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If you have sold or otherwise transferred all your Ordinary Shares in the Company, please send this document and the accompanying documents at once to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

CLS Holdings plc

Notice of Annual General Meeting

Notice of the Annual General Meeting of the Company convened for 10.00 a.m. on Wednesday, 26 April 2017 is set out in Part II of this document.

A Form of Proxy for use at the Annual General Meeting is enclosed. To be valid, the Form of Proxy must be completed and returned so as to reach the registrars by hand or by post at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY (the "Registrars") by no later than 10.00 a.m. on Monday, 24 April 2017. As an alternative to completing the hard copy form, shareholders can appoint proxies electronically via www.clsholdings.com/evoting so that it is received by the Registrar by no later than 10.00 a.m. on Monday, 24 April 2017. CREST members can also appoint proxies by using the CREST electronic proxy appointment service and transmitting a CREST Proxy Instruction in accordance with the procedures set out in the CREST Manual so that it is received by the Registrar (under CREST participant 3RA50) by no later than 10.00 a.m. on Monday, 24 April 2017. The time of receipt will be taken to be the time from which the Registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

PART I
LETTER FROM THE CHAIRMAN OF CLS HOLDINGS PLC

CLS HOLDINGS PLC (THE "COMPANY")

(INCORPORATED AND REGISTERED IN ENGLAND WITH REGISTERED NUMBER 2714781)

Registered and Head Office:
86 Bondway
London
SW8 1SF

DIRECTORS

Henry Klotz (Executive Chairman)
Anna Seeley (Non-Executive Vice Chairman)
Fredrik Widlund (Chief Executive Officer)
John Whiteley (Chief Financial Officer)
Sten Mortstedt (Executive Director)
Malcolm Cooper (Non-Executive Director)
Joseph Crawley (Non-Executive Director)
Elizabeth Edwards (Non-Executive Director)
Christopher Jarvis (Non-Executive Director)
Thomas Lundqvist (Non-Executive Director)
Bengt Mortstedt (Non-Executive Director)
Lennart Sten (Non-Executive Director)

24 March 2017

Dear Shareholder,

INTRODUCTION

The purpose of this circular is to give you details of the Company's Annual General Meeting ("AGM") which is to be held on Wednesday, 26 April 2017 and the resolutions to be proposed at it. I am pleased to enclose a copy of the Company's Annual Report & Accounts for the year ended 31 December 2016 (the "Annual Report").

As we reported when we published our annual financial results on 8 March 2017, it is your Directors' intention to propose a distribution by way of a final dividend for the year ended 31 December 2016 of 40 pence per share. This is subject to the passing of Resolution 4.

ELECTRONIC COMMUNICATIONS WITH SHAREHOLDERS

You may be aware that the Companies Act 2006 (the "Act") aims to encourage use of electronic communications with shareholders and enables companies, if their shareholders agree to it, to supply documents to their shareholders by email or by use of website access instead of posting documents to them. As we currently have under 1,000 shareholders, the Company intends to continue to post documents to all the names on the share register. However, if you would also like to receive documents by email, you may request this service by writing to CLS (marked for the attention of the Company Secretary) or by emailing enquiries@cls Holdings.com.

ANNUAL GENERAL MEETING – EXPLANATORY NOTES

The AGM is to be held at 86 Bondway, London, SW8 1SF on Wednesday, 26 April 2017 at 10.00 a.m. You will find on pages 7 and 8 of this document the Notice convening the AGM. A form of proxy for use in connection with the AGM is enclosed with this document.

Resolutions 1 to 23 are ordinary resolutions; Resolutions 24 to 26 are special resolutions. I set out below further information on certain of the resolutions proposed.

ORDINARY RESOLUTIONS

Resolution 3 (Approval of one-off cash award to Mr Henry Klotz)

Resolution 3 seeks shareholders' approval for a one-off cash award of £160,000 to Mr Klotz, the Executive Chairman of the Company.

The Remuneration Committee determined that Mr Klotz's outstanding contribution to the Company over 2016 had not been fully recognised through his Executive Chairman fee given that he did not participate in any incentive arrangement for 2016.

The Remuneration Committee, on behalf of the Board, is of the opinion that Mr Klotz's contribution and time commitment has gone far beyond that expected at the time of his appointment to Executive Chairman and his agreed fee level. In particular he contributed significantly to the sale of Vänerparken, Sweden and the sale of Note AB at valuations significantly above book value.

To recognise this exceptional contribution to the Company during 2016, the Remuneration Committee considers that it is appropriate to make a one-off, exceptional £160,000 cash award to Mr Klotz, which is equivalent to 80 per cent. of his Executive Chairman fee.

The one-off award level has been set such that it represents his average historic award level under the PIP Element A (which over its five year life has paid out on average 82.7 per cent. of maximum). Hence, the award is commensurate with the bonus payments he has earned in recent years.

The proposed one-off cash award to Mr Klotz would fall outside the Company's existing Directors' Remuneration Policy and the new Directors' Remuneration Policy which is being put to shareholders for approval as Resolution 5. The Company is therefore seeking specific approval for the payment of the one-off cash award in Resolution 3 pursuant to section 226B(1)(b) of the Companies Act 2006. If Resolution 3 is approved by shareholders, the Committee proposes that the one-off cash award would be made as soon as practically possible after the AGM.

A memorandum setting out particulars of the proposed one-off cash award will be made available for inspection by shareholders in accordance with Section 226D of the Companies Act at the registered office of the Company at 86 Bondway, London, SW8 1SF up to, including and during the AGM. In addition, it will be available for inspection on the Company's website, www.clsholdings.com from the date of this circular until the end of the AGM.

Resolution 4 (Declaration of final dividend)

Pursuant to the Board's recommendation, the authority sought from shareholders under this Resolution is to declare a final dividend of 40 pence per ordinary share for the financial year ended 31 December 2016. If approved, the final dividend will be paid on 28 April 2017 to those shareholders on the Company's statutory register of members as at the close of business on 17 March 2017.

Resolution 5 (Approval of Directors' Remuneration Policy)

Resolution 5 seeks approval of the Company's future policy on Directors' remuneration. The remuneration report for quoted companies must comprise (i) an annual remuneration report which discloses how the remuneration policy was implemented in the last financial year and (ii) a forward-looking remuneration policy which sets out the Company's future policy on Directors' remuneration.

In addition to the annual advisory vote on the annual remuneration report, quoted companies are required to put their Directors' remuneration policy to a binding shareholders' vote at least every three years. Once the remuneration policy comes into effect, all remuneration payments and payments for loss of office must be consistent with the Company's approved remuneration policy, or must be separately approved by shareholders.

The new Remuneration Policy is set out in full on pages 51 to 60 of the Directors' remuneration report, but in summary the key elements to the Directors' Remuneration Policy include:

- No change to base salary, pension and benefits for the Executive Directors beyond the standard awards for all employees. The positioning of fixed pay remains conservative;
- No change to the existing PIP which provides a combination of annual cash payouts and deferral into notional Company ordinary shares subject to forfeiture provisions with a maximum annual contribution of 150 per cent. of salary (this is now termed Element A);
- Introduction of PIP Element B which provides an annual award of ordinary shares up to 100 per cent. of salary vesting after 3 years with a further 2 year holding period. Award levels will be determined against the same annual scorecard of performance targets as Element A; and
- Increased shareholding requirement of 250 per cent. of salary for Chief Executive Officer and 150 per cent. of salary for the Executive Chairman and Chief Financial Officer.

Full details of changes to the PIP are set out in Appendices 1 and 2 to this circular.

Resolutions 6 to 17 (Election and Re-election of Directors)

The Board notes that the UK Corporate Governance Code (the "Code"), which applies to the Company, requires that all directors of FTSE 350 companies be subject to annual election by shareholders. The Articles of Association of the Company require Mr Bengt Mortstedt to offer himself for election as he has been appointed since the conclusion of the previous Annual General Meeting of the Company. Accordingly, Resolutions 6 to 17 propose the election and the re-election of each of the Directors.

I can confirm to shareholders that, following a formal performance evaluation, the performance of each of the Directors put forward for re-election continues to be effective and demonstrates commitment to their roles.

Biographies of all the Directors proposed to be elected and re-elected are set out on pages 36 and 37 of the Annual Report.

