



UNITED POWER GENERATION & DISTRIBUTION CO LTD (UPGDCL)

DIVIDEND POLICY STATEMENT

1. INTRODUCTION

United Power Generation & Distribution Company Ltd (**UPGDCL**), a public limited company, was incorporated on 15th January, 2007. The company was initially registered as a private limited entity and was formerly known as Malancha Holdings Ltd. Later, on 22nd December, 2010 it was converted into public limited company. Subsequently, it was listed with the Dhaka Stock Exchange on 19th March, 2015 and the Chittagong Stock Exchange on 08th March, 2015 respectively and its shares started trading effective 05th April, 2015.

The company entered into Power Supply Agreement (PSA) with BEPZA for DEPZ Plant on 06th May, 2007 (**COD: 26th Dec, 2008**) and similar agreement for the CEPZ Plant on 16th May, 2007 (**COD: 12th Aug, 2009**), respectively.

2. DIVIDEND – legal framework

- a. Provisions of the Articles of Association of the company
- b. Being a listed company, UPGDCL is also obligated to comply with all the directives, orders etc of the Bangladesh Securities & Exchange Commission (BSEC) and the Listing Rules of the Stock Exchanges as regards determination and declaration of Dividends.
- c. Besides, the relevant Tax Laws are also tenable factors/determinant in framing the dividend policy
- d. Preparation of financial statements with complete adherence to the applicable accounting and reporting standards under IAS, IFRS etc.

3. DIVIDEND PHILOSOPHY

Company's dividend philosophy emanated from its Corporate Ethos – Objective "earn the confidence and trust of all stakeholders by performing well above their expectations" and Core Values "Ensure fair return on their investment through generating stable profit". It's a way of thinking about how investment returns are actually realized and a way of being rational, thoughtful and certain about an investment process that can produce consistent cash-in-hand returns over time.

A dividend shall not be regarded as an expenditure; rather, it is considered a distribution of assets among shareholders. Company can retain its profit for the purpose of re-investment in the business operations termed as "retained earnings" on justifiable business considerations. Board of Directors are to consider factors like reinvestment opportunities and balance sheet stability, way of attracting potential stable investors, marketability of the stock among others.

The company has been practicing a stable dividend policy throughout. Since its listing in the year 2015, company's dividend pay-out trend stands testimony towards this ensuring



higher returns for the shareholders' and at the same time being strategic in profit emancipation through acquisition or other rewarding ways.

Pursuant to the United Group's overall business strategy, UPGDCL has been given the shape of a "holding company" for the power generation units under its wings. At present, the combined generation capacity of the company stands at 895 MW (as of 30/6/21).

Over the years UPGDCL has positioned itself into a company poised to generate higher and consistent profit towards shareholders' value maximization.

4. DIVIDEND DECLARATION/PAYMENT PROCESS

- a. The Dividend Policy (or Policy referred to hereafter) is to distribute to its shareholders surplus funds from distributable profits and/or general reserves, as may be determined by the Board of Directors (or the Board) subject to:
 - b. The recognition of profit and availability of cash or bonus shares for distribution;
 - c. Keeping adequate provisions for future maintenance, modernization etc;
 - d. The consideration of any banking or other funding requirements/obligations by which the company is bound from time to time;
 - e. The investment (strategic or otherwise) and operating needs of the company;
 - f. The anticipated/projected future growth and earnings of the company, as its earnings predominantly dependent on Government or its related bodies plan for resorting (uplifting) to UPGDCL and its' subsidiary companies generation which is very much linked to national demand situation besides other pertinent factors;
 - g. The provisions of the company's Articles of Association or any other regulatory thresholds or parameters or clearance requirements, if any besides the tax implications in the overall
 - h. Emerging trends in dividend payout in the particular industry and also overall consideration of investment market scenario, minority interest safeguard, aligning with regulators requirements for market support among others;
 - i. Group's overall business philosophy and strategic positioning perspectives;
 - j. Any other factors that might come-up requiring consideration by the Board of Directors while declaring dividend.
5. The company shall strive to maintain a dividend pay-out ratio consistent with its previous trends (average) besides the consideration of the above factors. The dividend mix – cash and bonus shares – shall also be dependent on the overall perspective narrated above. Moreover, as per the directives of the BSEC, while declaring any bonus shares, the Board of Directors shall provide necessary justifications thereon.
 6. The company may prior to declaration of any dividend, transfer such percentage or quantum of its profit for the particular financial year as it may consider appropriate, to the reserves.
 7. The company will not declare any dividends where the applicable laws prevent such payment and if there are reasonable grounds for believing that the company is or would be, after a dividend payment, unable to pay its liabilities or discharge its obligations as and when they become due.

8. The company's Board of Directors shall be responsible for declaration of dividends after taking into consideration all the plausible applicable factors and determinants including regulatory threshold, if any and also payment thereof complying with BSEC and Stock Exchanges' guidelines/instructions.
9. The decision to declare any and pay dividends shall be approved by the shareholders' in the Annual General Meeting (AGM), upon the recommendation of the Board of Directors.
10. Board shall disclose the recommendation of dividend in the form of PSI as provided for in the related regulatory guidelines. Board must also fix a RECORD Date to determine the shareholders to be entitled to the dividend. Prior to that Board must ensure that necessary prior notifications as per the BSEC directives and the Listing Rules, about the particular meeting at which such dividend is recommended, is given for due notification of the stakeholders.
11. The Board of Directors may in its discretion declare an interim dividend on profits arrived at as per quarterly or half-yearly financial statements and upon due compliance of the BSCE directives in this regard. Where no final dividend is declared, the interim dividend shall be regarded as the final dividend in the AGM.
12. Esteemed shareholders may opt to approve lesser dividend, than recommended by the Board, in the AGM but shall not approve any dividend in excess of what has been recommended by the Board.
13. As far as entitlement to dividend is concerned the Record Date shall be the ultimate cut-off date. All dividend payments, net of applicable tax, shall be based on the Shareholders' Register as on the closure of the Record Date related to a particular dividend declaration.
14. Any unclaimed dividends shall be dealt with as per the provisions of the Companies Act 1994, the company's Articles of Associations and the necessary regulatory requirements/guidelines from the BSEC. Board shall ensure due disclosures in the financial statements/annual report etc and other compliances in this regard.
15. The company shall continue paying approved dividends for shares on which accrued dividends have not been received by the concerned shareholder and has been categorized as unclaimed dividend.
16. Board shall also ensure compliance of the BSEC Directive dated 14th January, 2021 including any subsequent amendment thereof or any further directives, as regards payment of dividends.

17. POLICY CONTEXT

The Dividend Policy Statement is formulated in accordance with the BSEC Directive dated 14th January, 2021 (BSEC/CMRRCD/2021-386/03) and will be published in the official website of the company besides inclusion in the annual report for the shareholders. In this respect, the company will comply with any future directives, rules etc issued from time to time by the regulatory authorities.

18. POLICY AMENDMENT

The Policy Statement shall be effective from the date of approval by the Board of Directors which is 27th October, 2021 and may be amended from time to time subject to approval by the Board.

Any content of this Policy or any future change/amendment to thereof shall not contradict or be in conflict with any of the provisions of the BSEC Directives issued from time to time. And in such a situation, provisions of the BSCE Directives shall prevail.

19. DISSEMINATION OF THE POLICY

The Policy will be available on the website of the company and will also be disclosed in the Annual Report.

20. DISCLAIMER

The above Policy Statement does not represent a commitment on the future dividends of the company but represents a general guidance on the Dividend Policy of the company.



Chairman

Board of Directors

United Power Generation & Distribution Co Ltd