

THE
INVESTMENT
ASSOCIATION

SHAREHOLDER VOTES ON DIVIDEND DISTRIBUTIONS IN UK LISTED COMPANIES

The case for a Distribution Policy

May 2019



ABOUT THE IA

The Investment Association is the trade body that represents UK investment managers, whose 250 members collectively manage over £7.7 trillion on behalf of clients.

Our purpose is to ensure investment managers are in the best possible position to:

- Build people's resilience to financial adversity
- Help people achieve their financial aspirations
- Enable people to maintain a decent standard of living as they grow older
- Contribute to economic growth through the efficient allocation of capital

The money our members manage is in a wide variety of investment vehicles including authorised investment funds, pension funds and stocks & shares ISAs. The UK is the second largest investment management centre in the world and manages 37% of European assets.

Investment Association (IA) members hold in aggregate, one third of the value of UK publicly listed companies. We use this collective voice to influence company behaviour and hold businesses to account. More information can be viewed on our website.

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EXECUTIVE SUMMARY

THIS REPORT PRESENTS FINDINGS ON THE PREVALENCE OF LISTED UK COMPANIES PAYING ORDINARY DIVIDENDS WITHOUT SEEKING SHAREHOLDER APPROVAL. THIS RESEARCH IS IN RESPONSE TO A REQUEST BY THE SECRETARY OF STATE FOR THE DEPARTMENT FOR BUSINESS, ENERGY AND INDUSTRIAL STRATEGY (BEIS) TO INVESTIGATE THE CONCERN THAT AN INCREASING NUMBER OF COMPANIES ARE NOT SEEKING SHAREHOLDER APPROVAL FOR DIVIDEND DISTRIBUTIONS AT THEIR AGMS, DENYING SHAREHOLDERS A CRITICAL OPPORTUNITY TO ENGAGE ON THE SUSTAINABILITY OF THE DIVIDEND PAYMENT.

The Investment Association (IA) articulated this concern in response to BEIS' consultation on Insolvency and Corporate Governance, which set out to understand how corporate governance and investor stewardship can be strengthened in the context of financial distress and insolvency. The consultation specifically asked whether there is sufficient transparency and accountability to shareholders for decisions on dividends and other capital distributions, which are important determinants of financial sustainability.

Our findings show that there is a notable issue with a significant minority (22%) of those listed companies paying ordinary dividends not seeking an annual shareholder vote on these distributions. This practice is particularly prevalent within the largest twenty companies in the FTSE All-Share and also amongst Investment companies.

Over half of these Investment Companies did however put forward a resolution on a 'dividend policy' which typically details the format that dividend distributions would take throughout the year, but does not seek approval for the total dividend amount.

- **121** companies in the FTSE All-Share did not seek a shareholder vote on dividend payments.
- **12** companies in the largest twenty FTSE companies do not seek a shareholder vote on dividend payments.
- **74%** of companies that did not seek a shareholder vote were Investment Companies.

Following engagement with FTSE 100 companies who did not seek shareholder approval for their dividend payments and with the Association of Investment Companies (AIC)¹, we understand there to be two main drivers behind this behaviour. Companies either argued that company-specific operational features make paying dividends without shareholder approval appropriate, due to regulatory requirements, legal or tax structures. Or companies argued this was in response to growing investor demand for dividends to be paid quarterly to provide a regular income stream, with the timing of the AGM vote inconvenient in relation to the timing of quarterly payments.

By not seeking a shareholder vote on dividend distributions an essential mechanism for accountability to shareholders is being undermined. A shareholder vote is one mechanism by which transparency and accountability to shareholders can be exercised – the majority of companies do employ this. There may be some legitimate reasons for not providing this opportunity, in which case transparency and accountability to shareholders should, as a matter of principle, be achieved by other means.

In response to these findings, the IA recommends that all listed companies, including those that put a dividend resolution to shareholders, should as a

minimum, articulate a ‘distribution policy’. This policy should set out their long-term approach to making decisions on the amount and timing of returns to shareholders, including dividends, share buybacks and other capital distributions within the context of any relevant legal or financial constraints.

This will provide shareholders with an opportunity to engage with companies on their approach to shareholder distributions, regardless of the structure and timing of these distributions. This will give companies the opportunity to be transparent about how they structure these distributions in the context of their overall approach to capital management and give shareholders more detailed information about their approach in order to better hold them to account. This opportunity is clearly even more important to investors where a company is facing financial difficulties, as the efficient allocation of capital, including any shareholder distributions, will help determine the company’s future prospects.

The IA will establish a working group to develop best practice guidance on a ‘distribution policy’ and also make recommendations to government on whether a shareholder vote on this policy and/or on yearly distributions should be mandatory. The IA will publish this new distribution policy guidance in Autumn 2019.