Dual Voting System

The Company is required to comply with the provisions of the UK Listing Rules of the Financial Conduct Authority (the "Listing Rules") relating to controlling shareholders and the election or re-election of independent directors. Listing Rule 9.2.2E requires that the election or re-election of an independent director by the shareholders be approved by an ordinary resolution of the shareholders as a whole and separately approved by the non-controlling shareholders. For the purposes of the Listing Rules, certain companies directly held and beneficially owned by Sten Mortstedt control more than 30 per cent. of the voting rights of the Company. This means that any resolutions for the election or re-election of any independent directors must be approved by a majority vote of both:

- i) the shareholders of the Company; and
- ii) the independent shareholders of the Company (that is, the shareholders of the Company entitled to vote on the election of directors who are not controlling shareholders of the Company).

Therefore, Resolutions 11, 13, 14 and 17 are being proposed as ordinary resolutions which all shareholders can vote on, but in addition the Company will separately count the number of votes cast by independent shareholders in favour of the resolution (as a proportion of the total votes cast by independent shareholders cast on the resolution) to determine whether the second threshold referred to in ii) above has been met. The Company will announce the results of those resolutions on this basis as well as announcing the results of the ordinary resolutions of all shareholders.

If a resolution to re-elect or elect an independent director is not approved by a majority vote of both the shareholders as a whole and the independent shareholders, the Company may propose a further resolution to re-elect or elect that director at a meeting to be held between 90 and 120 days from the date of the original vote. Therefore, if either Resolution 11, 13, 14 and 17 is not approved by a majority of the independent shareholders at the AGM, the relevant director will be treated as having been elected/re-elected only from the period of the date of the AGM to the earlier of:

- i) the close of any general meeting of the Company, convened for a date more than 90 days after the AGM, but within 120 days of the AGM, to propose a further resolution to elect/re-elect the relevant director;
- ii) the date which is 120 days after the AGM; and
- iii) the date of any announcement by the Board that it does not intend to hold a second vote.

In the event that the director's election/re-election is approved by a majority vote of all shareholders at a second meeting, the director will then be re-elected until the next AGM.

The Company is also required to provide certain information in relation to the proposed re-election of independent directors, being Malcolm Cooper, Elizabeth Edwards, Christopher Jarvis and Lennart Sten. This includes details of any existing or previous relationship, transaction or arrangement the independent director has with the Company, its directors, any controlling shareholder or an associate of a controlling shareholder, together with a description of why the Company considers the independent directors will be effective, how it has determined their independence and the process followed for their selection. The Company:

- i) is satisfied, having received confirmation from each of the independent directors who are seeking re-election, that those independent directors do not, and have not previously had, any relationship, transaction or arrangement with the Company, its directors, any controlling shareholder or any associate of a controlling shareholder;
- ii) believes that these appointments have strengthened its knowledge base, broadened its experience and they each continue to add value to Board discussions. Each independent director's biography is set out on pages 36 and 37 of the 2016 Annual Report, which outlines their relevant experience;
- iii) following a rigorous review of the relationships or circumstances which are likely to affect, or could appear to affect, the directors judgement, determined that each of the proposed directors are independent for the purpose of the Code; and
- iv) reviewed a list of suitable candidates identified through external contacts, which was followed up by an interview process that included meetings with the senior independent director and other independent directors.

Resolution 20 (CLS Holdings plc 2017 Performance Incentive Plan ('PIP'))

Resolution 20 seeks approval of the CLS Holdings plc 2017 Performance Incentive Plan (the 'PIP'). The Remuneration Committee's rationale for the design of the PIP and its principal terms are set out in Appendices 1 and 2 to this circular.

Resolution 21 (CLS Holdings plc Share Incentive Plan (the "Plan"))

The Directors propose and seek your approval to establish the CLS Holdings plc Share Incentive Plan (the 'Plan'), an all-employee share incentive plan complying with the statutory requirements in Schedule 2 to the Income Tax (Earnings and Pensions) Act 2003, as amended. The Plan will allow all eligible employees the opportunity to acquire ordinary shares in the Company on a monthly basis and/or a one-off basis using contributions deducted from their salaries. Employees who take advantage of this opportunity to share further in the success of the Company will not normally be subject to income tax on the shares if they are held in trust on their behalf for a minimum of five years. A summary of the main provisions of the Plan is set out in Appendix 3 to this circular.

Resolution 22 (Subdivision of each existing ordinary share of 25 pence each into 10 new ordinary shares of 2.5 pence each)

In recent years, the price of the Company's Ordinary Shares of 25 pence each ("Existing Ordinary Shares") has risen to the point where their closing mid-market price on 23 March 2017 (being the latest practicable date prior to the publication of this circular) was 1,730 pence per share.

Given the current share price, the Board believes that it is appropriate to propose the subdivision of each Existing Ordinary Share into 10 new ordinary shares of 2.5 pence each ("New Ordinary Shares") (the "Subdivision"). The Board considers that having a larger number of ordinary shares with a lower market value than at present may improve the liquidity of the market in the Company's shares and together with the revised distribution policy, broaden the shareholder base.

Accordingly, Resolution 22, which will be proposed as an ordinary resolution, seeks shareholder approval of the Subdivision.

Applications will be made for admission of the New Ordinary Shares to the premium listing segment of the Official List of the UK Listing Authority and to trading on the London Stock Exchange's main market for listed securities. The Subdivision is conditional upon both applications becoming effective.

Effect of the Subdivision

The Subdivision will result in shareholders holding 10 New Ordinary Shares for each Existing Ordinary Share they hold immediately prior to the Subdivision. Although each ordinary shareholder will hold ten times as many ordinary shares than before, each shareholder's proportionate interest in the ordinary share capital of the Company will remain unchanged. No fractional entitlements will be created by the Subdivision.

The New Ordinary Shares will rank equally with one another and each New Ordinary Share will carry the same rights and entitlements that currently attach to the Existing Ordinary Shares. In particular, holders of New Ordinary Shares will have the same voting rights, the same rights to participate in dividends or income of the Company and the same rights on a liquidation of the Company as holders of Existing Ordinary Shares.

If the proposed Subdivision proceeds, it is expected that the price of each New Ordinary Share will become one tenth of the price of an Existing Ordinary Share. This will reflect the fact that shareholders will own ten times as many New Ordinary Shares as they currently own Existing Ordinary Shares.

Following the Subdivision, and assuming no shares in the Company are issued after 23 March 2017 (being the latest practicable date prior to the publication of this circular) and before the Subdivision, the Company's issued share capital (excluding shares held in treasury) will consist of 407,395,760 New Ordinary Shares and the number of treasury shares will consist of 31,382,020 New Ordinary Shares.

Settlement

Applications will be made for admission of the New Ordinary Shares to the premium listing segment of the Official List of the UK Listing Authority and to trading on the London Stock Exchange's main market for listed securities. If the applications are accepted, it is proposed that the last day of dealings in the Existing Ordinary Shares (under ISIN: GB0001592475 and SEDOL: 0159247) will be 5 May 2017 and the effective time for dealings to commence in New Ordinary Shares will be 8.00am on 8 May 2017 (under ISIN: GB00BF044593 and SEDOL: BF04459) or such other time and/or date as the board of directors of the Company may, in its discretion, determine (the "Effective Date").

The New Ordinary Shares will be in registered form and maybe held in certificated or uncertificated form. Following the Subdivision becoming effective, share certificates in respect of the Existing Ordinary Shares will cease to be valid and will be cancelled. New certificates in respect of the New Ordinary Shares will be issued to those shareholders who hold their Existing Ordinary Shares in certificated form, and are expected to be dispatched, at the risk of shareholders, within 10 Business Days from the Effective Date. Share certificates in respect of Existing Ordinary Shares should be destroyed upon receipt of such new certificates. No temporary documents of title will be issued. Transfers of New Ordinary Shares after 5 May 2017 but before the dispatch of new certificates will be certified against the register of members of the Company. CREST accounts are expected to be credited on the Effective Date.

United Kingdom taxation

The following statements are intended only as a general guide to the current tax position under UK taxation law and practice. Taxation law (including, without limitation, taxation levels, bases and reliefs) or its interpretation or application may change after the date of this circular.

