or the Chief Investor Relations Officer of the Bank to make such determination.
- v. Events listed in Part B of Schedule III of the Listing Regulations, as set out in **Annexure IV** to this Policy are deemed to be material events and shall be disclosed by the Bank to the Stock Exchanges, as soon as possible within a reasonable time of their occurrence.
  - vi. Where an event occurs or is available with the Bank, which does not form part of Annexure I or Annexure II or Annexure III as above but is likely to have a material impact on the Bank, the Bank shall endeavor to make adequate disclosures in this regard.
  - vii. Information / event relating to any major development which is likely to affect the business of the Bank and any other information which is exclusively known to the Bank, which may be required to be disclosed to enable the security holders of the Bank, to appraise its position and to avoid establishment of false market in such securities shall be mandatorily disclosed by the Bank to the Stock Exchanges, as soon as possible within a reasonable time of their occurrence, but not later than twenty four hours from the occurrence of such event.
  - viii. Events/ Information having bearing on the performance/ operations of the Bank, price sensitive information, or any action that could affect payment of interest or dividend of Non-Convertible Debentures or any other convertible instruments issued by the Bank, from time to time shall be mandatorily disclosed by the Bank to the Stock Exchanges promptly, as soon as practically possible and without any delay.
  - ix. Such other information as may be specified by SEBI, from time to time.

In case there is a delay in disclosing the event/information to the Stock Exchanges, in terms of this Policy, the Bank shall provide appropriate explanation for such delay.

#### **4. Authority to Determine Materiality**

- i. The Managing Director & CEO or the Executive Director(s) or the Chief Operating Officer or the Chief Financial Officer or Company Secretary of the Bank, has been authorized by the Board to disclose such events/ information, which are material to Stock Exchanges and that their contact details be disclosed to the Stock Exchanges and uploaded on the website of the Bank, in terms of this Policy, including but not limited to responding to any queries that may be raised by the Stock Exchanges in respect thereto.

Contact details: Company Secretary, Email ID: [cs@capitalbank.co.in](mailto:cs@capitalbank.co.in);

- ii. Further, the Managing Director & CEO or the Executive Director(s) or the Chief Operating Officer or the Chief Financial Officer of the Bank, has been authorized by the Board to interact or communicate with the Press or Analysts or Institutional Investors, after the material events / information is intimated to the Stock Exchanges and hosted on the website of the Bank, in terms of this Policy.
- iii. The Managing Director or the Executive Director(s) or the Chief Operating Officer or the Chief Financial Officer or Company Secretary of the Bank is severally authorized to respond to any queries that may be received from the press, electronic/ social media or investors of the Bank, for verification of any market rumours relating to the Bank and/ or any of its subsidiaries, in terms of the Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information.

## **5. Minimum Standards of Confidentiality**

Subject to the applicable laws, while making disclosures, it shall however be ensured that confidentiality in certain matters is maintained in order to foster the a culture of good decision making.

## **6. Laws to take Precedence and Amendment**

In case any of the provisions of this Policy are inconsistent with the applicable laws, then the provisions of applicable laws shall prevail over the Policy to that extent and the Policy shall be deemed to have been amended so as to be read in consonance with applicable laws.

As this Policy is pursuant to the applicable laws, if any change to applicable laws or interpretation thereof necessitates any change to the Policy, then this Policy shall be read so as to accommodate the changes.

The KMP will review the Policy to give effect to above, as and when need arise, till such time as the Board of Directors makes the necessary changes to the Policy as mentioned below.

The Board of Directors of the Bank shall make such alterations to this Policy as and when necessitated or as deemed fit, provided they are not inconsistent with the provisions of the applicable laws.

## **7. Dissemination of the Policy**

The Policy shall be hosted on the website of the Bank.

**ANNEXURE I**  
**SCHEDULE III**  
**PART A: DISCLOSURES OF EVENTS OR INFORMATION: SPECIFIED SECURITIES**  
**[See Regulation 30]**

The following shall be events/information, upon occurrence of which listed entity shall make disclosure to stock exchange(s):

**A. Events which shall be disclosed without any application of the guidelines for materiality as specified in sub-regulation (4) of regulation (30):**

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 listed entity or any other restructuring.

Explanation.- For the purpose of this sub-para, the word 'acquisition' shall mean,-

- (i) acquiring control, whether directly or indirectly; or,
- (ii) acquiring or agreeing to acquire shares or voting rights in, a company, whether directly or indirectly, such that –
  - (a) the listed entity holds shares or voting rights aggregating to five per cent or more of the shares or voting rights in the said company, or;
  - (b) there has been a change in holding from the last disclosure made under sub-clause (a) of clause (ii) of the Explanation to this sub-para and such change exceeds two per cent of the total shareholding or voting rights in the said company.

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).

5. Agreements (viz. shareholder agreement(s), joint venture agreement(s), family settlement agreement(s) (to the extent that it impacts management and control of the listed entity), 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 or by listed entity or arrest of key managerial personnel or promoter.

