

## **DISCLOSURE POLICY**

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**2023-24**

**INTEGRATED RISK MANAGEMENT DEPARTMENT**

**RISK MANAGEMENT WING**

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**Disclosure Policy for the year 2023-24**

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## CHAPTER 1 – INTRODUCTION, OBJECTIVES & SCOPE OF THE DISCLOSURE POLICY

### 1.1 Introduction

The users of the financial statements of a bank need information about its financial position and performance in making economic decisions. They are interested in the liquidity and solvency of the bank and the risks related to the assets and liabilities recognized on its balance sheet and its off balance sheet items. In the interest of full and complete disclosure, some useful information is provided by notes to the financial statements. The use of notes and supplementary information provides the means to explain and document certain items, which are either presented in the financial statements or otherwise affect the financial position and performance of the reporting enterprise. Market discipline works only if market participants have access to timely and reliable information, which enables them to assess the activities of banks and the risks inherent in these activities. Market discipline has been given due importance under Basel III framework on capital adequacy by recognizing it as one of its three Pillars.

The Pillar 3 of New Basel Capital Accord i.e. “Market Discipline” complements the Minimum Capital Requirements (Pillar 1) and the Supervisory Review Process (Pillar 2) by encouraging Market Discipline through enhanced and meaningful public disclosure. These disclosure requirements are intended to allow the market participants such as customers, shareholders, and investors etc. to assess the key information about the banks’ risk profile & its associated level of capital, financial condition & performance, business activities etc in order to enable them to analyze and appraise the banks qualitatively and quantitatively before taking any business decision. Proper disclosure shall bear the following characteristics:

They shall be:

- a. Comprehensive
- b. Relevant and timely
- c. Reliable
- d. Comparable
- e. Material

Proper disclosures lead to enhanced transparency, which helps the stakeholders/market participants to evaluate in a better manner the Bank’s capital structure, risk exposure, risk management performance, earning potential, capital adequacy, financial strength etc.



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## 1.2. Objectives of disclosure policy

The objectives of the Disclosure Policy shall be to:

- a. Comply with the continuous disclosure obligations imposed by law/regulators;
- b. Ensure that the market participants and shareholders are provided with timely, reliable, and accurate information in respect of all the material matters concerning the Bank.

The Bank is committed to provide comprehensive public disclosure of all material information about the Bank and provide fair and equal access to such information. The Bank shall comply with all legal and regulatory requirements related to prompt disclosure of information. The Disclosure Policy also outlines the Corporate Governance measures adopted by the Bank in the light of the above objectives.

## 1.3 Scope of disclosure policy

The scope of the Disclosure Policy shall be to cover all the disclosures that are required to be made by the Bank under legal and regulatory requirements stipulated by the following authorities:

- i. RBI – Under Banking Regulation Act, Basel III Capital Regulations, etc.
- ii. SEBI & Stock Exchanges
- iii. Accounting Standards of ICAI

Improvements to risk management processes and internal reporting systems provide opportunities to significantly improve the scope of public disclosures over time.

The Bank shall provide, both Qualitative & Quantitative disclosures, under the Basel III Capital Regulations. Qualitative disclosures provide a general summary of risk management objectives & policies, strategies & processes, reporting/measurement systems etc.



## CHAPTER 2 – MATERIALITY OF INFORMATION, POLICY STATEMENT & DISCLOSURE REQUIREMENTS

### 2.1 Materiality of Information

#### 2.1.1 Material Information

The Bank shall decide which disclosures are relevant for it based on the materiality concept. Material information shall mean any information relating to the business and affairs of the Bank, the omission or misstatement of which could change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions.

The Bank recognizes the need for a qualitative judgment of whether, in light of the particular circumstances, a user of financial information would consider the item to be material.

The Bank shall adhere to the materiality thresholds that have been set for certain limited disclosures by the RBI with a view to facilitate smooth transition to greater disclosures to impart greater comparability among the Banks' Pillar 3 disclosures.