Based on current UK tax legislation, the Subdivision should not be treated as a disposal for the purposes of UK capital gains tax. The Subdivision should also not be treated as giving rise to any distribution for income tax purposes. After the subdivision of the Existing Ordinary Shares pursuant to the Subdivision, the base cost of those Existing Ordinary Shares for the purposes of UK capital gains tax should be apportioned between the resulting New Ordinary Shares.

If you are in any doubt as to your personal tax status, you should consult your own professional adviser. If this resolution is passed, the Subdivision will become effective on admission of the New Ordinary Shares to the premium listing segment of the Official List of the UK Listing Authority and to trading on the London Stock Exchange's main market for listed securities on the Effective Date.

Employee share schemes

Subject to approval where necessary of the Company's auditors and HM Revenue & Customs, appropriate adjustments will be made to outstanding options and other rights in accordance with the rules of the Company's PIP and Plan to take account of the Subdivision, and option holders will be contacted separately in due course.

Resolution 23 (Renewal of the Board's authority to allot shares)

It is proposed to authorise the Board to allot shares or grant such subscription rights as are contemplated by sections 551(1) (a) and (b) respectively of the Act up to a maximum aggregate nominal value of £3,394,964, representing one-third of the issued share capital of the Company excluding treasury shares (as set out in the paragraph entitled "Further information" below). This is the maximum permitted amount under best practice corporate governance guidelines. This will replace the equivalent resolution passed at the last annual general meeting and will expire at the conclusion of the next annual general meeting or on 26 July 2018, whichever is the earlier. Your Directors have no present intention of exercising this authority.

SPECIAL RESOLUTIONS

Resolution 24 (Disapplication of pre-emption rights)

It is proposed to empower the Board to allot equity securities for cash without first offering them to existing shareholders in proportion to their holdings, subject to certain limits which comply with best practice corporate governance guidelines. This Resolution will enable the Board, in appropriate circumstances, to allot for cash (other than in connection with a rights issue or open offer) equity securities with an aggregate nominal value of up to £509,244, being up to 2,036,976 ordinary shares of 25 pence each in the Company ("Ordinary Shares") or, subject to the Subdivision becoming effective, up to 20,369,760 New Ordinary Shares and representing approximately five per cent. of the issued equity share capital of the Company (excluding treasury shares). The allotment of equity securities as referred to in this resolution includes the sale of any shares which the Company holds in treasury. The Resolution also disapplies the statutory pre-emption provisions in connection with a rights issue or open offer and allows the Directors, in the case of a rights issue or open offer, to make appropriate arrangements in relation to fractional entitlements or other legal or practical problems. This will replace the equivalent resolution passed at the last annual general meeting and will expire at the conclusion of the next annual general meeting or on 26 July 2018, whichever is the earlier. It is intended that in any three year period no more than seven and a half per cent. of the issued share capital (excluding treasury shares) will be issued on a non-pre-emptive basis.

This Resolution is proposed so as to give your Board flexibility to take advantage of business opportunities as they arise.

Resolution 25 (Renewal of general authority to make market purchases of Ordinary Shares)

It is proposed to renew the authority to make market purchases of Ordinary Shares, or, in the event that the Subdivision becomes effective, that the Company be given the authority to make market purchases of New Ordinary Shares, such authority being limited to the purchase of 10 per cent. of the Ordinary Shares in issue as at 23 March 2017 or, in the event that the Subdivision becomes effective, 10 per cent. of the number of New Ordinary Shares that would have been in issue if the Subdivision had taken place immediately prior to that date. Shares purchased further to this authority will be cancelled, unless the Company decides otherwise, in which case they may be held as treasury shares, subject to any applicable limits.

The minimum price which may be paid for any Ordinary Shares pursuant to this authority will be 25 pence (being an amount equal to the nominal value of an Ordinary Share). In the event the Subdivision (as defined in the explanatory statement to Resolution 22) becomes effective, then on and from the Effective Date the minimum price payable will be 2.5 pence (being the nominal value of the New Ordinary Shares). The maximum price which may be paid for any Ordinary Share is the higher of an amount equal to 5 per cent. above the average of the closing middle-market quotations for the Ordinary Shares as derived from SEDOL for the five dealing days immediately preceding the day on which the purchase is made, and an amount equal to a price no higher than the higher of the price of the last independent trade and the highest current independent bid on the London Stock Exchange Trading System SETS, in each case exclusive of expenses.

As the Company is proposing a Subdivision the number of shares that the Company will be authorised to purchase will depend on the passing of Resolution 22 and whether the purchase occurred before or after the Effective Date (as defined in the explanatory statement to Resolution 22). Accordingly:

- a) If Resolution 22 is not passed, or Resolution 22 is passed and any purchase is made before the Effective Date, the maximum number of Ordinary Shares the Company may purchase is 4,073,957 (representing 10 per cent. of the Ordinary Shares in issue as at 23 March 2017); and
- b) If Resolution 22 is passed then the maximum number of New Ordinary Shares that the Company may purchase will be:
 - i) 40,739,570 New Ordinary Shares (representing 10 per cent. of the number of New Ordinary Shares that would have been in issue if the Subdivision had taken place immediately prior to 23 March 2017)
 - less
 - ii) the number of Ordinary Shares purchased by the Company prior to the Effective Date multiplied by 10 (to reflect the proposed Subdivision of each Ordinary Share into 10 New Ordinary Shares).

The authority to purchase the Company's own shares will only be exercised if the Directors consider that there is likely to be a beneficial impact on earnings per Ordinary Share and that it is in the best interests of the Company at the time.

During the year to 31 December 2016 the Company made market purchases of 255,099 Ordinary Shares at an average price of 1,594 pence, together with the purchase of Ordinary Shares pursuant to tender offer buybacks. The Company purchased 739,396 Ordinary Shares at a price of 1,810 pence per Ordinary Share in April, and 411,510 Ordinary Shares at a price of 1,750 pence per ordinary share in September. Therefore during the year, the Company purchased 1,406,005. There have been no further purchases to date.

Resolution 26 (Ability to hold general meetings on 14 clear days' notice)

It is proposed to seek authority from shareholders to hold general meetings (other than Annual General Meetings) on 14 clear days' notice. This is permissible under the existing Articles of Association of the Company and the Act. However, pursuant to the EU Shareholders' Rights Directive and in accordance with published guidance from the Department of Business, Enterprise and Regulatory Reform, specific shareholder approval is required annually in order to retain this option. The Directors believe that there may be circumstances in which it will be important for the Company to be able to call meetings at such short notice. Accordingly, the Directors believe that it is important for the Company to retain this flexibility.

The Company will only use the shorter notice period where it is merited by the purpose of the meeting and it would clearly be to the advantage of shareholders as a whole.

VOTING

You will find enclosed with this document a Form of Proxy for use in respect of the AGM. Whether or not you intend to be present at the AGM, you are requested to complete and sign the Form of Proxy and return it, in accordance with the instructions printed on it to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY (the "Registrar") as soon as possible and, in any event, to arrive by no later than 10.00 a.m. on Monday, 24 April 2017.

As an alternative to completing the Form of Proxy, you can appoint proxies electronically via www.clsholdings.com/evoting to be received by the Registrar by no later than 10.00 a.m. on Monday, 24 April 2017. CREST members can also appoint proxies by using the CREST electronic proxy appointment service and transmitting a CREST Proxy Instruction in accordance with the procedures set out in the CREST Manual so that it is received by the issuer's agent (under ID 3RA50) by no later than 10.00 a.m. on Monday, 24 April 2017. The time of receipt will be taken to be the time from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

Appointment of a proxy will not prevent you from attending the Meeting and voting in person should you wish to do so.

FURTHER INFORMATION

At 23 March 2017 (being the latest practicable date prior to the publication of this document), the issued share capital of the Company was 43,877,778 Ordinary Shares, of which 3,138,202 Ordinary Shares are held by the Company as treasury shares. At 23 March 2017, there were no share schemes in operation and no share options outstanding.

RECOMMENDATION

Your Directors consider that the proposals in this document are in the best interests of shareholders as a whole and unanimously recommend that shareholders vote in favour of the Resolutions proposed in the Notice as they intend to do in respect of their interest in, and/or own shareholdings of, 23,992,192 Ordinary Shares, representing approximately 58.89 per cent. of the Company's issued share capital (excluding treasury shares).

