



RAK Ceramics (Bangladesh) Limited

RAK Tower, 7th-8th-9th Floor, Dhaka, Uttara, Bangladesh

DIVIDEND DISTRIBUTION POLICY

Final Version

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Dividend Distribution Policy

This Policy shall become effective from the date of its adoption by the Board i.e. 03/05/2021.

1. Purpose, Objectives and Scope

1.1 This policy is being adopted in compliance with the Directive of the Bangladesh Securities and Exchange Commission (BSEC) No. BSEC/CMRRCD/2021-386/03 dated 14 January 2021. The Directive requires to formulate a dividend distribution policy which shall be disclosed in the annual report and official website of the company.

1.2 The objective of this Policy is to ensure the optimum balance between the quantum of dividend declared and/or paid and amount of profits to be retained in the business for various investment and funding purposes. The Policy sets parameters to be considered by the Board of Directors of the Company for declaration of dividend including interim dividend from time to time. The Policy also sets out the circumstances and different factors for consideration by the Board at the time of taking such decisions of distribution or retention of profits, in the interest of providing transparency to the shareholders.

1.3 This Policy reflects the philosophy of the Company to maximize reward to its shareholders by sharing a portion of its profits after retaining sufficient funds for growth of the Company. The Company shall pursue this Policy, to pay, subject to the business & economic circumstances and external & internal factors enlisted, which shall be consistent with the performance of the Company over the years.

2. Definitions

2.1. Unless repugnant to the context:

2.2 “Act” shall mean The Companies Act, 1994 including the Gazette Notification / Rules made thereunder, and as amended from time to time relating to the Act.

2.3 “Applicable Laws” shall mean the Companies Act, 1994 including the Gazette Notification / Rules made thereunder, as amended from time to time, and all other acts, rules, regulations, notifications, orders, circulars etc. of the Bangladesh Securities and Exchange Commission (BSEC), the Dhaka Stock Exchange Limited (DSE), the Chittagong Stock Exchange Limited (CSE) and such other act, rules or regulations which applicable to the Company.

2.4 “Company” shall mean RAK Ceramics (Bangladesh) Limited.

2.5 “Compliance Officer” shall mean the Compliance Officer of the Company appointed by the Board of Directors.

2.6 “Board” or “Board of Directors” shall mean Board of Directors of the Company.

2.7 “Dividend” shall mean Dividend as defined under the Companies Act, 1994.

2.8 “GCFO, MD, CEO” shall mean Group Chief Financial Officer, Managing Director and Chief Executive Officer of the Company.

2.9 “Policy or this Policy” shall mean the Dividend Distribution Policy.

2.10 “Subsidiary” shall mean Subsidiary of the Company as defined under the Companies Act, 1994.

2.11 Words and expressions used and not defined in this Policy but defined in Companies Act, 1994 or rules made thereunder or Bangladesh Securities and Exchange Commission rules shall have the meanings respectively assigned to them in those Acts, Rules and Regulations.

3. Parameters for declaration of dividend

The Board shall consider the following circumstances for declaration and payment of dividend.

3.1 Financial parameters

- (a) Availability of profits;
- (b) Financial feasibility of the Company;
- (c) Favorable Debt Equity ratio;
- (d) Debt interest coverage ratio;
- (e) Liquidity position;
- (f) Business expansions, acquisitions, etc.;
- (g) Favorable state of the capital markets;
- (h) Profit growth.

3.2 External factors

- (a) Shareholders’ expectations;
- (b) Uncertain or recessionary economic and business conditions;
- (c) Sectorial performance;
- (d) Future uncertainties and industrial downturn;
- (e) Government policy;
- (f) Clientele effect;

(g) Risk effect.

