SHINEPUKUR CERAMICS LIMITED

DIVIDEND DISTRIBUTION POLICY

10th June 2021

Introduction:
In compliance with the Directives No. BSEC/CMRRCD/2021-386/03 dated 14 January, 2021 of Bangladesh Securities and Exchange Commission (BSEC); Shinepukur Ceramics Limited formulated a policy known as "Dividend Distribution Policy".

The Policy is aimed to set out the criteria and parameters, which the board of directors of the company shall take into consideration at the time of recommendation for dividend.

The Board of Directors may declare interim dividend and recommend final dividend complying the Companies Act, 1994 and provisions of all Rules, Regulations, Notifications, Orders, Guidelines, etc. in force or to be enforced and issued or to be issued from time to time by Regulatory Authorities.

The highlights of the said policy are given below:

Effective Date
This policy was approved by the Company's Board of Directors in its meeting held on 10th June, 2021 and became effective since date.

Purpose:
The purpose of the policy is to comply with the Directives of Bangladesh Securities and Exchange Commission (BSEC).The parameters set out in the policy are applicable for declaration and distribution of dividend.

Relevant Laws and Regulations
Different legal and regulatory provisions have bearings on dividend decisions of the Company. The paragraphs below provide a brief overview of the provisions relating to dividend:

Companies Act

The Companies Act 1994, the primary legislation regulating the affairs of a company, gives power to the directors to recommend the dividend to be declared by the company which is to be approved by the shareholders in the Annual General Meeting (AGM). The shareholders however, cannot approve any dividend more than what has been recommended by the directors. It also authorizes the directors to pay from time to time, interim dividends to the shareholders if so appears to be justified by the profits of the company. The directors may, before recommending any dividend, set aside out of the profits of the company, such sums as they deem appropriate, as reserve or reserves which shall at the discretion of the directors, be applied for meeting contingencies, or for equalizing dividends or for any other purpose of the company appropriate for utilization of such profits or may employ such profits in the business of the company or otherwise as they think fit.
The law further provides that dividends are to be paid out of profits of the year or any other undistributed profits.

Listing Regulations of Stock Exchanges

There has been a number of listing regulations that have direct or indirect impact on dividend decisions of the company. Shares of a company is traded under different trading categories depending on payment or non-payment of dividend by a company. According to the regulations, a company shall be traded in the "Z Category" (a category with a longer trading settlement time and other restrictive conditions) if it fails to declare cash dividend for two consecutive years. Moreover, a company may

among other reasons, be de-listed from the stock exchange if it fails to pay cash/stock dividend for a consecutive period of five years. The listing regulations also require a company to declare in its annual general meeting the reasons, if any for partial or non-distribution of profits as dividend and the plan for utilization of the undistributed profits if there be any.

Income Tax Law

Bangladesh Income Tax law, provides for additional tax charges to a listed company that retains more than 70% of its net after-tax profit earned in any year. According to the said provision if a company retains or transfers more than 70% of its after tax profit to reserve or any other fund, an additional 10% tax shall be payable on such retained or transferred fund. Moreover, in order to encourage cash dividend, the tax law requires that if in any income year, the stock dividend declared by a company exceeds the cash dividend, an additional 10% tax shall be imposed on the whole amount of stock dividend declared or distributed.

Key Considerations in dividend decisions

The company shall endeavour to maintain a consistent dividend over the year with appropriate consideration of factors relevant to such decisions. It is the Company's practice to declare dividend on annual basis based on annual financial performance. However, the Board may also declare interim dividend based on periodic financial results. Historically the Company declared dividend in either cash or stock or in judicious combination of cash and stock. The company intends to pursue the same policy in future depending on the operating and financial context prevailing at that time.

Multiple internal and external factors might affect Company's dividend pay-out decisions. While recommending dividend the Board of directors shall consider among others:

- Company's current net earnings; Balance of past year's losses; Accumulated distributable reserves/surplus; and Availability of free cash flows
- Potential growth opportunities and investment requirements - assessment of benefits of retention vs pay-out
- Legal and Regulatory compulsion and tax implications of retention and payout
- Any debt/loan covenants restricting dividend announcements and repayment of current maturity of debt/loan installments
- Persuasion of a target capital structure
- Funding requirement for capital expenditure/capacity expansion/modernization/replacement/ rehabilitation of existing capital machineries
- Funding requirement for contingencies for natural calamities, pandemic, earth quake etc
- Funding requirement for business acquisition or need for increased working capital vs Cost of external finance
- Policy on consistency of the dividend over reasonable and foreseeable future years
- Other factors or circumstances to be considered as deem appropriate by the Board of Directors for distribution of dividend for a particular year.

