POLICY FOR DETERMINATION OF MATERIALITY OF EVENT OR INFORMATION

Version 6.00

TAMILNAD MERCANTILE BANK LTD

SECRETARIAL SECTION

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Document History

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TAMILNAD MERCANTILE BANK LTD., SECRETARIAL SECTION

Policy for Determination of Materiality of Event or information

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Tamilnad Mercantile Bank Ltd
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POLICY FOR DETERMINATION OF MATERIALITY OF EVENT OR INFORMATION

I. BACKGROUND

Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as LODR Regulations) requires **Tamilnad Mercantile Bank Limited** (“**the Bank**”) to frame a policy for determination of materiality for disclosure of events or information to Stock Exchanges, based on the criteria specified in the said Regulations. The policy is also required to be disclosed on the website of the Bank. Accordingly, the Bank has put in place a Policy on Determination of Materiality of Event or Information.

II. OBJECTIVE

The objective of this Policy is to ensure that timely and adequate disclosure of events or information are made to the investor community by the Bank under LODR Regulations, to enable them to take well informed investment decisions with regard to the securities of the Bank.

The Policy applies in respect of disclosure of material events occurring within the Bank and its subsidiaries, if any.

III. AUTHORITY FOR DETERMINATION OF MATERIALITY OF EVENT AND/OR INFORMATION

The Company Secretary will be the custodian for the disclosure process.

The Managing Director is the final authority to determine the materiality by taking into consideration the opinion of the top management and authorize the Company Secretary to disclose it to the stock exchange.

The Employees shall be guided by this policy that any potential event / information, which comes to their knowledge, shall be reported to the Company Secretary for determining the materiality and disclosure to the stock exchange.

The Bank shall make disclosures of any events or information which, in the opinion of the Board of Directors of the Bank, is material.

IV. GUIDELINES FOR A MATERIALITY ASSESSMENT

Materiality will be determined on a case to case basis depending on the facts and the circumstances pertaining to the event or information.

The following **qualitative criteria** will be applicable for determining materiality of event or information:

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;
c. In case where the criteria specified above are not applicable, an event/information may be treated as being material if in the opinion of the Board of Directors, the event / information is considered material.

The Bank may also consider the following Quantitative materiality threshold in order to determine whether any particular event / information is material in nature:

Quantitative Materiality Threshold: Where the value involved or the impact of an event / information exceeds the lower of the following:

1) two percent of turnover, as per the last audited consolidated financial statements of the Bank.
2) two percent of net worth, as per the last audited consolidated financial statements of the Bank, except in case the arithmetic value of the networth is negative.
3) 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 Bank.

The Bank shall first disclose to the stock exchange(s) all events or information which are material in terms of the provisions of the LODR Regulations within the time specified in the said regulations.

The Bank shall, on its initiative, confirm or deny or clarify, upon the material price movement as may be specified by the stock exchanges, any reported event or information to stock exchange(s), any reported event or information in the mainstream media & shall also provide the current stage of such event of information which is not general in nature and which indicates that rumor of an impending specific event or information is circulating amongst the investing public within the timelines specified in this regulations from the trigger of material price movement.

In case an event or information is required to be disclosed by the Bank, in terms of the provisions of these regulations, pursuant to the receipt of a communication from any regulatory, statutory, enforcement or judicial authority, the bank shall disclose such communication, along with the event or information, unless disclosure of such communication is prohibited by such authority.

Further the following assessment would be carried for determining the materiality of the events. Note: the list is not exhaustive:

- Whether the transaction is in the ordinary course of business;
- Whether a related party is involved in the transaction;
- Whether the transaction is an exit from, or entry into, a significant line of business
- Other qualitative factors relevant to a transaction

V. CATEGORIZATION OF EVENTS/INFORMATION:

A. Events specified in Annexure – A: They shall be deemed to be material events.

B. Events specified in Annexure – B: The bank shall apply guidelines as per clause IV given above to determine the materiality of an event.