3.3 Internal factors

- (a) Growth rate of past earnings;
- (b) Growth rate of predicted profits;
- (c) Expansion and modernization of existing business;
- (d) Investment in research and development;
- (e) Working capital requirements;
- (f) Mergers and Acquisitions;
- (g) Investments in subsidiaries/Joint ventures/associates;

3.4 Utilization of retained earnings

The decision of utilization of retained earnings of the Company shall be based on the following factors:

- (a) Acquisition/Diversification of business;
- (b) Long term strategic plan;
- (c) High cost of debt;
- (d) Market or product development/expansion plan;
- (e) Increase in production capacity;
- (f) Modernization Plan;

4. Target Dividend

RAK Ceramics (Bangladesh) Limited is committed to returning capital to shareholders via a sustainable dividend policy, aiming at a payout ratio in excess of 60% of consolidated net income subject to consideration of factors such as the business outlook, capital requirements for growth opportunities, expansion plans, optimal leverage levels and healthy cash reserves in addition to regulatory approvals.

5. Circumstances under which the shareholders may or may not expect dividend

5.1 Whenever it undertakes or proposes to undertake a significant expansion project requiring higher allocation of capital;

5.2 Significantly higher working capital requirements adversely impacting free cash flow;

5.3 Whenever it undertakes any acquisitions or joint ventures requiring significant allocation of capital;

5.4 In the event of inadequacy of profits or whenever the Company has incurred losses.

The decision of dividend payout shall, majorly be based on the aforesaid factors considering the balanced interest of the shareholders and the Company.

6. Procedure of Dividend Payout

6.1 The given below is a summary of the process of declaration and payment of dividends, and is subject to applicable regulations.

6.2 In case of final dividends.

a. The Chief Financial Officer in consultation with the GCFO, MD / CEO of the Company shall prepare a proposal note to the Board for recommending the percentage of dividend, if any and that proposal shall be reviewed by the Board, and shall be recommended for shareholders consideration and approval.

b. The dividend as recommended by the Board shall be approved/declared by the shareholders at the annual general meeting of the Company.

c. The payment of dividend shall be made within 30 days from the date of declaration to the shareholders entitled to receive the dividend on the record date/book closure period as per the applicable law.

6.3 In case of interim dividend.

a. Interim dividend, if any, shall be declared by the Board.

b. Before declaring interim dividend, the Board shall consider the financial position of the Company that allows the payment of such dividend.

c. The payment of dividends shall be made within 30 days from the date of record date to the shareholders entitled to receive the dividend as per the applicable laws.

d. In case no final dividend is declared, interim dividend paid during the year, if any, will be regarded as final dividend in the annual general meeting.

The Company shall ensure compliance of provisions of Applicable Laws and this Policy in relation to Dividend declared by the Company.

7. Classes of Shares

The Company has issued only equity shares. There are no other class of shares issued or proposed to be issued by the Company. In case of issue of new class of shares in the future, the policy will be reviewed accordingly.

8. Applicability of the Policy

This policy is applicable on equity shares of the Company.

9. Compliance Responsibility

9.1 The Company shall ensure compliance of provisions of Applicable Laws and this Policy in relation to Dividend declared by the Company.

9.2 Compliance of this Policy shall be the responsibility of the Chief Financial Officer and the Company Secretary of the Company who shall have the power to ask for any information or clarifications from the management in this regard.

10. Review of the Policy

10.1 This Policy would be subject to revision/amendment in accordance with the guidelines as may be issued by the National Board of Revenue, Bangladesh Securities and Exchange Commission or such other regulatory authority as may be authorized, from time to time, on the subject matter.

10.2 The Company reserves its right to alter, modify, add, delete or amend any of the provisions of this Policy.

10.3 Such amended Policy shall be periodically placed before the Board for adoption immediately after such changes.

11. Publication of the Policy

This Policy, as approved by the Board, shall be disclosed in the annual report and official website of the company at www.rakceramics.com/bangladesh.

12. Disclaimer

This document does not solicit investments in the Company's securities. Nor is it an assurance of guaranteed returns (in any form), for investments in the Company's equity shares.