



Dividend Disbursement Policy Of CVO Petrochemical Refinery Limited

1.00 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 dividends on behalf of the Company. The Policy is not an alternative to the decision of the Board for recommending dividend, which considers all the relevant circumstances enumerated hereunder or other factors as may be decided by the Board.

2.00 Definitions

- “the Act” means Companies Act 1994
- “the Company” means CVO Petrochemical Refinery Ltd.
- “AGM” means Annual General Meeting
- “Board” means Board of Directors of CVO Petrochemical Refinery Ltd.
- “Shareholders” represent Members whose name is registered in the Member Register of the Company.
- “Shares” means Ordinary Equity Shares.

3.00 Concept of Dividend

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

4.00 Types of Dividends

The Act deals with two types of dividends - Interim and Final.

- The **interim** dividend is the dividend declared by the Board between two AGMs as and when considered appropriate. The Act authorizes the Board to declare interim dividends during any financial year out of the profits for the financial year. The dividend is sought to be announced or out of the profit and loss account surplus.
- The **final** dividend is recommended for the financial year at the time of approval of the annual financial statements as well as the appropriation of profit. The Board shall have the power to recommend the final dividend to the shareholders for their approval at the AGM of the Company. Dividend recommended by the Board of Directors cannot be changed prior to holding of the AGM.



5.00 Declaration of Dividend

Subject to the provisions of the Act, the 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 the 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 dividends out of free reserves subject to compliance with the Act and Rules.

6.00 Factors Governing Declaration of Dividend

The decision regarding dividend pay-out is a crucial decision as it determines the amount of profit to be distributed among the shareholders and the amount of profit to be retained in the business.

The circumstances for dividend pay-out decision depends on various external and internal factors which the Board of Directors shall consider while recommending/ declaring a dividend, including the following:

6.01 External Factors:

- The Board shall endeavor to retain a more significant portion of profits to build up reserves in case of Adverse Economic Scenario.
- The Board shall evaluate the market trends in terms of technological changes mandating investments, competition impacting profits, etc., which may require the Company to conserve resources.
- The Board shall consider the restrictions, if any, imposed by the Act and other applicable laws with regard to the declaration of dividends in order to ensure compliance with the applicable laws.
- Dividend distribution tax or any tax deduction at source as required by tax regulations, applicable at the time of dividend declaration, may impact the decision concerning dividend declaration.
- Other factors beyond the control of the Management, like natural calamities, fire, etc., affecting operations of the Company may impact the decision concerning dividend declaration.



6.02 Internal Factors:

- Profitability
- Availability and Liquidity of Funds
- Capital Expenditure needs for the existing businesses
- Expansion/Modernization of the business
- Additional investments in subsidiaries/associates of the Company
- Cost of raising funds from alternate sources
- Cost of servicing outstanding debts
- Funds for meeting contingent liabilities
- Mergers and Acquisitions
- Any other factor as deemed appropriate by the Board.

Apart from the above factors, the Board also considers past dividend history and sense of shareholders' expectations while determining the rate of dividend. The Board may additionally recommend a special dividend in exceptional circumstances.

7.00 Financial Parameters for Declaring Dividend

The Company is committed to deliver sustainable value to its stakeholders. The Company shall strive to distribute an optimal and appropriate level of profits among the shareholders in the form of a dividend.

To keep investment attractive and to ensure capital appreciation for the shareholders, the Company shall also endeavor to provide a consistent return over a period of time. While deciding on the dividend, micro and macroeconomic parameters for the country in general and the Company, in particular, shall also be considered.

Taking into consideration the aforementioned factors, the Board shall endeavor to maintain a dividend pay-out.

8.00 Utilization of Retained Earnings

Subject to the provisions of the Act and other applicable laws, retained earnings may be utilized as under:

- Issue of fully paid-up bonus shares
- Declaration of dividend-Interim or Final
- Augmenting internal resources
- Funding for capital expenditure/expansion plans/acquisition;
- Repayment of debt
- Any other permitted use as may be decided by the Board.



9.00 Parameters for Various Classes of Shares

Currently, the Company has only one class of shares - Equity Shares. There is no privilege amongst Equity Shareholders of the Company with respect to dividend distribution.

10.00 Circumstances Impacting Dividend Payment

The Company has been paying the dividend to its shareholders for around three decades and shall endeavor to continue with the dividend payment.

Given herein below are some of the circumstances in which shareholders of the Company may or may not expect dividend pay-out:

10.01 May Expect Dividend:

- Adequate profits and liquidity
- Accumulated profits not warranted for immediate business needs.

10.02 May Not Expect Dividend:

- Non-availability of profits for dividend distribution
- Funds available for dividends but need to be conserved due to:
 - Business needs;
 - Adverse economic /market scenario expected in the near future;
 - Augmenting internal resources.

11.00 Disclosure

This Dividend Distribution Policy shall be disclosed in the Annual Report of the Company and on the Company's website www.cvopetro.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.

12.00 Effective Date

This Policy has been approved by the Board of Directors of the Company at its meeting held on 1st February, 2021 and shall be effective and applicable for dividends, if any, declared for the Financial Year 2020-21 onwards.

13.00 Review/Amendment

The Board may amend, repeal, modify or revise any or all provisions of this Policy. However, amendments in the Act or the Listing Regulations shall be binding even if not incorporated in this Policy.