Yours faithfully

Henry Klotz
Executive Chairman

PART II

CLS HOLDINGS PLC

(INCORPORATED AND REGISTERED IN ENGLAND NO. 2714781)

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of CLS Holdings plc ("the Company") will be held at 86 Bondway, London, SW8 1SF on 26 April 2017 at 10.00 a.m. for the following purposes:

ORDINARY RESOLUTIONS:

1. That the Company's Annual Report & Accounts for the year ended 31 December 2016 together with the Directors' Report and the Independent Auditors' Report on those Accounts and on the auditable part of the Director's Remuneration Report, be and are hereby received and adopted.
2. That the Director's Annual Remuneration Report, as set out on pages 48 to 69 of the Annual Report & Accounts (as referred to in Resolution 1 above), be and is hereby approved.
3. That the payment of an exceptional, one-off £160,000 cash award to Henry Klotz, Executive Chairman and director of the Company, on the basis summarised in the circular be and is hereby approved for the purposes of section 226B(1)(b) of the Companies Act 2006.
4. That a final dividend for the financial year ended 31 December 2016 of 40 pence per ordinary share of 25 pence each payable on 28 April 2017 to those shareholders on the register of members at the close of business on 17 March 2017 be approved.
5. That the Directors' Remuneration Policy, as set out on pages 51 to 60 of the Directors' Remuneration Report (as referred to in Resolution 2 above), which will take effect from 26 April 2017, the date of our 2017 AGM, be and is hereby approved.
6. That Henry Klotz be re-elected as a director.
7. That Anna Seeley be re-elected as a director.
8. That Fredrik Widlund be re-elected as a director.
9. That John Whiteley be re-elected as a director.
10. That Sten Mortstedt be re-elected as a director.
11. That Malcolm Cooper be re-elected as a director.
12. That Joseph Crawley be re-elected as a director.
13. That Elizabeth Edwards be re-elected as a director.
14. That Christopher Jarvis be re-elected as a director.
15. That Thomas Lundqvist be re-elected as a director.
16. That Bengt Mortstedt be elected as a director.
17. That Lennart Sten be re-elected as a director.
18. That Deloitte LLP be re-appointed as auditors to hold office until the conclusion of the next annual general meeting.
19. That the Directors be authorised to fix the remuneration of the auditors.
20. That:
 - a) The CLS Holdings plc 2017 Performance Incentive Plan (the 'PIP'), the principal terms of which are summarised in Appendices 1 and 2 to this Notice and the rules of which are produced at the Meeting and for the purposes of identification initialled by the Chairman, be and is hereby approved and that the Directors be authorised to do all acts and things which they may consider necessary or expedient to carry the PIP into effect; and
 - b) the Directors be and are hereby authorised to establish such further plans based on the PIP or schedules to the PIP as they consider necessary or desirable but which have been modified to take account of local tax, exchange control or securities laws in overseas territories, provided that any shares made available under such further plans or schedules are treated as counting against any limits on individual or overall participation in the PIP.
21. That the CLS Holdings plc Share Incentive Plan (the 'Plan'), the principal terms of which are summarised in Appendix 3 to this Notice and the rules of which are produced at the Meeting and for the purposes of identification initialled by the Chairman, be and is hereby approved and that the Directors be authorised to do all acts and things which they may consider necessary or expedient to carry the Plan into effect including making any changes that may be necessary for it to comply with Schedule 2 to the Income Tax (Earnings and Pensions) Act 2003.
22. That each of the ordinary shares of 25 pence each in the capital of the Company in issue at a time and date as the directors may determine be and is subdivided into 10 ordinary shares of 2.5 pence each in the capital of the Company (the "New Ordinary Shares"), such New Ordinary Shares having the rights and being subject to the restrictions set out in the Company's articles of association (the "Subdivision"), provided that this resolution is conditional upon and shall take effect on (i) admission to the premium listing segment of the Official List of the UK Listing Authority; and (ii) admission to trading on the London Stock Exchange's main market for listed securities of the new ordinary shares arising from such Subdivision (the "Effective Date").

23. That for the purposes of section 551 Companies Act 2006 (and so that expressions used in this resolution shall bear the same meanings as in the said section 551):
- the Directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot shares and to grant such subscription and conversion rights as are contemplated by sections 551(1)(a) and (b) of the Companies Act 2006 respectively up to a maximum nominal amount of £3,512,131 to such persons and at such times and on such terms as they think proper during the period expiring at the conclusion of the next annual general meeting or on 26 July 2018, whichever is the earlier (unless previously revoked or varied by the Company in general meeting); and
 - the Company be and is hereby authorised to make prior to the expiry of such period any offer or agreement which would or might require such shares or rights to be allotted or granted after the expiry of the said period and the Directors may allot such shares or grant such rights in pursuance of any such offer or agreement notwithstanding the expiry of the authority given by this resolution, so that all previous authorities of the Directors pursuant to the said section 551 be and are hereby revoked.

SPECIAL RESOLUTIONS:

24. That subject to the passing of Resolution 23 set out in the Notice, the Directors be and are empowered in accordance with section 570 Companies Act 2006 to allot equity securities (as defined in section 560 of the Companies Act 2006) for cash, pursuant to the authority conferred on them to allot such shares or grant such rights by that resolution and/or where the allotment constitutes an allotment of equity securities by virtue of section 560(3) of the Act, as if section 561(1) and sub-sections (1) – (6) of section 562 of the Act did not apply to any such allotment, provided that the power conferred by this resolution shall be limited to:

- the allotment of equity securities in connection with an issue or offering in favour of holders of equity securities and any other persons entitled to participate in such issue or offering where the equity securities respectively attributable to the interests of such holders and persons are proportionate (as nearly as may be) to the respective number of equity securities held by or deemed to be held by them on the record date of such allotment, subject only to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with treasury shares, fractional entitlements or legal or practical problems under the laws or requirements of any recognised regulatory body or stock exchange in any territory; and
- the allotment (otherwise than pursuant to paragraph 24a above) of equity securities up to an aggregate nominal value not exceeding £509,244;

and this power, unless renewed, shall expire at the conclusion of the next annual general meeting or on 26 July 2018, whichever is the earlier, but shall extend to the making, before such expiry, of an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

25. That the Company be and is hereby generally and unconditionally authorised for the purpose of section 701 of the Companies Act 2006 (the "Act") to make one or more market purchases (within the meaning of section 693(4) of the Act) of ordinary shares of 25 pence each in the capital of the Company ("Ordinary Shares") provided that:

- If Resolution 22 is not passed, or Resolution 22 is passed but a purchase is made prior to the Effective Date (as defined in Resolution 22):
 - the maximum aggregate number of Ordinary Shares hereby authorised to be purchased is 4,073,957 (representing approximately 10 per cent. of the Company's issued share capital excluding treasury shares).
 - the minimum price which shall be paid for any Ordinary Share pursuant to this authority shall be 25 pence, being the nominal value of an Ordinary Share.
- If Resolution 22 is passed:
 - the maximum aggregate number of New Ordinary Shares hereby authorised to be purchased is 40,739,570 less a figure equal to the number of Ordinary Shares purchased pursuant to the authority set out in this Resolution 25 multiplied by 10.
 - the minimum price which shall be paid for any New Ordinary Share will be 2.5 pence, being the nominal value of a New Ordinary Share.
- the maximum price which may be paid for any Ordinary Share or New Ordinary Share is the higher of an amount equal to 5 per cent. above the average of the closing middle-market quotations for the Ordinary Shares or New Ordinary Shares as derived from SEDOL for the five dealing days immediately preceding the day on which the purchase is made, and an amount equal to a price no higher than the higher of the price of the last independent trade and the highest current independent bid on the London Stock Exchange Trading System SETS;
- unless previously revoked or varied, the authority hereby conferred shall, subject as provided in paragraph (e) of this resolution, expire at the conclusion of the annual general meeting of the Company following the passing of this resolution (or, if earlier, 18 months from the date of the passing of this resolution); and
- the Company may make a contract or contracts to purchase Ordinary Shares or New Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which will or may be completed wholly or partly after the expiry of such authority, and may make a purchase of Ordinary Shares or New Ordinary Shares pursuant to any such contract or contracts as if such authority had not expired.

26. That a general meeting of the Company other than an annual general meeting may be called on not less than 14 clear days' notice.

