



হাক্কানী পাল্প এন্ড পেপার মিলস্ লিঃ HAKKANI PULP & PAPER MILLS LTD.

DIVIDEND DISTRIBUTION POLICY

This Policy shall become effective from the date of its adoption by the Board i.e. **03/08/2022**.

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 formulating a dividend distribution policy which shall be disclosed in the annual report and official website of the company.

1.2 The Policy sets out the circumstances and different factors for consideration by the Board at the time of taking decisions of distribution or retention of profits, in the interest of providing transparency to the shareholders.

1.3 The Company shall pursue this Policy, to pay the dividend 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 "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.

2.2 "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.

2.3 "Company" shall mean HAKKANI PULP AND PAPER MILLS LIMITED

2.4 "Board" or "Board of Directors" shall mean Board of Directors of the Company.

2.5 "Dividend" shall mean Dividend as defined under the Companies Act, 1994.

2.6 "CS, CFO, MD" shall mean Company Secretary, Chief Financial Officer and Managing Director of the Company

2.7 "Policy or this Policy" shall mean the Dividend Distribution Policy.

3 Parameters for declaration of dividend:

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

DIVIDEND DISTRIBUTION POLICY OF HPPML

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HAKKANI GROUP



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3.1 Financial parameters

- (a) Availability of profits;
- (b) Financial feasibility of the Company;
- (c) Liquidity position;
- (d) Business expansions, acquisitions, etc.;
- (e) 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;

3.3 Internal factors

- (a) Growth rate of past earnings;
- (b) Growth rate of predicted profits;
- (c) Expansion and modernization of existing business;
- (d) Working capital;

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 Dividend Consideration Factors:

Hakkani Pulp and Paper Mills Limited is committed to returning capital to shareholders via a sustainable dividend policy 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.





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

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

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

5.3 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 Declaration:

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 Company Secretary and Chief Financial Officer in consultation with the 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.

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

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9 Compliance Responsibilities:

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 Company Secretary and Chief Financial Officer of the Company who shall act under the guidance of 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.

12 Disclaimers:

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.