...THE IA RECOMMENDS THAT ALL LISTED COMPANIES, INCLUDING THOSE THAT PUT A DIVIDEND RESOLUTION TO SHAREHOLDERS, SHOULD AS A MINIMUM, ARTICULATE A ‘DISTRIBUTION POLICY’. THIS POLICY SHOULD SET OUT THEIR LONG-TERM APPROACH TO MAKING DECISIONS ON THE AMOUNT AND TIMING OF RETURNS TO SHAREHOLDERS...



¹ The AIC is the trade body for closed-ended investment companies. The association represents a broad range of closed-ended investment companies, incorporating Investment Trusts, offshore investment companies, REITs and Venture Capital Trusts (VCTs).

1. BACKGROUND

INSTIGATION OF THIS RESEARCH

In March 2018, the Department for Business, Energy and Industrial Strategy (BEIS) issued a wide-ranging consultation on 'Insolvency and Corporate Governance'.² The consultation followed the high-profile collapse of significant businesses, Carillion and BHS, whose insolvencies were surrounded by controversy over management and Board decisions. There are a number of ongoing inquiries considering the integrity of their audit and accounting procedures and the decision making over significant capital outflows. The consultation sought to understand how better stewardship, corporate governance and insolvency frameworks might mitigate the impact of such large business collapses or otherwise incentivise more appropriate behaviour by company management in the face of financial difficulties.

One particular issue BEIS wanted to investigate was whether the current framework allowing the payment of dividends to shareholders is appropriate where a company is facing financial difficulties, or even approaching insolvency, particularly in instances where the company has high net debt and large pension deficits. Specifically, the consultation asked whether reforms are required to the legal, governance and technical frameworks within which companies determine dividend payments.

In the IA's response³ to this consultation we argued the need for greater transparency about the capital allocation decisions of companies, in line with the recommendations in our Long Term Reporting Guidance⁴. Our response also highlighted the concern raised by our members that some companies were avoiding seeking shareholder approval for dividend payments. Our members had noticed that an increasing number of companies are only paying interim dividends which, under most Articles of Association, do not require shareholder approval; this meant that the company was not paying a final dividend which usually require shareholder approval.

In its response to this consultation, BEIS acknowledged that it shared these concerns.

“THE GOVERNMENT IS ALSO CONCERNED ABOUT THE PRACTICE OF COMPANIES AVOIDING AN ANNUAL SHAREHOLDER VOTE ON DIVIDENDS BY ONLY DECLARING INTERIM DIVIDENDS AND HAS ASKED THE INVESTMENT ASSOCIATION TO REPORT ON THE PREVALENCE OF THE PRACTICE. THE GOVERNMENT WILL TAKE FURTHER STEPS TO ENSURE THAT SHAREHOLDERS HAVE AN ANNUAL SAY ON DIVIDENDS IF THE PRACTICE IS WIDESPREAD AND INVESTOR PRESSURE PROVES INSUFFICIENT.”

² <https://www.gov.uk/government/consultations/insolvency-and-corporate-governance>

³ https://www.theinvestmentassociation.org/assets/files/BEIS_consultation_on_Insolvency_and_Corporate_Governance_-_IA_response.pdf

⁴ <https://www.ivis.co.uk/media/12519/Long-Term-Reporting-Guidance.pdf>

THE IMPORTANCE OF ACCOUNTABILITY ON DIVIDEND PAYMENTS

Dividends are a core component of a company's overall approach to capital management. Capital management decisions form an important basis for investor engagement; how well a company utilises its capital has a significant impact on its long term profitability and success. Investors want to support capital allocation decisions that will drive productivity improvements and will only support distributions which will not impact on the long term sustainability of the company.

The IA has previously⁵ articulated the concern that company reporting on their capital management is excessively focused on the short term, making it challenging for investors to engage and make informed investment decisions.

In particular:

- There is a lack of clarity on a company's management of capital: shareholders are often unable to assess accurately the capital position of companies, hindering their ability to assess the effectiveness of capital allocation strategies.
- The measurement of return on invested capital is difficult given company disclosures.
- Companies rarely articulate their overall capital management policy and practice: portfolio managers frequently comment that there is a lack of meaningful information concerning future expenditure plans, how these will improve the business and how they are linked to strategy.

Dividend distributions are also subject to this short-term focus by companies. While regular dividend returns are welcomed by investors, and form an important income component for many funds, prioritising these distributions shouldn't come at the cost of a well-informed assessment of whether these returns are sustainable over the long term. There is a misconception amongst some companies that investors expect cash to be returned at all costs, resulting in aggressive dividend policies. On the contrary, investors are known to support reductions or the freezing of dividend payments where they think this is more appropriate for the long-term sustainability of the company.

To help address this lack of focus on capital allocation, in 2017 the Investment Association published its Long Term Reporting Guidance. This guidance sets out investor expectations on company reporting on four key thematic areas including capital management⁶, asking companies to set out the company's capital position, how it manages its capital, and how it measures the performance of its capital allocation decisions.

⁵ In March 2016, the Investment Association published the Productivity Action Plan – a package of recommendations outlining how the UK economy can play a fundamental role in rebuilding the UK's foundations for a better future. It set out a series of actions to improve long-term investment across the investment chain, including recommendations to improve company reporting on capital allocation.