C. Any other information/event: Major development that is likely to impact Banking activities or any other information which is exclusively known to the Bank which may be necessary to enable the shareholders appraise its position on the Securities of the Bank and not covered under either A or B as above.

The events / information, if found material including deemed material events shall be disclosed in the stock exchange as per regulation 30 of the LODR read with SEBI Master Circular No. SEBI/HO/CFD/PoD2/CIR/P/2023/120 dated July 11, 2023.

VI. TIMELINE FOR DISCLOSING EVENTS GIVEN IN PART A, B & C OF SCHEDULE III OF THE LODR REGULATIONS

Timeline for disclosing events shall be as per SEBI guidelines/ circulars issued from time to time. **All events / information disseminated to the Stock Exchanges shall be hosted on the website.**

VII. AMENDMENTS TO THE POLICY

This Policy will be reviewed from the perspective of the Listing Regulations and determine the events/information for disclosure as may be amended by SEBI from time to time. All such amendments will be informed to the Board and the approval of the Board will be sought to align the policy in line with the SEBI LODR Regulations.

Annexure - A

Events which shall be disclosed without any application of the guidelines for materiality as specified in sub-regulation (4) of Regulation 30 of SEBI (LODR) Regulations:

1. Acquisition(s) (including agreement to acquire), Scheme of Arrangement (amalgamation / merger / demerger /restructuring), sale or disposal of any unit(s), division(s), whole or substantially the whole of the undertaking(s) or subsidiary of the bank, sale of stake in the associate company of the bank or any other restructuring.

   Explanation (1) - For the purpose of this sub-paragraph, the word 'acquisition' shall mean-

   (i) acquiring control, whether directly or indirectly; or

   (ii) acquiring or agreement to acquire shares or voting rights in a company, whether existing or to be incorporated, whether directly or indirectly, such that

   (a) the bank holds shares or voting rights aggregating to twenty per cent or more of the shares or voting rights in the said Bank; 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-paragraph and such change exceeds five per cent of the total shareholding or voting rights in the said Bank; or

   (c) the cost of acquisition or the price at which the shares are acquired exceeds the threshold specified in sub-clause (c) of clause (i) of sub-regulation (4) of regulation 30:

   Provided that acquisition of shares or voting rights aggregating to five percent or more of the shares or voting rights in an unlisted company and any change in holding from the last disclosure made under this proviso exceeding two per cent of the total shareholding or voting rights in the said unlisted company shall be disclosed on a quarterly basis in the format as may be specified.

   Explanation (2) - For the purpose of this sub-paragraph, "sale or disposal of subsidiary" and "sale of stake in associate company" shall include-

   (i) an agreement to sell or sale of shares or voting rights in a company such that the company ceases to be a wholly owned subsidiary, a subsidiary or an associate company of the listed entity; or

   (ii) an agreement to sell or sale of shares or voting rights in a subsidiary or associate company such that the amount of the sale exceeds the threshold specified in sub-clause (c) of clause (i) of sub-regulation (4) of regulation 30.

Explanation (3)- For the purpose of this sub-paragraph, “undertaking” and “substantially the whole of the undertaking” shall have the same meaning as given under section 180 of the Companies Act, 2013.

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. New Rating(s) or Revision in Rating(s)

4. Outcome of Meetings of the board of directors held to consider the following:
   a. Dividends 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 including by way of issue of securities (excluding security receipts, securitized debt instruments or money market instruments regulated by the Reserve Bank of India), through further public offer, rights issue, American Depository Receipts/ Global Depository Receipts/ Foreign Currency Convertible Bonds, qualified institutions placement, debt issue, preferential issue or any other method;
   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 bank from stock exchange(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 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.

