An Roinn Caiteachais Phoiblí
Sheachadadh PFN agus Athchóirithe
Department of Public Expenditure
NDP Delivery and Reform

To: All Departments

Circular Title: **Circular 07/2025 - Dividend policy applying to commercial State bodies**

Issue Date: 3rd March 2025

A Dhuine Uasail,

1. I am directed by the Minister for Public Expenditure, Infrastructure, Public Service Reform and Digitalisation to refer to existing policy and practice in place for the setting of dividends for relevant public bodies.
2. The purpose of this Circular is to reaffirm the existing standard principles of expected dividend policy that apply to commercial State bodies under the aegis of Government Departments, as defined in Part 2 of this Circular.
3. This policy is restated here to ensure dividend policies, as developed by State bodies, maintain focus on the broader benefits of their endeavours to the public interest. State bodies should serve the interests of the State and pursue value for money in all activities, including managing risk appropriately.
4. These principles will apply with effect from the issue of this Circular on **3rd March 2025**.

Mise le meas,

Eoin Dorgan

Assistant Secretary

Climate Division

Tithe an Rialtais, Sráid Mhuirfean Uacht, Baile Átha Cliath 2, D02 R583

Government Buildings, Upper Merrion Street, Dublin 2,
D02 R583 T +353 1 676 7571

www.per.gov.ie

Part 1: Purpose

1.1 This Circular is intended to provide transparency, clarity and accountability on the State's position as a shareholder, in the broadest sense, in the overall determination and distribution of dividends by commercial State bodies in Ireland through reaffirming the general principles of dividend policy that apply to commercial state bodies.

1.2 This Circular sets out the general policy in this area, incorporating the expected standard annual dividend rate for the commercial State bodies. It also details the considerations that apply to payment of special dividends, and the considerations that apply in relation to the payment of enhanced dividends in extraordinary market circumstances.

1.3 The principles in this Circular should be read in conjunction with the legislative provisions which govern the operation of the body, and the fiduciary and other duties owed by directors of the company under relevant statutory provisions. Existing legislative provisions applying to a commercial State body on matters that are also the subject of this Circular continue to apply and, for the avoidance of doubt, in the event of any conflict or inconsistency, the legislative provisions prevail.

1.4 The National Treasury Management Agency (Amendment) Act 2014 which, inter alia, established NewERA in statute, providing financial and commercial advisory services in relation to certain commercial State bodies designated in that Act. This Circular should be read in conjunction with the Act and other relevant legislation as applicable.

1.5 Notwithstanding the fact that policies developed by individual Government Departments will give due consideration to sector- and market-specific factors that relate to commercial State bodies under their aegises, all policies should be consistent with the broader dividend policy principles outlined in Parts 2 - 6 of this Circular. Timely consultation with relevant Minister(s) is required in the development of policies. Consultation with the Minister for Public Expenditure, NDP Delivery and Reform and NewERA (where relevant) is also required as part of the Shareholder Expectation Framework.

Part 2: Applicable Bodies

2.1 This Circular applies to all relevant commercial State bodies. Appendix 1 contains an indicative but not exhaustive list of relevant bodies considered within scope at time of publication. This list will be kept under ongoing review.

2.2 If agencies are in any doubt as to the applicability of the Circular, they are advised to consult the relevant sectoral Department in the first instance, and may have reference to the list of agencies classed as "Commercial Non-Financial Corporation under the aegis of Department" on the CSO Register for Public Sector Bodies[1], Statement 1.8A of the annual Finance Accounts as prepared under Section 4 of the Comptroller and Auditor General (Amendment) Act, 1993, and guiding principles contained within the Code of Practice for the Governance of State Bodies[2] and Corporate Governance Standard for the Civil Service[3].

