

SALVO CHEMICAL INDURTY LIMITED

Dividend Distribution Policy

[As per Directive No. BSEC/CMRRCD/2021-386/03, Dated 14 January 2021 issued by the Bangladesh Securities and Exchange Commission (BSEC)]

Introduction

The Dividend Distribution Policy is prepared and adopted in compliance with the provisions of the Directive No. BSEC/CMRRCD/2021-386/03 dated 14 January, 2021 of the Bangladesh Securities and Exchange Commission (BSEC) about dividend declaration, pay off, disbursement and compliance.

The Board of Directors (the Board) will consider the directive while declaring/recommending dividend on behalf of the Company. The Policy is not an alternative to the decision of the Board for declaring/ recommending dividend, which takes into consideration all the relevant circumstances enumerated hereunder or other factors as may be decided by the Board.

Objective

The objective of the Policy is to provide guidance to stakeholders on the dividend distribution framework adopted by the Company. The Board of Directors of the Company shall consider this Policy when resolving on dividends, always in compliance with the provisions of the Act, notifications/ directives issued by the BSEC, Income Tax Ordinance, and other applicable legal provisions.

The Policy is not an alternative to the decision of the Board for declaring/recommending dividend, which takes into consideration all the relevant circumstances enumerated hereunder or other factors as may be decided by the Board.

Concept of Dividend

Dividend is the share of the profit that a Company decides to distribute among its Shareholders in proportion to the amount paid-up on shares they hold in the form of Cash and/or Stock (Bonus). The profits earned by the Company can either be retained in the business or can be distributed among the Shareholders as dividend.

Types of Dividend

This Policy applies to payment of interim and final dividend by the Company to its shareholders.

➤ Interim Dividend:

Interim dividend is declared by the Board between two AGMs as and when considered appropriate. The Act authorizes the Board to declare interim dividend during any financial year out of the profits for the financial year in which the dividend is sought to be declared and/or out of the surplus in the profit and loss account.

➤ Final Dividend:

Final dividend is recommended for the financial year at the time of approval of the annual financial statements as well as appropriation of profit. The Board shall have the power to recommend final dividend to the shareholders for their approval at the AGM of the Company.

Declaration of Dividend

Subject to the provisions of the Act, dividend shall be declared and paid out of:

- a. Profits of the Company for the year for which the dividend is to be paid after setting off carried over previous losses and depreciation not provided in the previous year(s);
- b. Undistributed profits of the previous financial years after providing for depreciation in accordance with law and remaining undistributed.
- c. Out of a & b both.

Before declaration of dividend, the Company may transfer a portion of its profits to reserves of the Company as may be considered appropriate by the Board at its discretion. In the event of inadequacy or absence of profits in any financial year, the Company may declare dividend out of free reserves subject to the compliance with the Act and Rules.

Parameters to be considered while recommending/declaring Dividend

The Board of Directors of the Company while declaring or recommending dividend will consider following factors, whereas, all these factors are of equal important and no single or group of factors supersedes any other factor or group of factors:

a) Internal factors

- Current year's profits and future outlook for the Company and the industry
- Liquidity position of the Company
- Investment plans
- Working capital requirements
- Past dividend pay-out trends of the Company
- Rate of growth in net profits and turnover during the preceding three financial years
- Likelihood of crystallization of any of Company's contingent liabilities
- Such other parameters as may be considered appropriate by the Board of Directors from time to time

b) External factors

- Prevailing legal requirements, regulatory conditions or restrictions laid down under the Applicable Laws including tax laws;
- Dividend pay-out ratios of companies in the same industry.

Entitlement to Dividend

The Shareholders whose names would appear in the Register of Members of the Company and/or in the Depository on the 'Record Date' would be entitled to receive the interim dividend of the Company. The Shareholders whose names would appear in the Register of Members of the Company and/or in the Depository on the 'Record Date' would be eligible to join the AGM and entitled to receive the annual/ final dividend of the Company.

Procedure for Distribution of Dividend

The Company shall follow the guidelines regarding disbursement of dividend as prescribed by the regulatory authorities as under:

- Cash dividend shall be paid directly to the entitled shareholders' bank accounts as available in the BO accounts, or the bank accounts as provided by the shareholders in paper form, through BEFTN and/or any other electronic payment system within 30 days of final approval by the shareholders in the AGM;
- Upon receiving the detail information and claim on cash dividend from a stock broker or a merchant banker or a portfolio manager for the margin client or customer who has debit balance or margin loan, the cash dividend shall be paid to the Consolidated Customers' Bank Account of the stockbroker or to the separate bank account of the merchant banker or portfolio manager;
- Cash dividend shall be paid off to the non-resident sponsor, director, shareholder, or foreign portfolio investor (FPI) through the security custodian in compliance with the rules or regulations in this regard;
- In case of non-availability of a valid bank account or not possible to distribute cash dividend through BEFTN or any electronic payment system, cash dividend warrants and/or cheques shall be issued and sent by post/courier services to the respective shareholders' addresses;

For the purpose of paying dividend, a separate bank account shall be maintained from which all the dividend payments are being made. Any unpaid/unclaimed cash dividend including accrued interest (after adjustment of bank charge and others, if any) thereon, if remains, shall be transferred to a separate bank account of the issuer as maintained for this purpose, within 01 (one) year from the date of declaration or approval, as the case may be;

- Stock dividend shall be directly credited to the BO accounts of respective shareholders within 30 days of AGM subject to clearance of the exchange(s) and Central Depository Bangladesh Limited (CDBL);
- The company shall inform its shareholders through publication in the newspaper after the dividend is being disbursed and/or credited. Besides shareholders on record date shall be intimated through short message service (SMS) to the mobile numbers or email addresses as provided in the BO account;
- Company shall follow the directives/circulars in force of the securities regulator, related to dividend distribution from time to time.

Amendment/ Modification

To the extent any change/amendment is required in terms of any applicable law or change in regulations, the regulations would prevail over the policy and the provisions in the policy would be modified in due course to make it consistent with law. Such amended policy shall be placed before the Board for noting and necessary ratification.

Disclosure

This Dividend Distribution Policy shall be disclosed in the Annual Report of the Company and on the Company's website www.salvochemical.com. If the Company proposes to declare dividend on the basis of any additional parameters apart from those mentioned in the Policy or proposes to change the parameters contained in this Policy, it shall disclose such changes along with the rationale for the same in the Annual Report and on the website.

Effective Date

The Policy shall come into force from the date of approval of the Board of Directors i.e. 16th May 2022.