   5A. Agreements entered into by the shareholders, promoters, promoter group entities, related parties, directors, key managerial personnel, employees of the bank or of its holding, subsidiary or associate company, among themselves or with the bank or with a third party, solely or jointly, which, either directly or indirectly or potentially or whose purpose and effect is to, impact the management or control of the bank

or impose any restriction or create any liability up on the bank, shall be disclosed to the Stock Exchanges, including disclosure of any rescission, amendment or alteration of such agreements thereto, whether or not the bank is a party to such agreements:
Provided that such agreements entered into by a bank in the normal course of business shall not be required to be disclosed unless they, either directly or indirectly or potentially or whose purpose and effect is to, impact the management or control of the bank or they are required to be disclosed in terms of any other provisions of these regulations

Explanation: For the purpose of this clause, the term “directly or indirectly” includes agreements creating obligation on the parties to such agreements to ensure that listed entity shall or shall not act in a particular manner.

6. Fraud or defaults by a bank, its promoter, director, key managerial personnel, senior management or subsidiary or arrest of key managerial personnel, senior management, promoter or director of the bank, whether occurred within India or abroad.
   For the purpose of this sub-paragraph:

   (i) ‘Fraud’ shall include fraud as defined under Regulation 2(1)(c) of Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003.

   (ii) ‘Default’ shall mean non-payment of the interest or principal amount in full on the date when the debt has become due and payable.

Explanation 1- In case of revolving facilities like cash credit, an entity would be considered to be in ‘default’ if the outstanding balance remains continuously in excess of the sanctioned limit or drawing power, whichever is lower, for more than thirty days.

Explanation 2- Default by a promoter, director, key managerial personnel, senior management, subsidiary shall mean default which has or may have an impact on the listed entity.

Explanation 3 – Fraud by senior management, other than who is promoter, director or key managerial personnel, shall be required to be disclosed only if it is in relation to the listed entity.

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

7A. In case of resignation of the auditor of the bank, 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.

7B. Resignation of independent director including reasons for resignation: In case of resignation of an independent director of the bank, within seven days from the date of resignation, the following disclosures shall be made to the stock exchanges by the bank:

i. The letter of resignation along with detailed reasons for the resignation as given by the said director.

   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 are no other material reasons other than those provided.

iii. The confirmation as provided by the independent director above shall also be disclosed by the bank to the stock exchanges along with the disclosures as specified in sub-clause (i) and (ii)] above.

7C. In case of resignation of key managerial personnel, senior management, Compliance Officer or director other than an independent director; the letter of resignation along with detailed reasons for the resignation as given by the key managerial personnel, senior management, Compliance Officer or director shall be disclosed to the stock exchanges by the bank within seven days from the date that such resignation comes into effect.

7D. In case the Managing Director or Chief Executive Officer of the bank was indisposed or unavailable to fulfil the requirements of the role in a regular manner for more than forty five days in any rolling period of ninety days, the same along with the reasons for such indisposition or unavailability, shall be disclosed to the stock exchange(s).

8. Appointment or discontinuation of Registrar to an issue & 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. 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 bank.

13. Proceedings of Annual and Extraordinary General Meetings of the bank.

14. Amendments to memorandum and articles of association of bank, in brief.

15. (a)(i) Schedule of analysts or institutional investors meet [at least two working days in advance (excluding the date of the intimation and the date of the meet)

    (ii) Presentations prepared by the bank for analysts or institutional investors meet, post earnings or quarterly calls shall be disclosed to the recognized stock exchanges prior to beginning of such events.

    Explanation I: For the purpose of this clause 'meet' shall mean group meetings or group conference calls conducted physically or through digital means.

    Explanation II: Disclosure of names in the schedule of analysts or institutional investors meet shall be optional for the listed entity.

    (b) Audio recordings, video recordings, if any, and transcripts of post earnings or quarterly calls, by whatever name called, conducted physically or through digital means, in the following manner:

    (i) The audio 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 video recordings, if any, shall be made available on the website within forty-eight hours from the conclusion of such calls;

    (iii) the transcripts of such calls shall be made available on the website along with simultaneous submission to recognized stock exchanges within five working days of the conclusion of such calls.

16. Events in relation to Corporate Insolvency Resolution Process (CIRP) as stipulated under clause 16 under Part A Schedule III of LODR Regulations.