Part 3: Standard Dividend Policy

3.1 The overarching policy is that commercial State bodies are expected to pay a financial dividend to the State. In general, the shareholder sets the expectation in this regard and ultimately provides direction on the shareholders' expectation regarding dividend policies. A body's dividend policy is expected to be developed in consultation between the relevant Departments (as advised by NewERA) and the relevant commercial State body. Boards of commercial State bodies are expected to make annual decisions regarding dividends in line with the agreed dividend policy. This is the established practice across all commercial State bodies and it is important that it is applied in a consistent and equitable manner and in consideration of the circumstances of each body. While exceptional circumstances may arise from time to time that impact on that policy, a balance must be struck between maintaining financial risk at reasonable levels (e.g. maintain minimum credit rating, having sufficient liquidity and financial flexibility to meet

[1] https://www.cso.ie/en/statistics/governmentaccounts/registerofpublicsectorbodiesinireland/
[2] https://www.gov.ie/en/publication/7adff-governance/
[3] https://www.gov.ie/en/publication/f6667b-corporate-governance-standard-for-the-civil-service/

loan covenants), reinvestment of profits in line with agreed strategies, and the expectations of the State shareholders to a return on their investment.

3.2 In this regard, State shareholders expect that bodies would agree appropriate financial targets, including regarding profitability, capital structure and gearing levels, with the relevant Minister and the Minister for Public Expenditure, Infrastructure, Public Service Reform and Digitalisation (advised by NewERA) as part of the process of reflecting the standard dividend policy expectation in the body's corporate and financial plans.

3.3 State shareholders[4] expect an annual dividend from commercial State bodies of **at least 30%** of the Group's (i.e., the body and its subsidiaries ("Group")) consolidated adjusted net profits after tax, unless as otherwise agreed between the commercial State body and the relevant Department and DPENDR (advised by NewERA).

3.4 This policy does not supersede any existing dividend policies set at a higher rate than 30% of the Group's consolidated adjusted net profits after tax, which, for the avoidance of any doubt, shall remain in place. Standard policy is to be construed as the minimum level of general application to all relevant bodies unless as otherwise agreed between the commercial State body and the relevant Department and DPENDR (advised by NewERA as appropriate).

3.5 Relevant elements that form part of the 'taxes and adjustments' calculation will vary from body to body but will remain in line with those expressed in Shareholder Letters of Expectation, or as otherwise agreed between the commercial State body and the relevant Department and DPENDR (advised by NewERA as appropriate).

3.6 Relevant Departments should consider the application of this section to bodies under their aegises. In cases where the expectations set out in this Circular do not align with a commercial State body's existing dividend policy, relevant Departments should communicate this to the Board. In such instances, the State shareholders expect that the

[4] References to State shareholders in this Circular in respect of a commercial State body refer to the share/stock holding Minister(s) for that body (or, in the absence of share/stock capital, the relevant Minister under whose aegis that body falls) and the Minister for Public Expenditure, National Development Plan Delivery and Reform,

existing dividend policy is reconsidered in consultation with the relevant Departments and DPENDR as advised by NewERA as appropriate.

3.7 The standard expected dividend rate may be subject to change based on specific considerations or in extraordinary market circumstances, including those referred to in Sections 3.8-3.17 of this Circular. In all cases, a balance must be struck between the need for strong company performance in line with objectives and the expectations of the State shareholders to a return on their investment. Consultation and engagement between the commercial State body, relevant Department, and DPENDR (as advised by NewERA as appropriate) should inform considerations on what an appropriate dividend rate should be.

Special Dividends & Exceptional Market Circumstances

3.8 In line with the expectation that Commercial State Bodies are required to use public resources prudently and operate in line with national interests, there will arise special circumstances where a departure from standard dividend policy may need to be considered.

3.9 This will arise where exceptional revenues are earned either due to one off events, such as the disposal of significant assets, or where extraordinary market circumstances drive unanticipated exceptional revenue growth. In these circumstances, bodies may be required to make additional dividend payments to shareholders, following consultation with the State shareholders. Any consideration will recognise that a balance must be struck between maintaining financial risk at reasonable levels (e.g., maintain minimum credit rating, having sufficient liquidity and financial flexibility to meet loan covenants), reinvestment of profits in line with agreed strategies and the expectations of the State shareholders to a return on their investment.