BY ORDER OF THE BOARD

David Fuller

Company Secretary

Dated 24 March 2017

86 Bondway
London
SW8 1SF

Notes:

1. A member entitled to attend and vote at the Meeting convened by the above Notice is entitled to appoint a proxy to exercise all or any of the rights of the member to attend and speak and vote on his behalf. A proxy need not be a member of the Company. A member may appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. The right to appoint a proxy does not apply to any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person").
2. To appoint a proxy you may:
 - a) use the Form of Proxy enclosed with this Notice of Annual General Meeting. To be valid, the Form of Proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of the same, must be received by post or (during normal business hours only) by hand at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY in each case no later than 10.00 a.m. on Monday, 24 April 2017; or
 - b) appoint proxies electronically via www.clsholdings.com/evoting. For an electronic proxy appointment to be valid, the appointment must be received by the Company's Registrars by no later than 10.00 a.m. on Monday, 24 April 2017. Any electronic communication sent by a member to the Company's Registrars which is found to contain a virus will not be accepted by the Company; or
 - c) if you hold your shares in uncertificated form, use the CREST electronic proxy appointment service as described in Note 6 below.

Completion of the Form of Proxy or the appointment of a proxy electronically via www.clsholdings.com/evoting or through CREST will not prevent a member from attending and voting in person.

3. Any member attending the meeting has the right to ask questions. The company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the company or the good order of the meeting that the question be answered.
4. Pursuant to section 360B of the Companies Act 2006 (the "2006 Act") and Regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), only shareholders registered in the register of members of the Company as at close of business on Monday, 24 April 2017 shall be entitled to attend and vote at the Annual General Meeting in respect of the number of shares registered in their name at such time. If the Meeting is adjourned, the time by which a person must be entered on the register of members of the Company in order to have the right to attend and vote at the adjourned Meeting is 5.00 p.m. on the date that is two days prior to the adjourned meeting. Changes to the register of members after the relevant times shall be disregarded in determining the rights of any person to attend and vote at the Meeting.
5. In the case of joint holders, the vote of the senior holder who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.
6. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Annual General Meeting and any adjournment(s) thereof by utilising the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed (a) voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland's specifications and must contain the information required for such instructions, as described in the CREST Manual (www.euroclear.com). The message must be transmitted so as to be received by the issuer's agent (ID 3RA50), by 10.00 a.m. on Monday, 24 April 2017. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed (a) voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 (as amended). Please refer to the CREST Manual at www.euroclear.com.

7. A member of the Company which is a corporation may authorise a person or persons to act as its representative(s) at the Meeting. In accordance with the provisions of the Act each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company, provided that they do not do so in relation to the same shares.
8. The following documents are available for inspection at the registered office of the Company, CLS Holdings plc, 86 Bondway, London SW8 1SF, during usual business hours on any weekday (Saturdays, Sundays and public holidays excluded) from the date of this Notice until the conclusion of the Annual General Meeting and will be available for inspection at the place of the Annual General Meeting for at least 15 minutes prior to and during the Meeting:
 - a) copies of the terms and conditions of appointment of the non-executive directors;
 - b) the Articles of Association;
 - c) the memorandum of particulars of the proposed one-off cash award to Henry Klotz;
 - d) the CLS Holdings plc 2017 Performance Incentive Plan Rules; and
 - e) the CLS Holdings plc Share Incentive Plan Rules.
9. As at 23 March 2017 (being the last business day prior to the publication of this Notice) the Company's issued share capital consists of 43,877,778 ordinary shares (of which 3,138,202 ordinary shares are held by the Company as treasury shares), carrying one vote each. Therefore, the total voting rights in the Company as at 23 March 2017 are 40,739,576.
10. The information required to be published by s.311(A) of the 2006 Act (information about the contents of this notice and numbers of shares in the company and voting rights exercisable at the meeting and details of any members' statements, members' resolutions and members' items of business received after the date of this notice) may be found at www.clsholdings.com.
11. A Nominated Person may under an agreement between him/her and the member who nominated him/her, have a right to be appointed (or to have someone else appointed) as a proxy entitled to attend and speak and vote at the Meeting. Nominated Persons are advised to contact the member who nominated them for further information on this and the procedure for appointing any such proxy.
12. If a Nominated Person does not have a right to be appointed, or to have someone else appointed, as a proxy for the Meeting, or does not wish to exercise such a right, he/she may still have the right under an agreement between himself/herself and the member who nominated him/her to give instructions to the member as to the exercise of voting rights at the Meeting. Such Nominated Persons are advised to contact the members who nominated them for further information on this.

PART III

CLS HOLDINGS PLC

(INCORPORATED AND REGISTERED IN ENGLAND NO. 2714781)

APPENDICES TO NOTICE OF MEETING

APPENDIX 1

Letter from the Chairman of the Remuneration Committee of CLS Holdings plc

Date: 24 March 2017

To: Shareholders and, for their information only, to the participants in the Share Plans.

Dear Shareholder,

PROPOSED INTRODUCTION OF THE CLS HOLDINGS PLC 2017 PERFORMANCE INCENTIVE PLAN

In this letter and Appendix 2, we provide you with an explanation of the ordinary resolution set out in the Notice of Annual General Meeting (the 'AGM'), which is being submitted to Shareholders to approve the introduction of the CLS Holdings plc 2017 Performance Incentive Plan (the 'PIP' or 'Plan').

Background

The Company's current Director's Remuneration Policy (the "Policy") was approved by shareholders at the 2014 Annual General Meeting (AGM) and in line with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (the 'BIS Regulations') requires renewal at the 2017 AGM. The variable element of the Policy was provided through the CLS Holdings Plc 2012 Performance Incentive Plan which provides a combination of annual cash payouts and a deferral into Company shares. The Company has not operated a traditional UK long-term incentive plan in the past due:-

- to the cyclical nature of the business making the setting of long-term performance targets challenging;
- the desire of the Committee to use a holistic approach to performance measurement (in practice the number of measures which can be used with an LTIP are limited due to the need to disclose at grant for a three year period); and
- the Committee's objective of operating a simple incentive programme.

However, after undertaking a remuneration review the Remuneration Committee ("Committee") believes that the inclusion of an additional element to the PIP which retains the advantages of the current Plan but is paid in long-term equity will help generate an appropriate focus by the executives on ensuring annual performance flows through to long-term sustainable performance. As a result, the updated PIP is submitted to shareholders for approval at the AGM.

Alignment with Company Strategy

The Company is entering into the next phase of its development and aims to grow the property portfolio significantly over the next five years in order to generate substantial long-term returns to shareholders. In order to support the strategy the Committee believes that the new Policy should retain, motivate and reward executives to deliver this strategic objective and facilitate the recruitment of key talent. This breaks down into the following:

- in order to ensure the achievement of the Company's key strategic objectives, the executives need to be motivated and rewarded for the successful delivery of key annual objectives which given the current instability in the property sector is imperative to the future growth of the Company;
- the requirement to provide a lock-in for the executives given the recent changes to the Board structure which means their continued retention is key for the on-going success and growth of the Company;
- the alignment of the executives with the shareholder experience through the build-up and retention of meaningful shareholdings in the Company;
- the need to ensure that the total compensation levels are competitive in the industry in which the Company competes for talent. The Committee is therefore mindful that the total remuneration opportunity for executive directors' remains market competitive compared to peers in the FTSE 250 real estate sector. The Committee review of the current Policy highlighted that there was a remuneration gap to the market. Therefore, the introduction of new equity elements under the PIP helps to ensure a more competitive market positioning provided that the executive team deliver the annual performance objectives and that these lead to long-term sustainable performance.

The Committee can also confirm that there will be no changes to base salary, pension and benefits for the Executive Directors beyond the standard awards for all employees, which maintains the very conservative nature of the fixed elements of the Policy.

Overview of the Proposed PIP

The following paragraphs set out the key elements of the Plan.