⁶ Alongside disclosures on Productivity, Human Capital and Culture and ESG Risks and Opportunities.

In 2018, the IA conducted a review of how FTSE All-Share companies were reporting in line with the guidance. Of the four areas assessed in the Long Term Reporting Guidance, disclosures by companies on capital allocation were the poorest. There were marginally better disclosure by FTSE 100 companies compared to FTSE 250 companies. Our findings revealed that when it comes to capital allocation, the majority of companies are still too focused on the short term:

- Many companies only discussed capital allocation in terms of a major capital expenditure project that they had undertaken throughout the year, i.e. relatively short term disclosures.
- The bulk of these disclosures concerned specific acquisitions. Most companies struggled to set these expenditures in the framework of an overarching policy for making capital allocation decisions, and a description of the governance framework supporting those decisions.
- Little consideration was given to the relationship between capital allocation decisions and potential productivity ramifications.

The best company disclosures set out a clear framework and policies for allocating capital between different strategic areas of the business, and linked this to their business model; they were then able to give examples and case studies of how this framework had been applied throughout the year. These case studies gave real insight into strategic prioritisation and decision making at the company.

These findings reveal that, despite clear investor expectations, in general companies are still not providing sufficient transparency about their approach to capital management and what information they do provide is excessively focused on the short term.

This is concerning in the context of the accountability mechanism that exists between companies and their investors. Without adequate transparency about a company's approach, investors are unable to provide robust challenge to existing investments or make informed decisions about prospective investments.

2. METHODOLOGY

The IA examined the Annual Reports of the constituents of the FTSE All-Share as at 1 January 2018, that held an AGM between 1 December 2017 and 30 November 2018 – 628 companies in total. This population captures the behaviour of 98 FTSE 100 companies, 249 FTSE 250 Companies, and 281 FTSE SmallCap companies.

Our research identified any payment of an interim or final (ordinary) dividend to shareholders and any shareholder resolutions in relation to those ordinary dividend payments at the AGM for the appropriate financial year. The research considered those companies who paid any ordinary dividend irrespective of the form the dividend took, such as in cash or shares.

On collating these results we identified those companies that had issued any ordinary dividend, either interim or final, throughout the last financial year without seeking shareholder approval through a resolution at the company's AGM. Companies were further categorised using Sector and industry classifications from FTSE Russell's Industry Classification Benchmark⁷ and FTSE ranking as at (1 January 2018) in order to assess any common characteristics of this practice.

For the purposes of this report, the two main types of dividends under consideration are:

- **Interim Dividends:** These are normally declared and paid at the discretion of the Directors of the company.
- **Final Dividends:** These are normally proposed to shareholders alongside the company's annual report and accounts at the company's Annual General Meeting, as per the company's Articles. Where they are approved by shareholders they are legally considered an obligation or debt due.



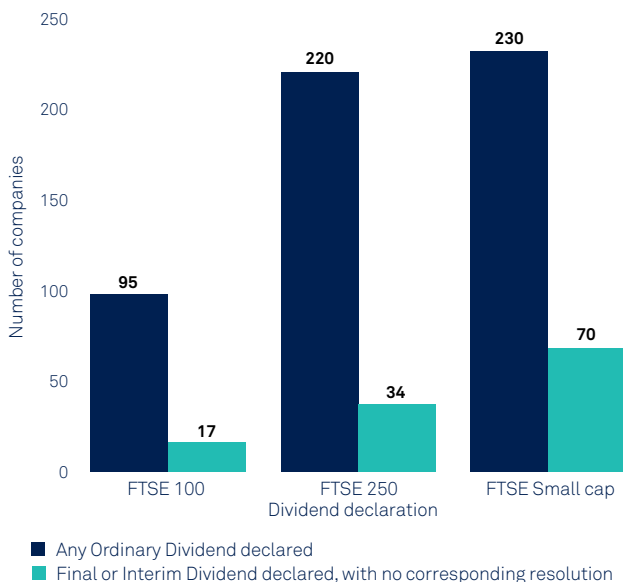
⁷ https://www.ftse.com/products/downloads/ICBStructure-Eng.pdf?_ga=2.86280280.1966192798.1548691343-2076434840.1548691343

3. FINDINGS

RESULTS SUMMARY

Figure 1 below summarises the prevalence of ordinary dividend declarations and corresponding resolutions amongst FTSE participants.

FIGURE 1: PREVALENCE OF DIVIDEND DECLARATIONS AND CORRESPONDING RESOLUTIONS



545 (87%) of companies examined in the FTSE All-share paid an ordinary dividend in the year under review. The majority (78% of companies paying a dividend) declared a final dividend of which all but 13 companies put forward a shareholder resolution on the final dividend.

121 of the 545 companies (22%) that paid dividends (interim or final) did not seek shareholder approval for these distributions.