17. Initiation of Forensic audit: as stipulated under clause 17 under Part A Schedule III of LODR Regulations.

18. Announcement or communication through social media intermediaries or mainstream media by directors, promoters, key managerial personnel or senior management of a bank, in relation to any event or information which is material for the bank in terms of regulation 30 of these regulations and is not already made available in the public domain by the bank.

19. Action(s) initiated or orders passed by any regulatory, statutory, enforcement authority or judicial body against the bank or its directors, key managerial personnel, senior management, promoter or subsidiary, in relation to the bank, in respect of the following:
    a. search or seizure; or
    b. re-opening of accounts under section 130 of the Companies Act, 2013; or
    c. investigation under the provisions of Chapter XIV of the Companies Act, 2013; along with the following details pertaining to the actions(s) initiated, taken or orders passed:
    i. name of the authority;
    ii. nature and details of the action(s) taken, initiated or order(s) passed;
    iii. date of receipt of direction or order, including any ad-interim or interim orders, or any other communication from the authority;
    iv. details of the violation(s)/contravention(s) committed or alleged to be committed;
    v. impact on financial, operation or other activities of the bank, quantifiable in monetary terms to the extent possible.

20. Action(s) taken or orders passed by any regulatory, statutory, enforcement authority or judicial body against the bank or its directors, key managerial personnel, senior management, promoter or subsidiary, in relation to the bank, in respect of the following:
    (a) suspension;
    (b) imposition of fine or penalty;
    (c) settlement of proceedings;
    (d) debarment;
    (e) disqualification;
    (f) closure of operations;
    (g) sanctions imposed;
    (h) warning or caution; or
    (i) any other similar action(s) by whatever name called;

    along with the following details pertaining to the actions(s), taken or orders passed:
    i. name of the authority;
    ii. nature and details of the action(s) taken, or order(s) passed;
    iii. date of receipt of direction or order, including any ad-interim or interim orders, or any other communication from the authority;

iv. details of the violation(s) /contravention(s) committed or alleged to be committed;

v. impact on financial, operation or other activities of the bank, quantifiable in monetary terms to the extent possible.

Explanation – Imposition of fine or penalty shall be disclosed in the following manner along with the details pertaining to the action(s) taken or orders passed as mentioned in the sub-paragraph:

(i) disclosure of fine or penalty of rupees one lakh or more imposed by sectoral regulator or enforcement agency and fine or penalty of rupees ten lakhs or more imposed by other authority or judicial body shall be disclosed within twenty four hours.

(ii) disclosure of fine or penalty imposed which are lower than the monetary thresholds specified in the clause (i) above on a quarterly basis in the format as may be specified.

21. Voluntary revision of financial statements or the report of the Board of Directors of the Bank under section 131 of the Companies Act, 2013.

22. Any other information/event viz. major development that is likely to affect business, e.g. emergence of new technologies, any change of accounting policy that may have a significant impact on the accounts, etc.

Annexure - B

Events which shall be disclosed upon application of the guidelines for materiality referred sub-regulation (4) of Regulation (30) of SEBI (LODR) Regulations:

1) Commencement or any postponement in the date of commencement of Branch office

2) Any of the following events pertaining to the listed entity:
   (a) arrangements for strategic, technical, manufacturing, or marketing tie-up; or
   (b) adoption of new line(s) of business; or
   (c) closure of operation of any unit, division or subsidiary (in entirety or in 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) 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 bank 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 bank

8) Pendency of any litigation(s) or dispute(s) or the outcome thereof which may have an impact on the Bank.

9) Frauds or defaults by employees of the bank which has or may have an impact on the bank.

10) Options to purchase securities including any ESOP/ESPS Scheme.

11) Giving of guarantees or indemnity or becoming a surety by whatever name called for any third party.

12) Granting, withdrawal, surrender, cancellation or suspension of key licenses or regulatory approvals.

13) Delay or default in the payment of fines, penalties, dues, etc. to any regulatory, statutory, enforcement or judicial authority.