3.10 In the case of the disposal of significant/material assets, the expectation, unless otherwise agreed following consultation with the State shareholders, is that up to 100% of exceptional and/or one-off profits may form the basis of a special dividend to the shareholders and may not be retained by bodies, subject to the balance referred to in 3.9 of this Circular.

3.11 In all such situations, reference to the Shareholder Letter of Expectation and consultation with the State shareholders, DPENDR, and NewERA if applicable, is required.

3.12 Any special dividend is in addition to the standard expected dividend payment of 30% of the Group's consolidated adjusted net profits after tax.

3.13 The standard expected dividend rate may also be varied, in advance of the finalisation of year-end financial statements prepared in accordance with the timeframes outlined in the Code of Practice for the Governance of State bodies, in consultation with the State shareholders and with the agreement of the Minister for Public Expenditure, Infrastructure, Public Service Reform and Digitalisation if extraordinary market circumstances result in a materially higher than normal level of revenue that would materially affect the Group's consolidated profits after tax in any one financial year.

3.14 'Extraordinary market circumstances' and 'normal levels of the Group's consolidated profits after tax' in this Circular should be considered in the context of sectoral and market-specific considerations, and in consultation with the State shareholders as advised by NewERA as appropriate. The ratio of profits in a year to the average level of profits significantly over a representative baseline would be a relevant consideration in this context.

3.15 In these circumstances, the ratio of profits comprising the standard expected dividend rate may be enhanced from the base level of 30% (or other amount as previously agreed with the shareholding Ministers) of the Group's adjusted consolidated profits after tax. The Shareholders expect that the Board of the body in question would agree to enhance the standard dividend to a higher amount, the quantum of which would be decided following consultation with the relevant Department, DPENDR, and NewERA.

3.16 This will be decided recognising a balance must be struck between maintaining financial risk at reasonable levels (e.g. maintain minimum credit rating, having sufficient liquidity and financial flexibility to meet loan covenants), reinvestment of profits in line with agreed strategies and the expectations of the State shareholders to a return on their investment, as similarly referred to in 3.9 of this Circular.

3.17 This policy will be applied in a consistent manner to all commercial State bodies.

Part 4: Shareholder Expectations

4.1 The Shareholder Expectations Framework, as developed by the Department of Public Expenditure, NDP Delivery and Reform, NewERA and the relevant State shareholders, and in use across the commercial State sector since 2013, is the standard mechanism to outline Government expectations in place on public bodies, including dividend policy.

4.2 These expectations generally comprise the strategic priorities, sectoral policy objectives, financial targets and reporting requirements expected of relevant commercial State bodies and are communicated by way of letter to the chairperson and board of each body from the relevant State Shareholders.

4.3 The policies in this Circular are to be applied through and in line with relevant Shareholder Letters of Expectation in place and in consultation with NewERA and relevant Government Departments as required.

Part 5: Administrative Steps and Enquiries

5.1 You are requested to bring this Circular to the attention of all bodies under the aegis of your Department/Office.

5.2 Any enquiries in relation to this Circular should be addressed to the relevant DPENDR Vote Section.

Appendix 1: List of Applicable Bodies

Agriculture, Food and the Marine	**Environment, Climate and Communications**
Coillte CGA	An Post
Irish National Stud Company Ltd	Bord na Móna plc
Horse Racing Ireland	EirGrid
Rásaíocht Con Éireann	ESB
Transport	Irish National Petroleum Corporation
daa plc	National Oil Reserves Agency
Shannon Group plc	**Housing, Local Government and Heritage**
Irish Aviation Authority	Ervia
AirNav Ireland	Housing Finance Agency plc
Dublin Port Company	National Building Agency Ltd
Port of Cork Company	Irish Water/ Uisce Éireann
Port of Waterford Company	Land Development Agency
Shannon Foynes Port Company	
Córas Iompair Éireann	