FTSE RANKING	ORDINARY DIVIDEND DECLARED, WITH NO SHAREHOLDER RESOLUTION	AS A PERCENTAGE OF COMPANIES THAT DECLARED ANY ORDINARY DIVIDEND
FTSE 100	17	18%
FTSE 250	34	15%
FTSE Small cap	70	30%
Total	121	22%

Size of companies

Further examination of the FTSE 100 reveals that the practice of not seeking a shareholder resolution is particularly concentrated in the largest FTSE companies. 12 of the largest twenty FTSE-listed companies paid ordinary dividends without seeking a shareholder vote.

Payment of interim or final dividends

The majority (92%) of companies not seeking a shareholder resolution on their dividend payments were distributing interim dividends only. However, 8 companies issued both final and interim dividends without any corresponding shareholder resolution.



121 of 545

COMPANIES (22%) THAT PAID DIVIDENDS (INTERIM OR FINAL) DID NOT SEEK SHAREHOLDER APPROVAL FOR THESE DISTRIBUTIONS.

SECTOR ANALYSIS

We examined whether this practice was driven by companies in a particular sector. We found that 74% of the companies issuing a final or an interim dividend without seeking a shareholder vote were financial services companies, predominately Equity Investment Instruments and Real Estate Investment Instruments (i.e Investment Trusts⁸) – most of these were in the FTSE SmallCap. Over half (47 of 90) of these investment

companies did however put forward a resolution on a 'dividend policy' which typically details the format that dividend distributions would take throughout the year, but does not seek approval for the total dividend amount. There is no major trend in any other sector.

Table 1 below shows the number of companies in each sector making either a final or interim or combined dividend payments without a corresponding shareholder resolution in the year under review.

TABLE 1: SECTOR AND FTSE CATEGORY OF COMPANIES THAT ISSUED ORDINARY DIVIDENDS WITH NO CORRESPONDING SHAREHOLDER RESOLUTION (NUMBER OF COMPANIES)

SECTOR	TOTAL	FTSE 100	FTSE 250	FTSE SMALLCAP
Basic Materials	4	3	1	
Consumer Goods	4	2	1	1
Consumer Services	3	1	2	
Consumer Staples	1	1		
Financials (of which)	98	5	27	66
• Banks	2	2		
• Equity Investment Instruments	68		18	50
• Financial Services	3			3
• General Financial	1		1	
• Insurance	1		1	
• Life Insurance	2	2		
• Real Estate and Investment Services	5		1	4
• Real Estate Investment Trusts	16	1	6	9
Health Care	2	2		
Industrials	6	1	3	2
Oil & Gas	2	2		
Technology	1			1
Total	121	17	34	70

⁸ Investment companies are closed ended funds that invest in a portfolio of assets. Investors buy and sell shares in an investment company on a stock exchange.

UNDERSTANDING THE REASONS BEHIND DIFFERENT APPROACHES TO DIVIDEND PAYMENTS AND SHAREHOLDER RESOLUTIONS

Given the results of the initial analysis, the IA considered it important to understand the reasons why companies decide to not declare a final dividend or put their dividend payments to a shareholder vote. We engaged with the GC100⁹, AIC and individual companies in the FTSE 100 to understand the reasons behind the different approaches.

We engaged with the companies in the FTSE 100 identified by our research, either directly or through the GC100¹⁰, asking them to outline their approach to dividend distribution and any rationale for not putting forward a resolution on the payment of dividends to shareholders. We also sought views from the Association of Investment Companies (AIC) on the prevalence of this practice in Investment Companies.

This engagement revealed a number of reasons for this behaviour, set out below.

FTSE 100 companies

- **Providing a regular income stream to shareholders:**

Some companies structure their dividend payments so that they are paid quarterly in order to provide a regular income stream to their shareholders and argue that this structure was implemented at the request of their shareholders. The companies argue that seeking shareholder approval for a final dividend would delay the payment of the fourth quarterly dividend, as such dividend payments would only be paid five or six months after the year-end and into the second quarter of the new financial year. In addition, companies argue that paying a final dividend can result in a “lumpy” valuation of the company prior to the payment of a final dividend and a drop in the share price of the company following the dividend date.

- **Solvency II regulations and capital requirements:**

Companies in the financial services sector, and those subject to capital adequacy regulations such as Solvency II argue that the irrevocability of final dividend payments put to a shareholder vote, means that any final dividend payments are considered a debt due by the company. For the purposes of meeting their Solvency II capital requirements, this debt would negatively impact on the available capital. These companies consider the payment of interim dividends, which can be revoked prior to payment, to be more appropriate for the company in relation to the treatment against Solvency II.

- **Flexibility:** Some companies have identified the desire for Board flexibility to declare and pay a dividend in short order, reducing any delay in the payment of the dividend once a decision had been made. Final dividends subject to shareholder agreement are typically paid months after their initial declaration. This is considered by some too long a period in which unexpected events, that might make the dividend payment inappropriate, might occur.