7. Change in directors, key managerial personnel (Managing Director, Chief Executive Officer, Chief Financial Officer, Company Secretary etc.), Auditor and Compliance Officer.

[(7A) 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 listed entities to the stock exchanges as soon as possible but not later than twenty four hours of receipt of such reasons from the auditor.

(7B) Resignation of [independent director] including reasons for resignation: 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:

- i. [The letter of resignation along with] detailed reasons for the resignation 263[of independent directors] as given by the said director 264[shall be disclosed by the listed entities to the stock exchanges].

[(ia). Names of listed entities in which the resigning director holds directorships, indicating the category of directorship and membership of board committees, if any.]

- ii. The independent director shall, along with the detailed reasons, also provide a confirmation that there is no other material reasons other than those provided.
  - iii. The confirmation as provided by the independent director above shall also be disclosed by the listed entities to the stock exchanges along with the 266 [detailed reasons] as specified in sub-clause (i) 267[and (ii)] above.]
8. Appointment or discontinuation of share transfer agent.
  9. [Resolution plan/ Restructuring in relation to loans/borrowings from banks/financial institutions including the following details:
    - (i) Decision to initiate resolution of loans/borrowings;
    - (ii) Signing of Inter-Creditors Agreement (ICA) by lenders;
    - (iii) Finalization of Resolution Plan;
    - (iv) Implementation of Resolution Plan;
    - (v) Salient features, not involving commercial secrets, of the resolution/ restructuring plan as decided by lenders.].
  10. One time settlement with a bank.
  11. Reference to BIFR and winding-up petition filed by any party / creditors.
  12. 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 listed entity.
  13. Proceedings of Annual and extraordinary general meetings of the listed entity.
  14. Amendments to memorandum and articles of association of listed entity, in brief.
  15. [15 (a) Schedule of analysts or institutional investors meet and presentations made by the listed entity to analysts or institutional investors. Explanation: For the purpose of this clause 'meet' shall mean group meetings or group conference calls conducted physically or through digital means.
    - (b) Audio or video recordings and transcripts of post earnings/quarterly calls, by whatever name called, conducted physically or through digital means, simultaneously with submission to the recognized stock exchange(s), in the following manner:
      - (i) the presentation and the audio/video recordings shall be promptly made available on the website and in any case, before the next trading day or within twenty-four hours from the conclusion of such calls, whichever is earlier;
      - (ii) the transcripts of such calls shall be made available on the website within five working days of the conclusion of such calls:

The requirement for disclosure(s) of audio/video recordings and transcript shall be voluntary with effect from April 01, 2021 and mandatory with effect from April 01, 2022.;
  16. The following events in relation to the corporate insolvency resolution process (CIRP) of a listed corporate debtor under the Insolvency Code:
    - 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 Insolvency Code;
    - e) List of creditors as required to be displayed by the corporate debtor under regulation 13(2)(c) of the IBBI (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 Insolvency Code in the Form specified under regulation 36A(5) of the IBBI (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) [Specific features and details of the resolution plan as approved by the Adjudicating Authority under the Insolvency Code, not involving commercial secrets, including details such as:
    - (i) Pre and Post net-worth of the company;
    - (ii) Details of assets of the company post CIRP;
    - (iii) Details of securities continuing to be imposed on the companies' assets;
    - (iv) Other material liabilities imposed on the company;
    - (v) Detailed pre and post shareholding pattern assuming 100% conversion of convertible securities;
    - (vi) Details of funds infused in the company, creditors paid-off;
    - (vii) Additional liability on the incoming investors due to the transaction, source of such funding etc.;
    - (viii) Impact on the investor – revised P/E, RONW ratios etc.;
    - (ix) Names of the new promoters, key managerial persons(s), if any and their past experience in the business or employment. In case where promoters are companies, history of such company and names of natural persons in control;
    - (x) Brief description of business strategy.]
  - m) Any other material information not involving commercial secrets.}
  - n) [Proposed steps to be taken by the incoming investor/acquirer for achieving the MPS;
  - o) Quarterly disclosure of the status of achieving the MPS;
  - p) The details as to the delisting plans, if any approved in the resolution plan.]
- [17. Initiation of Forensic audit: In case of initiation of forensic audit, (by whatever name called), the following disclosures shall be made to the stock exchanges by listed entities:
- a) The fact of initiation of forensic audit along-with name of entity initiating the audit and reasons for the same, if available;
  - b) Final forensic audit report (other than for forensic audit initiated by regulatory / enforcement agencies) on receipt by the listed entity along with comments of the management, if any.]

C Any other information/event viz. major development that is likely to affect business, e.g. emergence of new technologies, expiry of patents, any change of accounting policy that may have a significant impact on the accounts, etc. and brief details thereof and any other information which is exclusively known to the listed entity which may be necessary to enable the holders of securities of the listed entity to appraise its position and to avoid the establishment of a false market in such securities.

## ANNEXURE II

4. Outcome of Meetings of the board of directors: The listed entity shall disclose to the Exchange(s), within 30 minutes of the closure of the meeting, held to consider 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 shall 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;
  - i) decision on voluntary delisting by the listed entity from stock exchange(s).