*In view of the above, the bank shall consider the large value frauds as material events for market disclosure and set threshold limit as the lower of the two:*

- ***"5% of the gross turnover or revenue or total income of the Bank as per the last audited financial statements or***
- ***10% of the net-worth of the Bank as per the last audited financial statements;***

#### 2.1.2 Non-Material Information:

The Bank makes many public announcements that do not meet the definition of materiality as given above. Many of these announcements related to the products and services that the Bank provides, shall not be subject to the provisions of disclosure.

## 2.2 Policy Statement

- The Bank shall aim to be open and transparent with all the stakeholders and shall be committed to disseminating information in a fair, timely and cost efficient manner. A few exceptions might occur in restricted circumstances where laws/regulations stipulate the maintenance of confidentiality.
- Material information shall be disclosed publicly and not selectively to an individual or a limited group. Undisclosed material information shall not be disclosed selectively to an individual or a limited group. If the material information is disclosed inadvertently to a particular individual or a group for any reason whatsoever, the Bank shall take immediate steps to disclose the same publicly and such disclosure or breaches of Disclosure Policy shall be reported to the Bank's Disclosure Committee.
- The Bank shall take all prudent measures while making any disclosure relying on all the available resources in good faith & without any negligence. If the Bank subsequently finds that errors have crept in the information already published, immediate steps shall be taken to rectify the error and publish the correct information, regardless of the fact whether such information is material or not. Such disclosure/error shall also be reported to the Bank's Disclosure Committee.
- The website of the Bank shall be used to enhance dissemination of information by posting information periodically and updation of such data.
- The Disclosure Policy shall apply to all mediums of communication to the public, inclusive of written, oral and electronic communications.
- It shall be the duty of all the Wing Heads to inform the Disclosure Committee of any developments related to material information. The members of the Disclosure Committee shall also monitor material developments in the Bank's business and affairs.
- The permissible disclosure of non-public information shall be made only to the parties with assigned confidentiality agreement with the Bank or those parties who are subject to professional conduct obligation of confidentiality such as Lawyers, Accountants, Rating Agencies, Regulators, and Merchant Bankers etc.
- None of the obligations/stipulations of confidentiality shall bind the Bank from making any disclosure where the same is required to be made under any statute or law of the land; for example: Tax Authorities, Court Orders etc.



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## 2.3 Disclosure Requirements

Disclosure requirements can be broadly classified into the following categories viz.

### A. RBI Disclosure requirements

1. Disclosure in Financial Statements – Notes to Accounts
2. Basel III Pillar 3 Disclosures requirements
3. Disclosure under Advanced Approaches of Basel II
  - i. Internal Rating Based Approach (IRB) for Credit Risk
  - ii. Internal Models Approach for Market Risk
  - iii. Advanced Measurement Approach (AMA) for Operational Risk
4. Other Disclosures

### B. SEBI Disclosure requirements



## CHAPTER 3 – ROLES AND RESPONSIBILITIES OF VARIOUS STAKE HOLDERS

### 3.1 Disclosure Committee

#### 3.1.1 Functions:

Disclosure Committee shall be in place to evaluate and discuss the appropriateness and timing for any public disclosure. The committee shall vet the disclosure policy and shall review at least annually for the purpose of considering effectiveness and updating procedures.

#### 3.1.2 Roles & Responsibilities:

Disclosure Committee shall be entrusted with the following roles and responsibilities:

- Ensuring the vetting of the disclosure Policy
- Ensuring compliance with continuous disclosure obligations by the concerned functionaries in the Bank.
- Ensuring implementation of the reporting process and controls to assist in meeting the Bank's commitments outlined in the Disclosure Policy and consistency in the application of the Disclosure Policy.
- Determine events, developments, changes or other facts, which constitute Material Information relating to the business and the affairs of the Bank.
- Review annually disclosure practices & procedures for effectiveness and possible changes.
- Ensure the validation of Un-audited disclosures of Material Information.
- Review the frequency of the disclosures.
- Review risk factor and wordings in the disclosure pertaining to business projections.
- Ensure compliance of guidelines on trading restrictions and “Trading Window Closure Period”
- Ensure the disclosures meet the ‘Corporate Governance’ requirements.