- **Dual-listed structures:** Dual-listed structures are typically designed to give equivalence to shareholders owning assets in the distinct entities. These entities will typically coordinate as much as is practically possible on the timings of announcements relating to dividend payments. Putting forward a shareholder vote on the payment of shareholders may prevent these two entities from treating their shareholders equally. Some companies argued that their dual-listed structure made putting a shareholder vote forward challenging in terms of the constitutional changes required in different jurisdictions, and as a result of difficulties arising from timings of AGMs, again resulting in delays in payments to shareholders, outside of a quarterly cycle.

- **Tax treatment for parent companies resident outside of the UK:**

One company, headquartered outside of the UK, enables its shareholders to receive dividends through a UK source, which is beneficial for UK shareholders for tax purposes. If the company were to put forward a resolution to shareholders on a final resolution, this would oblige the parent company to distribute all the dividends from the jurisdiction where the company is headquartered.

⁹ GC100 is the association for the general counsel and company secretaries of companies in the UK FTSE 100.

Investment Companies

Research conducted by the AIC in 2018¹⁰ highlighted that half of its member companies pay dividends on a quarterly, rather than a half-yearly basis. Reasons behind this trend include the increased demand for income from investors, given the low interest rate environment and the move away from annuities following developments in the tax treatment of pensions under 'Freedom and Choice'. Increasingly, investors may be structuring their investment portfolio on the basis of securing regular dividend payments. Often investment companies will have a dividend policy in place that sets out their approach to distributing income.

Investment companies' legal structures can make it more appealing to pay out quarterly dividends, particularly as there is a requirement from UK tax legislation that Investment Trusts and venture capital trusts must not retain more than 15% of total income (REITs have a similar requirement, set at 10% of total income) in any accounting period, so as to prevent investors paying capital gains tax on share disposal at a lower rate than the income tax payable on dividends received. It is normal for Investment Companies that pay out quarterly (or more frequent) interim dividends making no final dividends, to have a dividend policy of paying regular dividends. We found that over half (47 of 90) of these investment companies did put forward a resolution on a 'dividend policy' which typically details the format that dividend distributions would take throughout the year, but does not seek approval for the total dividend amount.

The AIC reinforces the issues with timings put forward by FTSE 100 companies above when paying regular interim dividends (in particular monthly payments) as additional payments will be made in the intervening period between the final dividend (assuming it is aligned with the year-end) and the company's AGM.

FREQUENCY OF INTERIM DIVIDEND PAYMENTS

A key argument presented above is that shareholder demand for more frequent income has driven a move away from dividends structured to constitute one interim and one final payment throughout the year, towards quarterly or monthly interim payments and no final dividend payment. All four companies that issued monthly payments are Investment Companies that did not declare a final dividend. None of the 79 companies that issued quarterly payments issued a final dividend, and therefore did not put forward a shareholder vote on their final dividend (though three of these companies that issued quarterly dividend payments did put forward a shareholder resolution on Total Dividend i.e. on all interim payments combined). The vast majority (92%) of companies that have sought a shareholder vote on their dividend payments have issued one interim and one final dividend or only one final dividend payment throughout the year.

¹⁰ <https://www.theaic.co.uk/aic/news/press-releases/half-of-investment-companies-now-paying-a-quarterly-dividend>

4. EVALUATION

Our findings show that a significant minority (22%) of companies that issue ordinary dividends are not seeking a shareholder vote on their distribution. As an important component of a company's approach to distributions and a fundamental pillar of their wider approach to capital allocation, shareholders are concerned that this approach is not providing them with the opportunity to engage with companies on their distributions and formally signal to companies their approval of the approach to dividend payments. This concern is heightened by our recent analysis uncovering poor disclosures on capital allocation.

The justifications for this behaviour set out in Section 3 of this report indicate that, in some instances, there may be legitimate reasons for companies not putting forward resolutions on dividend payments. Many of the companies we have spoken to have indicated that they are not specifically seeking to deny shareholders the opportunity to influence and vote on these distributions. In some cases they argued that they were responding to their shareholders' desire for more regular income; in others they were unable to do so due to a particular legal or tax structure. If the company were required to put forward a resolution to a shareholder vote, there may be consequences which are not in the best interests of shareholders.

This research indicates an underlying trend in FTSE 100 companies and Investment Companies, of structuring dividend distributions to issue a regular income to investors by way of quarterly or monthly payments.

Many of the justifications for this behaviour make clear assumptions about investor expectations. While these assumptions may be well informed in terms of the individual company's shareholder base, it is important to note that comparable companies are reaching different conclusions about whether a shareholder resolution is appropriate.

The prevalence of this behaviour is denying shareholders the opportunity to approve or disapprove a key component of a company's capital allocation

policy and, importantly, to engage with the company about that justification. This opportunity is clearly even more important to investors where a company is facing financial difficulties, as the efficient allocation of capital, including dividend distributions, will help determine the company's future prospects.