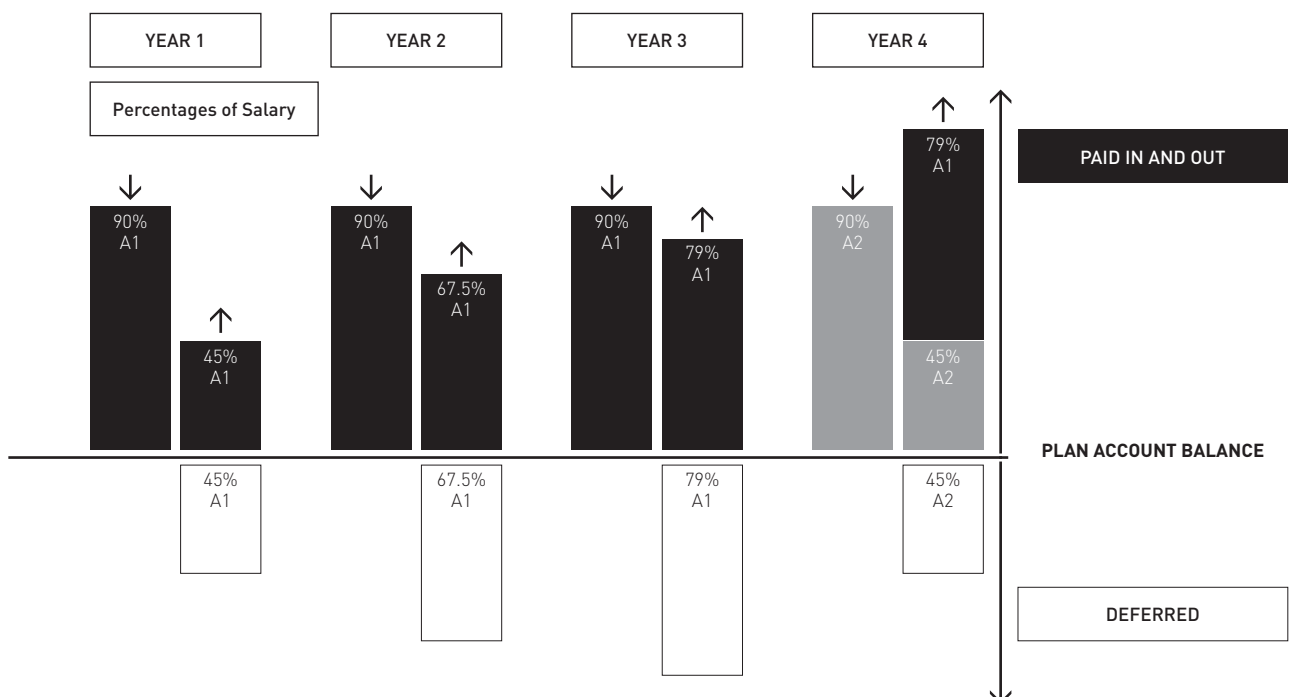
Element A (no material change from 2012 PIP)

- Maximum annual contribution into a Participant’s Plan Account of 150% of salary;
- Contributions will be earned based on the Corporate KPIs and the individual’s personal performance rating;
- Contributions will be made for three years with payments made over four years;
- 50% of the value of a Participant’s Plan Account will be paid out annually for three years with 100% of the residual value paid out at the end of year four;
- 50% of the unpaid balance of a Participant’s Plan account will be at risk of annual forfeiture, the application of which will take account of relative TSR, absolute TSR, strategic, financial and operational performance.

This schematic shows the operation of Element A of the PIP which is the same as the 2012 PIP:

For example: First Cycle of Operation (A1 in the schematic below)

Year 1	Year 2
Maximum annual contribution under Element A is 150% of salary. Therefore, if 60% of the maximum is earned that equals 90% of salary. - 45% is paid in cash; - 45% is deferred in notional shares.	Maximum annual contribution under Element A is 150% of salary. Therefore if 60% of the maximum is earned that equals 90% of salary. - Deferred element from Year 1 = 45% of salary; - Contribution from Year 2 = 90% of salary; - 50% of the value in a participant’s plan account is paid at the end of Year 2 = $(45\%+90\%) \times 50\% = 67.5\%$; - 50% of the value is deferred = 67.5%.
Year 3	Year 4
Maximum annual contribution under Element A is 150% of salary. Therefore if 60% of the maximum is earned that equals 90% of salary. - Deferred element from Year 1 & 2 = 67.5% of salary; - Contribution from Year 3 = 90% of salary; - 50% of the value in a participant’s plan account is paid at the end of Year 3 = $(67.5\%+90\%) \times 50\% = 78.75\%$; - 50% of the value is deferred = 78.75%.	In Year 4 the deferred element from Year 3 is paid = 78.75%. If the Company has decided to operate a further cycle of operation of Element A of the PIP the participant will also receive 45% paid immediately and 45% will be deferred under a further cycle of operation (A2 in the schematic below).



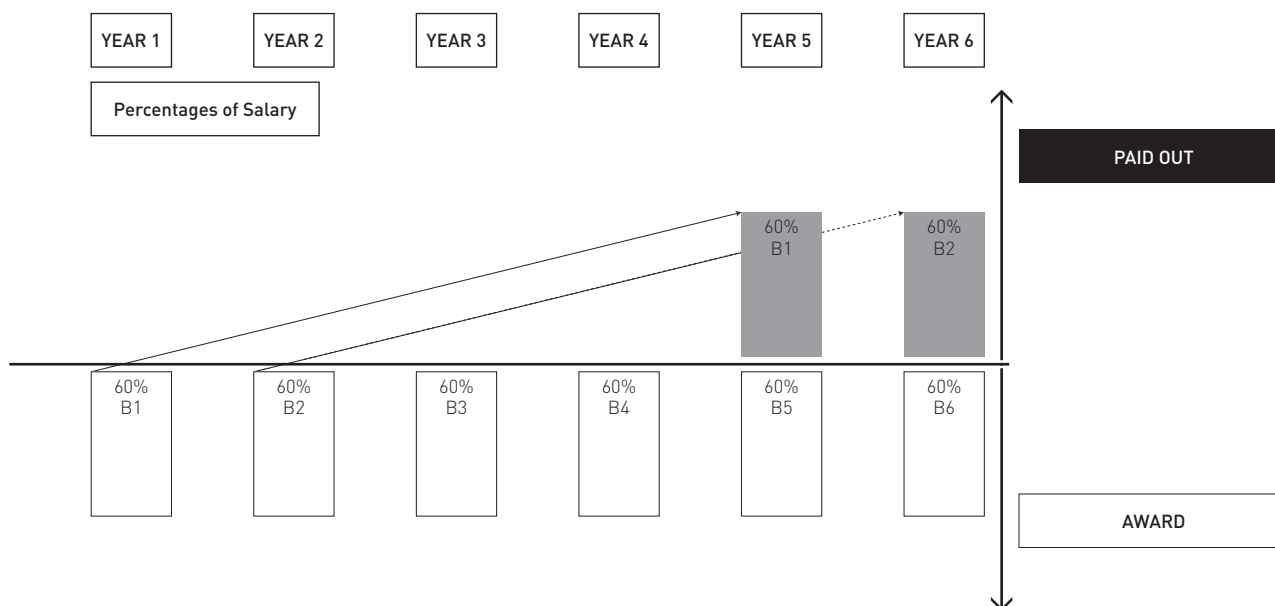
New Element B

- Maximum annual deferred share award of up to 100% of salary;
- Deferred share award will be earned based on the same performance conditions as set for Element A;
- Shares earned under Element B are subject to a three year vesting period during which the Participant must remain employed by the Company and also cannot be sold for five years from the date of award irrespective of employment status. Awards under Element B will be made in March / April of the year following the year during which performance was measured.
- It is proposed that the first grants under Element B will be made in 2017 based on the level of satisfaction of the Element A targets set for 2016.

This schematic shows the operation of the deferred share award (Element B):

Maximum annual award under Element B is 100% of salary. Awards vest 3 years plus 2 year further holding period. Therefore, if 60% of the maximum earned (60% of salary).

The table below shows the profile of the payouts over the 6-year period (assumes no share price growth):



Performance Conditions

The performance conditions for both PIP Element A and B will be the same and based on the same targets as have been successfully used for the 2012 PIP.

- Total Shareholder Return (Absolute and Relative)
- Vacancy rate
- Administration cost ratio (as % of net rental)
- Personal performance rating
- EPRA NAV growth

As in previous years, the Company will provide prospective information on the above targets and detailed retrospective disclosure of the achievement against those targets.