#### 3.1.3 Constitution of the Disclosure Committee:

The Disclosure Committee shall consist of following:

1. Managing Director & Chief Executive Officer (CEO) or Executive Director overseeing Financial Management Wing (Chairman)
2. General Manager, Mid Corporate Credit Wing



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3. Chief General Manager/ General Manager, Financial Management (FM) Wing
4. General Manager, Strategic Planning & Development Wing
5. Chief General Manager/ General Manager, Risk Management Wing
6. General Manager, Recovery, Legal & Fraud Prevention Wing
7. General Manager, Integrated Treasury Wing
8. Deputy General Manager/Asst. General Manager, FM Wing (Convener)

The Managing Director & Chief Executive Officer (MD & CEO) or Executive Director overseeing FM Wing shall be the Chairman of the Committee. The Deputy General Manager/Asst. General Manager, of FM Wing, shall be the convener of the Disclosure Committee.

#### **3.1.4 Quorum:**

Either MD & CEO or ED and 3 Chief General Managers/ General Managers must attend a meeting of the Disclosure Committee for there to be a quorum.

#### **3.1.5 Frequency:**

The Committee shall meet on half-yearly basis in March and September every year or as & when the need arises.

### **3.2 Roles & responsibilities of other functionalities**

3.2.1 General Managers/Deputy General Managers heading the Wing/Circles shall monitor the activities of their respective business units/teams to assess if any event arises that may warrant disclosure and report such events to the FM Wing of the Bank.

3.2.2 FM Wing shall ensure compliance of all disclosures to be made under disclosure norms stipulated by RBI.

3.2.3 Company Secretarial Department shall ensure compliance of all disclosures to be made under the disclosure norms stipulated by SEBI/Stock Exchanges and also under Corporate Governance requirements as per Corporate Governance Policy.

3.2.4 The Risk Management Wing shall ensure compliance of all disclosure requirements pertaining to Basel Norms/Risk Management Functions.

3.2.5 FM Wing shall coordinate with the Wings concerned and ensure that all mandatory disclosures are made as per the Disclosure Policy, periodically along with the financial statements and also on the web-site of the Bank promptly.

3.2.6 The functional wings/sections are providing disclosures to comply with the regulatory requirements. The functional wings/sections have to ensure the correctness and accuracy of data provided by them for the purpose of disclosure. The functional wings/sections providing data for disclosure are accountable for incorrect disclosure made if any.

### **3.3 Roles & responsibilities of Employees**



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**3.3.1** The Disclosure Policy of the Bank shall be uploaded in CANNET for officers & employees to abide by the Policy.

**3.3.2** Whether particular information requires disclosure shall often depend on a number of factors and shall be determined in accordance with the Disclosure Policy. Accordingly, every officer and employee of the Bank shall be required to keep confidential all confidential information of the Bank and not to disclose any such information to any person except under the compulsion of law, duty to the public to disclose, where interest of the Bank requires disclosure and where disclosure is made with the express or implied consent of the customer. In addition to maintaining confidentiality, officers and employees are prohibited from trading in the Bank's securities on the basis of or tipping undisclosed material information and trading during the "Window Closure" period. An employee or officer who violates the Policy may face disciplinary action up to and including termination of his or her employment.

**3.4 Authorized Spokespersons**

**3.4.1** Information regarding the Bank shall be disclosed externally to media, investors & analysts only by Authorized Spokespersons in accordance with relevant internal policies.

**3.4.2** Only the MD & CEO and Executive Director/s shall speak on the Bank's behalf on financial matters, with the media, investors and analysts. They may, from time to time designate others to speak on behalf of the Bank or respond to specific enquiries from the investment community or media.

**3.4.3** No other officer or employee of the Bank shall speak to analysts, institutional shareholders or journalists regarding the Bank's financial matters.



## CHAPTER 4 – MISCELLANEOUS MATTERS

### 4.1 Quiet Period

In order to avoid any potential or the perception or appearance of selective disclosure, the Bank shall observe a “Quiet Period”. The Quiet Period shall commence on the first day following the end of the reporting period until the release of results. During the Quiet Period, Spokespersons or any other designated personnel shall not communicate with analysts, investors or media with respect to matters related to earnings and financial performance.

### 4.2 Speculations, Rumours & False Market

The Bank shall not respond to market speculation or rumours unless a response is required by law or pursuant to a request from a relevant Stock Exchange or Regulator.