In response to its consultation on Insolvency and Corporate Governance, BEIS stated that companies should have an annual shareholder vote on dividends and would look to legislate or take other steps in this area if investor pressure does not prove sufficient. The IA recognise the importance of a shareholder vote as an opportunity to provide a mechanism for engagement with companies on their distributions and broader capital allocation framework. The majority of companies are providing shareholders with this opportunity.

Forcing every company to have a yearly vote on their dividend payments may however have an undesirable impact on companies that have been advised they are not able to declare a final dividend or put this forward for shareholder approval. There may also be negative consequences for shareholders. Nevertheless, investors consider it essential that companies are transparent and accountable to shareholders about their approach to distributions, set in the context of their approach to capital management.

To provide an alternative mechanism for transparency and accountability, we recommend that companies should more clearly articulate a 'distribution policy' that sets out their approach to making decisions on the amount, structure and timing of returns to shareholders, including dividends, share buy-backs and other capital distributions within the context of any financial or legal constraints. This will allow companies to set out their anticipated approach, which would be based on conversations with shareholders and provide shareholders an opportunity to engage with and hold them to account for the implementation of this policy.

5. CONCLUSION AND RECOMMENDATIONS

We have undertaken the analysis requested by BEIS on the prevalence of companies not seeking a shareholder vote on dividend payments. We have found that a significant minority of companies (22%) that issue ordinary dividends are not seeking a shareholder vote on their distribution and this practice is particularly concentrated in the largest twenty of companies in the FTSE All-Share and widespread amongst Investment Companies. Following engagement with companies to understand their rationale for this behaviour, we have uncovered that this approach is dominant in those companies that issue quarterly or monthly dividends, ostensibly to meet increasing demand from investors for a regular income stream, and also in companies with large complex international structures, where there are legal, regulatory or tax limitations to putting forward a shareholder vote.

In recognition of these wider trends, while maintaining the importance of the opportunity for shareholders to engage with and influence a company's approach to dividend distribution with the context of their wider capital allocation policy, we have proposed that companies should more clearly articulate a 'distribution policy' which clearly sets out their approach to making decisions on the amount, structure and timing of returns to shareholders. This will allow companies to set out their anticipated approach, which would be based on conversations with shareholders, and provide shareholders an opportunity to engage with and hold them to account for the implementation of this policy. We propose to develop guidance articulating investors' expectations of this policy. This would build on the expectations on capital allocation disclosures we set out in our Long Term Reporting Guidance.

The IA will establish a working group to develop best practice guidance on a 'distribution policy' and also make recommendations to government on whether a shareholder vote on this policy and/or on yearly distributions should be mandatory. The IA will publish this new distribution policy guidance in Autumn 2019.

THE IA WILL ESTABLISH A
WORKING GROUP TO DEVELOP
BEST PRACTISE GUIDANCE ON A
'DISTRIBUTION
POLICY'



APPENDIX:**LIST OF COMPANIES ISSUING A FINAL OR INTERIM DIVIDEND WITH NO CORRESPONDING SHAREHOLDER RESOLUTION****FTSE 100 COMPANIES**

COMPANY NAME	RANKING AT 01 JAN 2018	INDUSTRY	FINAL DIVIDEND DECLARED (Y/N)	INTERIM DIVIDEND PAID IN YEAR OR DECLARED (Y/N)	DIVIDEND POLICY RESOLUTION (Y/N)
ROYAL DUTCH SHELL A PLC	1	Oil & Gas	N	Y	N
HSBC HOLDINGS	2	Financials	N	Y	N
UNILEVER PLC	3	Consumer Staples	N	Y	N
BRITISH AMERICAN TOBACCO PLC	4	Consumer Goods	N	Y	N
BP PLC	5	Oil & Gas	N	Y	N
BHP BILLITON	6	Basic Materials	Y	Y	N
RIO TINTO PLC	7	Basic Materials	Y	Y	N
GLAXOSMITHKLINE PLC	8	Health Care	N	Y	N
PRUDENTIAL PLC	14	Financials	N	Y	N
CARNIVAL PLC	17	Consumer Services	N	Y	N
BARCLAYS PLC	18	Financials	Y	Y	N
SHIRE PLC	20	Health Care	N	Y	N
EXPERIAN	36	Industrials	N	Y	N
OLD MUTUAL PLC	42	Financials	N	Y	N
BRITISH LAND COMPANY PLC	68	Financials	N	Y	N
BERKELEY GROUP HOLDINGS PLC	87	Consumer Goods	N	Y	N
EVRAZ PLC	89	Basic Materials	N	Y	N

