



## **SCRIP DIVIDENDS**

The Investment Committee has not produced any formal guidelines on this subject and insurance Offices as investors are not opposed to the concept that shareholders should be offered the option of taking scrip in lieu of dividend on an optional basis. However, arrangements which provide for the creation of a separate class of shares for this purpose are not generally welcomed in view of the potential for subsequent conflict of interest which may arise.

It is considered important that any authority granted by shareholders should be related to the net cash dividend payable, the shares should be subscribed at the full middle market quotation (or if preferred an average of, say, five dealing days) following the day on which the Ordinary shares are first quoted "ex" the relevant dividend. The authority should also be renewed at least every 5 years.

Exceptionally, circumstances may arise when enhancement of the scrip dividend, perhaps even to the value of the gross dividend, may be contemplated as a one-off measure when a problem of irrecoverable advance corporation tax (ACT) is encountered by the company. However, companies must be fully satisfied that the incidence of unrelieved ACT is not merely temporary and that the anticipated level of take-up will not create problems in respect of dividend-servicing capability for future years.

Requests are received from time to time seeking the reaction of offices to provisions whereby individual shareholders can mandate to receive scrip in lieu of dividend whenever the option is offered by the directors. There is no objection to such an arrangement as this may effect cost savings for a company. It is considered important, however, that shareholders should have the opportunity to review the arrangements within the 5 year timeframe outlined above, while in the case of enhanced scrip dividends it is appropriate that approval be obtained from shareholders by special resolution on each occasion that these are proposed.

Enquiries to:

Michael McKersie (020) 7216 7659

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