A false market may arise, for example when there is a specific rumour or media comment in relation to the Bank that has not been confirmed or classified by an announcement to the market. In the event of a false market, the Bank shall disclose to the Stock Exchange the information needed to correct or prevent that false market. The Bank shall also take corrective steps by making announcement through appropriate media, subject to the permission from the Disclosure Committee.

### 4.3 Communication with the Stock Exchange

The Company Secretary shall be responsible for all communications with all relevant Stock Exchanges. He shall also be responsible to handle grievances of shareholders and passing on relevant information to shareholder subject to the limitations of Disclosure Policy. It shall be ensured that material; price-sensitive information is not selectively disclosed. Release of communications to the Stock Exchange shall not occur other than in accordance with the processes detailed in the Disclosure Policy. Except as permitted by the listing rules and relevant guidance notes, the Bank shall not release any information publicly that is required to be disclosed through the Stock Exchange until the Bank has received formal confirmation of its release to the market by the Stock Exchange.



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#### **4.4 Disclosure under Right to Information Act (RTI)**

The Bank has put in place a Policy on Right to Information (RTI) under the RTI Act 2005. The Bank is committed to provide access to all permissible information/ document/ record/ notes to the general public, except under certain categories of information covered under section 8 & 9 of the RTI Act, that are exempt from disclosure to the public. The Bank has nominated Chief Public Information Officer and Public Information Officers at all the Circles & Regional Offices, and details of these officers shall be made available on the website of the Bank ([www.canarabank.com](http://www.canarabank.com)), who may be contacted by the public for any disclosure permissible under RTI Act.

#### **4.5 Procedure for Disclosure**

Most of the required disclosures covered in the Policy shall be made periodically, while disclosing the periodical financial results. Any other news release, including but not limited to release of material information by any Wing/Department of the Bank at Head Office, shall be reviewed by the Disclosure Committee, prior to their release.

Timing of releases & circumstances requiring Market surveillance pre clearance of news release shall be dealt in accordance with rules applicable to companies listed on the concerned Stock Exchange.

#### **4.6 Overseas Branches – Disclosure Requirements**

The Overseas Branches shall make all regulatory & statutory disclosures, if any, as stipulated by the concerned Regulatory authority. Overseas Banking Division, IO & CCR Wing shall monitor such disclosures, if any, by Overseas Branches, periodically.



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## CHAPTER 5 – VALIDATION OF DISCLOSURE, REVIEW OF THE POLICY & VALIDITY OF THE POLICY

### 5.1 Validation of Disclosure

5.1.1 The Disclosures made in the financial statements and the stand-alone reports made available in the website shall be audited by the external auditors where ever mandatory.

5.1.2 Since annual financial statements are audited it will be ensured that disclosures are consistent with it. However Pillar 3 disclosures are not required to be audited by external auditor, unless specified.

5.1.3 The information relating to each functional area will be provided and validated by the respective functional heads handling the related area of information.

### 5.2 Review of the Policy

5.2.1 Improvements to risk management processes and internal reporting systems provide opportunities to significantly improve public disclosure over time. Hence there is a need to regularly review public disclosures and enhance disclosures wherever appropriate, to clearly identify all significant risk exposures, processes, controls etc and their effects on the Bank's financial condition and performance, cash flow & earnings potential.

5.2.2 The Disclosure Policy shall be reviewed annually. Integrated Risk Management Department (IRMD), Risk Management Wing shall maintain and update this policy. The policy shall be placed to Disclosure Committee, Operational Risk Management Committee (ORMC) & Risk Management Committee of the Board (RMCB) for approval and the Board of Directors for final approval & adoption.

5.2.3 Any additional disclosures mandated as per the guidelines of the RBI, SEBI, other regulators or any amendments/modifications to the existing disclosure requirements that are communicated subsequent to the adoption of this Policy shall automatically form the part and parcel of this Policy and the Bank shall comply with all such additional disclosure requirements.

### 5.3 Validity of the Policy

This policy comes into effect immediately on approval by the Board of Directors of the Bank and shall be valid until the next review and adoption of policy by the Board of Directors.

\*\*\*END OF THE DOCUMENT\*\*\*