FTSE 250 COMPANIES

COMPANY NAME	RANKING AT 01 JAN 2018	INDUSTRY	FINAL DIVIDEND DECLARED (Y/N)	INTERIM DIVIDEND PAID IN YEAR OR DECLARED (Y/N)	DIVIDEND POLICY RESOLUTION (Y/N)
RIT CAPITAL PARTNERS PLC	144	Financials	N	Y	N
GVC HOLDINGS PLC	155	Consumer Services	N	Y	N
JUPITER FUND MANAGEMENT PLC	156	Financials	Y	Y	N
ALLIANCE TRUST PLC	159	Financials	N	Y	N
HICL INFRASTRUCTURE COMPANY LIMITED	165	Financials	N	Y	Y
CAPITA PLC	169	Industrials	N	Y	N
VEDANTA RESOURCES	173	Basic Materials	N	Y	N
TRITAX BIG BOX REIT PLC	186	Financials	N	Y	Y
WITAN INVESTMENT TRUST PLC	192	Financials	N	Y	N
GRAFTON GROUP PLC	194	Industrials	N	Y	N
MERCANTILE INVESTMENT TRUST PLC	202	Financials	N	Y	Y
CITY OF LONDON INVESTMENT TRUST PLC	219	Financials	N	Y	N
ASSURA PLC	224	Financials	N	Y	N
LANCASHIRE HOLDINGS LIMITED	237	Financials	Y	Y	N
SYNCONA LIMITED	242	Financials	Y	N	N
ENTERTAINMENT ONE LTD	248	Consumer Services	Y	N	N
WORLDWIDE HEALTHCARE TRUST PLC	252	Financials	N	Y	N
LONDON METRIC PROPERTY PLC	255	Financials	N	Y	N
FINSBURY GROWTH & INCOME TRUST PLC	260	Financials	N	Y	N
GREENCOAT UK WIND PLC	261	Financials	N	Y	Y
UK COMMERCIAL PROPERTY TRUST	265	Financials	N	Y	N
F&C COMMERCIAL PROPERTY TRUST LTD	269	Financials	N	Y	Y
GCP INFRASTRUCTURE INVESTMENTS	287	Financials	N	Y	Y
RENEWABLES INFRASTRUCTURE GROUP	296	Financials	N	Y	Y
NB GLOBAL FLOATING RATE INCOME FUND LIMITED	310	Financials	N	Y	Y
NEWRIVER REIT PLC	312	Financials	N	Y	N
PERPETUAL INCOME & GROWTH INV TRUST PLC	315	Financials	N	Y	N
PERSONAL ASSETS TRUST PLC	322	Financials	N	Y	N
STOBART GROUP LTD	323	Industrials	N	Y	N
SEQUOIA ECONOMIC INFRASTRUCTURE INCOME FUND	329	Financials	N	Y	Y
GAMES WORKSHOP GROUP PLC	333	Consumer Goods	N	Y	N
VINACAPITAL VIETNAM OPPORTUNITY FUND	344	Financials	N	Y	Y
PRIMARY HEALTH PROPERTIES PLC	347	Financials	N	Y	Y
APAX GLOBAL ALPHA	350	Financials	Y	Y	Y

FTSE SMALL CAP COMPANIES

COMPANY NAME	RANKING AT 01 JAN 2018	INDUSTRY	FINAL DIVIDEND DECLARED (Y/N)	INTERIM DIVIDEND PAID IN YEAR OR DECLARED (Y/N)	DIVIDEND POLICY RESOLUTION (Y/N)
CIVITAS SOCIAL HOUSING	361	Financials	N	Y	Y
RDI REIT PLC	366	Financials	N	Y	N
MITIE GROUP PLC	369	Industrials	Y	Y	N
SCHRODER ORIENTAL INCOME FUND	370	Financials	N	Y	N
NEXTENERGY SOLAR FUND LIMITED	374	Financials	N	Y	Y
P2P GLOBAL INVESTMENTS PLC	375	Financials	N	Y	Y
PRINCESS PRIVATE EQUITY HOLDING LTD	381	Financials	N	Y	N
LAIRD PLC	382	Technology	N	Y	N
HANSTEEN HOLDINGS PLC	392	Financials	N	Y	N
GCP STUDENT LIVING PLC	403	Financials	N	Y	Y
EMPIRIC STUDENT PROPERTY PLC	411	Financials	N	Y	Y
UTILICO EMERGING MARKETS LIMITED	416	Financials	N	Y	N
SQN ASSET FINANCE INCOME FUND	417	Financials	N	Y	Y
FORESIGHT SOLAR FUND LIMITED	421	Financials	N	Y	Y
TWENTYFOUR INCOME FUND LIMITED	424	Financials	N	Y	N
PICTON PROPERTY INCOME LIMITED	426	Financials	N	Y	N
HENDERSON FAR EAST INCOME LIMITED	430	Financials	N	Y	Y
CVC CREDIT PARTNERS EUROPEAN OPPORTUNITIES LIMITED	431	Financials	N	Y	N
CUSTODIAN REIT PLC	439	Financials	N	Y	N
JPMORGAN EUROPEAN INV TRUST PLC GWTH SHS	448	Financials	N	Y	N
JPMORGAN GLOBAL GROWTH & INCOME PLC	449	Financials	N	Y	N
JPMORGAN CLAVERHOUSE INV TST PLC	451	Financials	N	Y	N
JPMORGAN GLOBAL EMERGING MARKETS INCOME TRUST PLC	453	Financials	N	Y	Y
RUFFER INVESTMENT COMPANY LIMITED	455	Financials	N	Y	Y
ABERDEEN DIVERSIFIED INCOME AND GROWTH TRUST PLC	456	Financials	N	Y	Y
STARWOOD EUROPEAN REAL ESTATE FINANCE LIMITED	459	Financials	N	Y	N
ABERDEEN ASIAN INCOME FUND LIMITED	462	Financials	N	Y	Y
STANDARD LIFE INVESTMENTS PROPERTY INCOME TRUST	472	Financials	N	Y	N
REGIONAL REIT LIMITED	473	Financials	N	Y	N
JPMORGAN ASIAN INVESTMENT TRUST PLC	485	Financials	N	Y	N
HENDERSON HIGH INCOME TRUST PLC	487	Financials	N	Y	Y
MEDICX FUND	488	Financials	N	Y	Y
SCHRODER REAL ESTATE INVESTMENT TRUST LIMITED	496	Financials	N	Y	Y
F&C CAPITAL & INCOME TRUST	497	Financials	N	Y	Y