### ANNEXURE III

#### B. Events which shall be disclosed upon application of the guidelines for materiality referred sub-regulation (4) of regulation (30):

1. Commencement or any postponement in the date of commencement of commercial production or commercial operations of any unit/division.
2. 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 closure of operations of any unit/division (entirety or piecemeal).
3. Capacity addition or product launch.
4. Awarding, bagging/ receiving, amendment or termination of awarded/bagged orders/contracts not in the normal course of business.
5. Agreements (viz. loan agreement(s) (as a borrower) or any other agreement(s) which are binding and not in normal course of business) and revision(s) or amendment(s) or termination(s) thereof.
6. Disruption of operations of any one or more units or division of the listed entity due to natural calamity (earthquake, flood, fire etc.), force majeure or events such as strikes, lockouts etc.
7. Effect(s) arising out of change in the regulatory framework applicable to the listed entity
8. Litigation(s) / dispute(s) / regulatory action(s) with impact.
9. Fraud/defaults etc. by directors (other than key managerial personnel) or employees of listed entity.
10. Options to purchase securities including any ESOP/ESPS Scheme.
11. Giving of guarantees or indemnity or becoming a surety for any third party.
12. Granting, withdrawal, surrender, cancellation or suspension of key licenses or regulatory approvals.

#### ANNEXURE IV

#### **PART B: DISCLOSURE OF INFORMATION HAVING BEARING ON PERFORMANCE/OPERATION OF LISTED ENTITY AND/OR PRICE SENSITIVE INFORMATION: NON-CONVERTIBLE DEBT SECURITIES & NONCONVERTIBLE REDEEMABLE PREFERENCE SHARES**

[See Regulation 51(2)]

- A. The listed entity shall promptly inform to the stock exchange(s) of all information which shall have bearing on performance/operation of the listed entity or is price sensitive or shall affect payment of interest or dividend of non-convertible preference shares or redemption of non convertible debt securities or redeemable preference shares including :
- (1) expected default in timely payment of interests/preference dividend or redemption or repayment amount or both in respect of the non-convertible debt securities and non-convertible redeemable preference shares and also default in creation of security for debentures as soon as the same becomes apparent;
  - (2) any attachment or prohibitory orders restraining the listed entity from transferring non-convertible debt securities or non-convertible redeemable preference shares from the account of the registered holders along-with the particulars of the numbers of securities so affected, the names of the registered holders and their demat account details;
  - (3) any action which shall result in the redemption, conversion, cancellation, retirement in whole or in part of any non-convertible debt securities or reduction, redemption, cancellation, retirement in whole or in part of any non-convertible redeemable preference shares;
  - (4) any action that shall affect adversely payment of interest on non-convertible debt securities or payment of dividend on non-convertible redeemable preference shares including default by issuer to pay interest on non-convertible debt securities or redemption amount and failure to create a charge on the assets;
  - (5) any change in the form or nature of any of its non-convertible debt securities or non-convertible redeemable preference shares that are listed on the stock exchange(s) or in the rights or privileges of the holders thereof and make an application for listing of the securities as changed, if the stock exchange(s) so require;
  - (6) any changes in the general character or nature of business / activities, disruption of operation due to natural calamity, and commencement of commercial production / commercial operations;
  - (7) any events such as strikes and lock outs. which have a bearing on the interest payment/ dividend payment / principal repayment capacity;
  - (8) details of any letter or comments made by debenture trustees regarding payment/non-payment of interest on due dates, payment/non-payment of principal on the due dates or any other matter concerning the security, listed entity and /or the assets along with its comments thereon, if any;
  - (9) delay/ default in payment of interest or dividend / principal amount /redemption for a period of more than three months from the due date;
  - (10) failure to create charge on the assets within the stipulated time period;
  - (11) any instance(s) of default/delay in timely repayment of interests or principal obligations or both in respect of the debt securities including, any proposal for re-scheduling or postponement of the repayment programmes of the dues/debts of the listed entity with any investor(s)/lender(s).

Explanation- For the purpose of this sub-para, 'default' shall mean Non-payment of interest or principal amount in full on the pre-agreed date and shall be recognized at the first instance of delay in servicing of any interest or principal on debt.

- (12) any major change in composition of its board of directors, which may amount to change in control as defined in Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
- (13) any revision in the rating;
- (14) the following approvals by board of directors in their meeting:-
  - (a) the decision to pass any interest payment;
  - (b) short particulars of any increase of capital whether by issue of bonus securities through capitalization, or by way of right securities to be offered to the debenture holders, or in any other way;
- (15) all the information, report, notices, call letters, circulars, proceedings, etc concerning non-convertible redeemable preference shares or non-convertible debt securities;
- (16) any other change that shall affect the rights and obligations of the holders of non-convertible debt securities / non-convertible redeemable preference shares, any other information not in the public domain necessary to enable the holders of the listed securities to clarify its position and to avoid the creation of a false market in such listed securities or any other information having bearing on the operation/performance of the listed entity as well as price sensitive information.