Minimum Shareholding Requirement

An increase in the minimum shareholding requirement to 250% of salary for the Chief Executive Officer (currently 100%) and 150% of salary for the Executive Chairman and the Chief Financial Officer (currently 100% and 75% respectively) will be introduced alongside PIP Element B. The build-up and retention of shares by management is a key objective of the proposed Policy such that the increase in the minimum shareholding requirement supports this objective.

Committee's Rational for the Design of the PIP.

ALIGNING PERFORMANCE CONDITIONS WITH THE CYCLICALITY OF THE COMPANY'S BUSINESS

The Committee feels that one of the challenges of setting long-term performance conditions in a cyclical business is that payments to management are often more dependent on when the incentive was granted in the cycle than the performance of the business. It is very difficult in the target setting to avoid this because of the limited visibility in a cyclical business and particularly where potential acquisitions and disposals may occur over the period. The "boom" or "bust" approach to incentives means at certain points in the cycle (normally when good management is even more essential) there is little potential value in the incentives and therefore no retention.

The Committee feels the increase in the amount of incentive based on an annual assessment of performance helps deal with the cyclical nature of the business as follows:

- The ability to set targets to face the market conditions annually giving greater accuracy and relevance.
- It would allow a wider range of performance conditions to be set and measured reflective of the requirement of the Company strategy and a given period in the cycle.
- In general participants feel they have greater line of sight and more control over the potential outcomes increasing the actual and perceived value of the incentives.

Executives would be locked-in during the cycle due to the increase in the amount of deferred shares which can be earned under the proposed incentive approach making the Company less vulnerable to challenging periods in the cycle.

SIMPLICITY AND CLARITY

The Committee believes that the following factors impact on whether remuneration is simple:

- The relevance of the performance conditions and targets set. Research has shown that most executives are focused on being fairly rewarded for performance delivered and that the most impact on behaviour is where performance is measured annually. This has been addressed by increasing the amount of the incentive based on the annual assessment of performance.
- The operation of multiple plans increases complexity. The use of a single plan provides simplicity.

The PIP is transparent and the 2012 PIP is easily understood by Participants and the Company. The PIP provides clarity over the performance metrics which drive long term value creation and the provision of reward to Executive Directors and senior management.

LONG-TERM ALIGNMENT

It was a key consideration for the Committee to ensure that any new scheme supported the long-term alignment of the interests of Executive Directors and senior management with shareholders, and this is achieved through the majority of incentives earned being in the form of shares, a significant proportion of which must be held by the Participant for a material period.

The Committee believes that this approach will ensure that Executive Directors and senior management are locked-in shareholders and focused on long-term sustainable value. Shares may be earned by Participants on annual measurement of Performance Targets but the ultimate value of these shares will depend on the future share price which will ensure that Participants are focused on making strategic decisions today that are designed to flow through to shareholder value in the future. The following features of the Plan support the Committee's objectives:

- 70% of the total maximum annual incentive opportunity earned/deferred in shares;
- Element A – the unpaid balance is deferred in shares on a rolling basis;
- Element B – shares held by Executive Directors cannot be sold for five years. This restriction applies even after an Executive Director has ceased employment.
- An increased minimum shareholding requirement of 250% of salary for the Chief Executive Officer and 150% for the Executive Chairman and the Chief Financial Officer.

SUPPORTING A HIGH PERFORMANCE CULTURE

The PIP has the following relevant features:

- Competitive incentive potential if stretching targets are achieved (provided that share price is maintained and performance is sustainable and does not result in forfeiture);
- It allows the accumulation of locked in value to be banked early on in the Participant's employment period;
- It ensures that the Company is competitive and therefore able to retain and attract the best talent;
- The Plan rewards the successful implementation of the Company strategy;
- It is designed to mitigate against over-compensating participants for the cyclical nature of the property sector. Traditional long-term incentive plans can operate as "boom" or "bust" incentives because of leveraging due to the grant of shares when the share price is low at the bottom of the cycle and the comparative ease of satisfy 3 year targets on the upswing of the cycle.
- The Committee intends to set appropriately challenging performance targets to ensure the delivery of annual financial and operational goals as well as the implementation of the Company's strategy, taking in to account the market conditions facing the business each year and the size of the bonus opportunity. Therefore, the performance conditions would be more stretching for the new PIP with its increased opportunity than would be case for the existing opportunities all other factors being the same. The Company will, as is currently the case, provide full granular retrospective disclosure of the performance conditions, the targets set and the level of performance achieved so that shareholders can judge for themselves whether the incentives earned are warranted by the performance delivered.

BALANCING RISK AND REWARD

The PIP provides that:

- 70% of the maximum annual contribution is deferred;
- 50% of the amount deferred under Element A is subject to the risk of forfeiture if minimum performance thresholds are not achieved in subsequent years;
- Element B is subject to a five year sale restriction period; and
- Deferred elements are in shares with a corresponding alignment of interests with shareholders and additional risk adjustment through the exposure to the share price over the periods of deferral.

SUPPORTIVE OF CORPORATE GOVERNANCE AND BEST PRACTICE

- One of the alternative models suggested by the Executive Remuneration Working Group ("ERWG") in their 2016 report.
- Supportive of corporate governance and best practice in terms of:
 - Simplicity;
 - Deferral of a proportion of annual bonus in shares supporting the alignment of the interests of executives and shareholders;
 - The support of the build-up of a long-term locked in shareholding by executives;
 - The facilitation of malus and clawback by having a significant amount of the incentives earned deferred in shares and under the control of the Company post the determination of the bonus for a particular year.

SHAREHOLDER CONSULTATION

The Committee consulted with its majority shareholder, its next 10 largest investors as well as the main Shareholder representative bodies prior to finalising the design of the PIP. The Committee is grateful for the significant degree of engagement with the Company shown by those shareholders consulted throughout the consultation process, and for their comments and feedback. At the end of this process the Committee is pleased that the majority of Shareholders consulted have indicated they are supportive of the Plan.

BOARD RECOMMENDATION

The Board considers the Plan to be in the best interests of the Company and Shareholders. Accordingly, the Board unanimously recommends that Shareholders vote in favour of the ordinary resolution set out in the AGM Notice.

Yours faithfully,

Chris Jarvis

Chairman of the Remuneration Committee

APPENDIX 2

This Appendix 2 sets out the key terms of the PIP summarised in the letter from the Chairman of the Remuneration Committee dated 24 March 2017 (the "Chairman's Letter").

Definitions

'AGM'	the annual general meeting of Shareholders convened by the Notice of AGM dated 24 March 2017;
'Board'	the board of directors of the Company;
'Close Period'	a period when the Board of the Company is prohibited from dealing in Shares under the Listing Rules of the London Stock Exchange;
'Remuneration Committee' or 'Committee'	a Committee of the Board of the Company;
'Element A'	Element A of the PIP as defined in the Chairman's Letter and Appendices to that Letter;
'Element B'	Element B of the PIP as defined in the Chairman's Letter and Appendices to that Letter;
'Employee Trust'	the CLS Holdings plc Employee Benefit Trust;
'Group'	the Company and all of its direct and indirect subsidiaries;
'LTIP'	long-term incentive plan;
'CLS Holdings' or the 'Company'	CLS Holdings plc;
'PIP' or 'Plan'	The CLS Holdings plc 2017 Performance Incentive Plan;
'Participant' or 'Participants'	individuals employed by the Group intended to participate in the PIP;
'Participant's Plan Account'	the virtual account held for each Participant into which Company Contributions earned under the PIP are transferred;
'Performance Condition' or 'Performance Target'	as defined in the Chairman's Letter and Appendices to that Letter;
'Sale Restrictions'	restrictions on Participant's selling shares under vested Element B awards;
'Shareholders'	holders of the shares;
'Shares'	the Company's ordinary shares.