COMPANY NAME	RANKING AT 01 JAN 2018	INDUSTRY	FINAL DIVIDEND DECLARED (Y/N)	INTERIM DIVIDEND PAID IN YEAR OR DECLARED (Y/N)	DIVIDEND POLICY RESOLUTION (Y/N)
MCBRIDE PLC	499	Consumer Goods	Y	Y	N
GCP ASSET BACKED INCOME FUND LIMITED	502	Financials	N	Y	Y
FUNDING CIRCLE SME INCOME FUND LIMITED	504	Financials	N	Y	Y
LIONTRUST ASSET MANAGEMENT PLC	518	Financials	N	Y	N
HENDERSON INTERNATIONAL INCOME TRUST PLC	521	Financials	N	Y	Y
POLAR CAPITAL GLOBAL FINANCIALS TRUST PLC	522	Financials	N	Y	N
VPC SPECIALTY LENDING INVESTMENTS PLC	523	Financials	N	Y	Y
TARGET HEALTHCARE REIT LIMITED	526	Financials	N	Y	Y
BAILLIE GIFFORD UK GROWTH FUND PLC	535	Financials	N	Y	N
F&C UK REAL ESTATE INVESTMENTS LIMITED	545	Financials	N	Y	Y
POLAR CAPITAL GLOBAL HEALTHCARE GROWTH TRUST	546	Financials	N	Y	N
ABERFORTH SPLIT LEVEL INCOME TRUST PLC	549	Financials	N	Y	N
HANSA TRUST PLC	550	Financials	N	Y	N
KEYSTONE INVESTMENT TRUST PLC	551	Financials	N	Y	Y
F&C PRIVATE EQUITY TRUST PLC	553	Financials	N	Y	Y
CQS NEW CITY HIGH YIELD FUND	558	Financials	N	Y	Y
REAL ESTATE CREDIT INVESTMENTS LIMITED	559	Financials	N	Y	N
INTERNATIONAL BIOTECHNOLOGY TRUST PLC	560	Financials	N	Y	Y
EDISTON PROPERTY INVESTMENT COMPANY	562	Financials	N	Y	Y
TROY INCOME & GROWTH TRUST PLC	563	Financials	N	Y	Y
MARTIN CURRIE GLOBAL PORTFOLIO TRUST PLC	565	Financials	N	Y	N
SCHRODER INCOME GROWTH FUND PLC	576	Financials	N	Y	N
SECURITIES TRUST OF SCOTLAND PLC	579	Financials	N	Y	N
CITY MERCHANTS HIGH YIELD TRUST LIMITED	584	Financials	N	Y	Y
HENDERSON DIVERSIFIED INCOME PLC	588	Financials	N	Y	Y
INVESCO INCOME GROWTH TRUST PLC	591	Financials	N	Y	Y
JPMORGAN GLOBAL CONVERTIBLES INCOME FUND	595	Financials	N	Y	N
TWENTYFOUR SELECT MONTHLY INCOME FUND	598	Financials	N	Y	N
ALCENTRA EUROPEAN FLOATING RATE INCOME FUND	602	Financials	N	Y	Y
SCHRODER EUROPEAN REAL ESTATE INVESTMENT TRUST PLC	609	Financials	N	Y	N
ARTEMIS ALPHA TRUST	616	Financials	N	Y	N
LUCECO PLC	618	Industrials	N	Y	N
RANGER DIRECT LENDING FUND	622	Financials	N	Y	Y
ECOFIN GLOBAL UTILITIES AND INFRASTRUCTURE TRUST PLC	625	Financials	N	Y	N
BLACKROCK NORTH AMERICAN INCOME TRUST PLC	628	Financials	N	Y	Y
MIDDLEFIELD CANADIAN INCOME PCC	630	Financials	N	Y	Y



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