Eligibility of shareholders for dividend

Dividend is declared on the face value of each Equity Share. Unless otherwise stated, all holders of Equity Share whose names appear on the registrar of the Company on the Record Date declared by the Company for entitlement of dividend, are eligible to get the dividend.

Timing of Dividend Announcement and Payment

Annual dividend decision is taken in the Board meeting to be held within 120 days from the date of closing of the financial year. Such decisions are based on the results of the audited financial statements. The dividend recommendations made by the directors are notified to the shareholders through stock exchanges, website and public announcements.

Dividend recommended by the Directors are to be placed in the Annual General meeting of the Company for the Shareholders' approval. Dividend are transferred to the respective shareholders' account within 30 days from the date of its approval. Interim Dividend if any declared by the Company, are paid within 30 days from the Record Date fixed by the Company for the entitlement of such dividend.

Dividend Recommendation and Approval process:

Dividend to be recommended and approved as per applicable Acts and regulatory directives issued from time to time.

Entitlement to Dividend

Only the shareholders of the company whose names appear in the depository register maintained with Central Depository Bangladesh Ltd and or members register of the company. On the record date fixed by the company shall be entitled to receive the dividend.

Payment of Dividend

The company should maintain detailed information of Beneficiary Owners (BO) account, bank account, mobile phone number, email and address of the shareholder as maintained with the Depository Participants (DP) by itself or by appointing an agent for the purpose of proper distribution of dividend. These information shall be kept confidential.

Process of Distribution of Cash Dividend:

Cash dividend shall be paid directly to the bank account within 30 (thirty) days from the date of approval by the Shareholders in the AGM subject to comply of circulars/directives of BSEC or Bangladesh Bank or other regulatory authority from time to time.

i. Through Bangladesh Electronic Funds Transfer Network (BEFTN);

ii. Through bank transfer or any electronic payment system as recognized by the Bangladesh Bank (if not possible through BEFTIN);

iii. In case of margin loan and claim by loan provider, through the Consolidated Customer's Bank Account (CCBA);

iv. To the separate bank account of the merchant Banker or portfolio manager through BEFTN;

v. Through the security custodian following Foreign Exchange Regulation for non-resident sponsor, director, shareholder, unit holder or foreign portfolio investor (FPI);

vi. Through issuance of Cash Dividend warrant and send it through post in case of non-availability of information of the shareholder or unit holder.

vii. Amount of declared cash dividend payable for the concerned year/period shall be kept in a separate bank account as per circular of BSEC or Bangladesh Bank or other regulatory authority from time to time.

Manner and procedure of stock dividend distribution:

The stock dividend shall be credited within 30 (thirty) days of approval subject to the clearance of the regulatory requirement:

i. To the BO account;

ii. To the suspense BO Account for undistributed or unclaimed stock dividend/bonus shares. A new Suspense BO Account has been opened in every year for the respective year's suspense shares;

iii. The bonus dividend shall be transferred to the suspense BO account if BO account is not available or BO account is inactive;;

iv. The sale proceeds of fractional bonus dividend shall be paid off as per circular of BSEC or Bangladesh Bank or other regulatory authority from time to time,

Unpaid or unclaimed of unsettled cash dividend:

Unpaid or unclaimed of unsettled cash dividends shall be settled as per instructions of BSEC or Bangladesh Bank or other regulatory authority from time to time.

Unpaid or unclaimed of unsettled stock dividend:

Unpaid or unclaimed of unsettled stock dividends shall be settled as per instructions of BSEC or Bangladesh Bank or other regulatory authority from time to time.

Tax matters:

Tax will be deducted at source as per applicable tax laws.

Policy Review and Amendment

Apart from mandatory revision, modification or amendment as necessitated by the legal and regulatory requirements, the company shall review this policy on periodic basis and make necessary revision or amendment to keep the policy relevant and up to date. The Board of Directors of the company shall approve the revision and/or amendment as it deems fit.

Disclaimer

The above Policy Statement neither gives a guarantee of dividend to be declared by the Company nor does it constitute a commitment for any future dividend and thus be read as a general guidance on different dividend related issues. The policy upholds the Board's absolute/complete liberty to recommend any dividend in deviation of the policy.

The End