



eGeneration 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)]



Background and applicability

In compliance with the Bangladesh Securities and exchange Commission's Directive No. BSEC/CMRRCD/2021-386/03 dated 14th January 2021, the issuers of listed securities are required to formulate and disclose its Dividend Distribution Policy. Accordingly, the Board of Directors of eGeneration Limited (herein after referred to as "the Company") has formulated and approved this Dividend Distribution Policy (herein after referred to as "the Policy").

Definition

Dividend means distribution of profits, earned in the current year or earlier years, by the Company, to its shareholders in proportion to the amount paid-up on shares held by them. Dividend can be cash or stock in types and can also be final or interim. Dividend to be declared on the basis of audited financial statements regardless of interim or final.

The Company can declare dividend after the end of financial year, which is called final dividend. Final dividend shall be declared on the basis of recommendations of the Board and shareholders shall approve at the Annual General Meeting (AGM) of the Company.

The Company can also declare dividend from current year profits, which will be called interim dividend and the Board may, at its discretion, declare an interim dividend out of current profit.


Objectives

The objective of this policy is to provide clarity to stakeholders on the dividend distribution framework to be adopted by the Company. The Board of directors Shall recommend dividend in compliance with this policy, the Articles of Association of the Company, the provisions of the Companies Act 1994, relevant Directives / Orders published by the Bangladesh Securities and Exchange Commission and other applicable legal provisions.

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

Parameters for declaration of dividend

The Policy depends on the financial position of the Company, other funding needs related to the investments to be made, conditions in the sector, conditions in the economic environment, Company's present and future performance for declaration and payment of dividend. The Board



of Directors shall consider the factors affecting the dividend proposal while arriving at the dividend amount:

▪ **Financial parameters**

- Availability of profits;
- Capital expenditure and investment plans;
- Favorable debt equity ratio;
- Company's liquidity position and future cash flow requirements for operations;
- Profits earned during the financial year;
- Profit growth;
- Future requirement of funds.

Few guiding financial parameters in dividend recommendation will be as follows:

- i) Cash dividend is preferred at least once in consecutive 2 years to avoid the company to be shifted or transferred to the "Z-category" as per BSEC Order vide letter no SEC/CMRRCD/ 2009-193/08, dated September 01, 2020.
- ii) Cash dividend ratio will be higher or equal to the stock dividend (where stock dividend is valid as per BSEC notifications) ratio to avoid excess tax expenditure as per section 16(F) of ITO 1984.
- iii) The dividend payout ratio and process will be followed by the guideline given by BSEC time to time

▪ **Internal Factors**

- Growth rate of past earnings;
- Growth rate of predicted profits;
- Earnings stability;
- Accumulated reserves;
- History of dividends distributed by the Company;
- Working capital requirements;
- Mergers and acquisitions.

▪ **External Factors**

- Shareholders' expectations;
- Macroeconomic and business conditions;
- Sectorial performance;
- Cost and availability of alternative sources of financing;
- Industry Outlook for the future years;
- Changes in the government policies or changes in regulatory provisions;

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- Other relevant factors that the Board may deem fit.

- **Utilization of retained earnings**

The Company may utilize its retained earnings in the manner which is beneficial to the interest of the Company and its stakeholders.

Retained earnings helps in maintaining a healthy capital adequacy ratio and supports the future growth.

- Acquisition/diversification of business;
- Capital expenditure requirements;
- Investment in new business and/or additional investment in existing business;
- Market or product development/expansion plan;
- Expansion and modernization of existing business;
- High cost of debt.

Apart from the above, the Board may consider not declaring dividend or may recommend a lower payout for a given financial year, after analyzing the prospective opportunities and threats or in the event of challenging circumstances such as financial environment.

The Portion of profits not distributed among the shareholder's as dividends will be used for the business activities of the Company.

Entitlement of Dividend

The Company shall determine the record date or date of closure of the register of members. The Company shall give notice in advance of at least 14 working days (excluding the date of intimation and the record date) to stock exchange(s) of record date specifying the purpose of the record date.


Members whose names shall appear in the Members'/Depository Register on the Record Date will be eligible to receive dividend.

Dividend Pay Out Method and Timing

The Company shall distribute declared and duly approved dividend to all shareholders in a timely manner and in line with Bangladesh Securities and Exchange Commission directions (as issued time to time) and any other applicable local laws, rules and regulations.

Dividend Distribution Process:

- Company shall pay off the dividend (cash/stock) to the shareholders within 30 days of declaration or approval or record date as the case may be.
- Company shall pay off the cash dividend to the bank account of the entitled shareholder as available in the BO account maintained with the depository participant (DP), or the bank account as provided by the shareholder in paper form, through Bangladesh Electronic Funds Transfer



Network (BEFTN) or through bank transfer or any electronic payment system as recognized by the Bangladesh Bank, if not possible through BEFTN.

- Dividend of the margin client of stock broker or merchant banker shall pay off to the Consolidated Customer's Bank Account (CCBA) of the stock broker or to the separate bank account of the merchant banker or portfolio manager through BEFTN.
- In case of non-availability of bank account information or not possible to distribute cash dividend through BEFTN or any electronic payment system, shall issue cash dividend warrant and shall send it by post to the shareholder.
- Company shall credit the stock dividend to the BO account or issue the bonus share certificate of the entitled shareholder.
- Company shall follow the directives/circulars in force of the securities regulator, related to dividend distribution from time to time.

Circumstances under which Shareholders of the Company may or may not expect dividend:

- The decision regarding dividend payout is a crucial decision as it determines the amount of profit to be distributed among Shareholders and the amount of profit to be retained in business.
- The Board shall consider the parameters mentioned in this policy before determination of any dividend payout.
- The Shareholders of the Company may not expect dividend in many other circumstances, some of which are the following, always subject to the discretion of the Board:
 - Company has inadequacy of profits or incurs losses for the financial year;
 - Company undertakes /proposes to undertake a significant expansion project requiring higher allocation of capital;
 - Company undertakes /proposes to undertake any acquisitions or joint arrangements requiring significant allocation of capital;
 - Company has significantly higher working capital requirement affecting free cash flow;
 - Company proposes to utilize surplus cash for buy- back of securities;
 - Company is prohibited to recommend/declare dividend by any regulatory body

Tax matters

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



Compliance Report

In-compliance with the Dhaka Stock Exchange (Listing) Regulation-2015 and Chittagong Stock Exchange (Listing) Regulation-2015 and other regulatory requirement eGeneration Limited will submit a Dividend Distribution Compliance Report to BSEC, DSE and CSE within 7 days from the date of completion of dividend distribution of the concerned year's. This report shall be submitted to BSEC, DSE and CSE in a specified format issued by the regulator (s) within stipulated time”

Unclaimed Dividend

Any unclaimed or unsettled dividend shall be managed in line with Bangladesh Securities and Exchange Commission directions (as issued time to time) and any other applicable local laws, rules, and regulations.

Modification of this Policy

The board is authorized to change or modify this Policy from time to time at its sole discretion and/or in pursuance of any amendments made by any relevant law for the time being in force.

Disclosures

The Dividend Distribution Policy (as amended from time to time) shall be disclosed in the Annual Report and the website of the Company.