	Element A		Element B		
Participants	Executive Directors and Senior Management		Executive Directors and Senior Management.		
Quantum	Level (Expected number of Participants)	Max Element A award % of salary	Level (Expected number of Participants)	Max Element B award % of salary	Total Max under Element A and B
	Executive Directors (2)	100% to 150%	Executive Director (2)	100%	200% to 250%
	Senior Management (1)	150%	Senior Management (12)	30% to 65%	30% to 215%
Performance Conditions	<p>The Primary Performance Conditions will be based on a set of key performance indicators for the relevant Plan Year as follows:</p> <ul style="list-style-type: none"> • Total Shareholder Return (Absolute and Relative) • Vacancy rate • Administration cost ratio (as % of net rental) • Personal performance rating • EPRA NAV growth <p>The Committee will also set an annual forfeiture condition for Element A which if not satisfied will result in 50% of the cumulative balance under Element A being forfeited. The application of which will take account of relative TSR, absolute TSR, strategic, financial and operational performance.</p>				

Cessation of Employment**For the Year of Cessation**

Good leavers: Performance conditions will be measured at the measurement date. The Company bonus contribution will normally be pro-rated for the period worked during the financial year.

Other leavers: No Company bonus contribution payable for year of cessation.

Discretion: the Committee has the following elements of discretion:

- to determine that an executive is a good leaver. It is the Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders; and
- to determine whether to pro-rate the Company bonus contribution to time. The Committee's normal policy is that it will pro-rate for time. It is the Committee's intention to use discretion to not pro-rate in circumstances where there is an appropriate business case which will be explained in full to shareholders.

Deferred Balances in Participant's Plan Account

Good leavers: The balance in the Participant's Plan account will be payable on cessation of employment.

Other leavers: The balance in the Participants' Plan Account will be forfeited on cessation of employment.

Discretion: the Committee has the following elements of discretion:

- to determine that an executive is a good leaver. It is the Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders;
- to determine whether the payment of the balance of the Participant's Plan Account should be in cash or shares or a combination of both;
- to determine whether to pro-rate the balance of the Participant's Plan account payable on cessation. The Committee's normal policy is that it will not pro-rate. The Committee will determine whether to pro-rate based on the circumstances of the Executive Directors' departure.

For the Year of Cessation

Good leavers: Performance conditions will be measured at the measurement date. The award will normally be pro-rated for the period worked during the financial year.

Other leavers: No Element B award for year of cessation.

Discretion: the Committee has the following elements of discretion:

- to determine that an executive is a good leaver. It is the Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders;
- to determine whether to pro-rate the Company award to time. The Remuneration Committee's normal policy is that it will pro-rate for time. It is the Committee's intention to use discretion to not pro-rate in circumstances where there is an appropriate business case which will be explained in full to shareholders;
- to determine whether the Element B award will vest on the date of cessation or the original vesting date. The Committee will make its determination based amongst other factors on the reason for the cessation of employment;
- to determine whether to provide the Element B in the form of cash or shares.

Subsisting Element B awards

Good leavers: Element B awards will vest on their original vesting dates and remain subject to the sale restrictions.

Other leavers: Element B awards will be forfeited on cessation of employment.

Discretion: the Committee has the following elements of discretion:

- to determine that an executive is a good leaver. It is the Committee's intention to only use this discretion in circumstances where there is an appropriate business case which will be explained in full to shareholders;
 - to determine whether to pro-rate the Element B award to the date of cessation. The Committee's normal policy is that it will not pro-rate. The Committee will determine whether to pro-rate based on the circumstances of the Executive Directors' departure;
 - to determine whether the Element B awards vest on the date of cessation or the original vesting date. The Committee will make its determination based amongst other factors on the reason for the cessation of employment.
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Change of Control	<p>For the Year of the Change of Control</p> <p>Performance conditions will be measured at the date of the change of control. The Company bonus contribution will normally be pro-rated to the date of the change of control.</p> <p><i>Discretion:</i> the Committee has the following element of discretion:</p> <ul style="list-style-type: none"> to determine whether to pro-rate the Company bonus contribution to time. The Committee's normal policy is that it will pro-rate for time. It is the Committee's intention to use discretion to not pro-rate in circumstances where there is an appropriate business case which will be explained in full to shareholders. <p>Deferred Balances in Participant's Plan Account</p> <p>The balance in the Participant's Plan account will be payable on the change of control.</p> <p><i>Discretion:</i> the Committee has the following elements of discretion:</p> <ul style="list-style-type: none"> to determine whether the payment of the balance of the Participant's Plan Account should be in cash or shares or a combination of both; to determine whether to pro-rate the balance of the Participant's Plan account payable on change of control. The Committee's normal policy is that it will not pro-rate. The Committee will determine whether to pro-rate based on the circumstances of change of control. 	<p>For the Year of the Change of Control</p> <p>Performance conditions will be measured at the date of the change of control. The award will normally be pro-rated to the date of the change of control.</p> <p><i>Discretion:</i> the Committee has the following element of discretion:</p> <ul style="list-style-type: none"> to determine whether to pro-rate the Element B award to time. The Committee's normal policy is that it will pro-rate for time. It is the Committee's intention to use discretion to not pro-rate in circumstances where there is an appropriate business case which will be explained in full to shareholders. <p>Subsisting Element B Awards</p> <p>The awards will vest on the date of the change of control and the sale restrictions will fall away.</p> <p><i>Discretion:</i> the Committee has the following elements of discretion:</p> <ul style="list-style-type: none"> to determine whether the satisfaction of Element B awards should be in cash or shares or a combination of both; to determine whether to pro-rate Element B awards on change of control. The Committee's normal policy is that it will not pro-rate. The Committee will determine whether to pro-rate based on the circumstances of change of control.
Dilution	The Plan will operate standard ABI Dilution Limits.	
Shareholding Requirement	The minimum shareholding requirement is 250% of salary for the Chief Executive Officer and 150% for the Executive Chairman and the Chief Financial Officer. Executive Directors will not be expected to purchase Shares in the market to meet this requirement but to retain Shares earned under the Company's incentive arrangements.	
Operation of Requirement	Only Shares held unconditionally by Executive Directors and vested Shares under Element B of the PIP will count towards the shareholding requirement.	
Clawback & Malus	<p>The PIP will be subject to the usual market practice FTSE 250 malus and clawback provisions allowing the Committee to reduce awards or claim repayment in certain circumstances.</p> <p>Malus provisions apply to all elements of the PIP. Malus is the adjustment of Element A bonus contributions or the balance in Participant's Plan Account or unvested Element B awards because of the occurrence of one or more circumstances. The adjustment may result in the value being reduced to nil.</p> <p>Clawback is the recovery of payments made under Element A of the PIP or vested Element B awards as a result of the occurrence of one or more circumstances. Clawback may apply to all or part of a participant's payment under Element A or Element B awards and may be effected, among other means, by requiring the transfer of Shares, payment of cash or reduction of awards or bonuses.</p> <p>The circumstances in which malus and clawback could apply are as follows:-</p> <ul style="list-style-type: none"> discovery of a material misstatement resulting in an adjustment in the audited accounts of the Group or any Group company, the assessment of any performance condition or condition in respect of a payment or award under the PIP was based on error, or inaccurate or misleading information, the discovery that any information used to determine the Element A or Element B award was based on error, or inaccurate or misleading information; action or conduct of a participant which amounts to fraud or gross misconduct, or events or the behaviour of a participant have led to the censure of a Group company by a regulatory authority or have had a significant detrimental impact on the reputation of any Group company provided that the Board is satisfied that the relevant participant was responsible for the censure or reputational damage and that the censure or reputational damage is attributable to the participant. 	

The following table sets out the periods during which malus and clawback may be effected.

	Element A	Element B
Malus	Up to the date of a Payment.	Any time prior to vesting.
Clawback	Three years post the date of any Payment.	Two years from the date of vesting.
Sale Restrictions	Element B awards to Executive Directors will be subject to a two year period following vesting when the Shares vested cannot be sold. The Committee may also include Sale Restrictions of up to two years for other Participants in the Plan.	

Operation

The Committee, (the members of which are independent non-executive directors), supervises the operation of the Plan in respect of the employees of the Company, including the Executive Directors. The Committee has the discretion to make awards at any time where they consider the circumstances appropriate. No awards will be granted during a Close Period.

Eligible Employees

Any employee of the Group is eligible to participate in the Plan. Non-executive directors are not eligible to participate in the Plan.

Taxation

The payment of a cash bonus and the vesting and exercise of awards are conditional upon the Participant paying any taxes due.

Allotment and Transfer of Shares

Shares allotted by the Company or transferred by the Trustee of the Employee Trust will not rank for dividends payable if the record date for the dividend falls before the date on which the shares are acquired by the Participant. An application will be made for the admission of the new shares to be issued to the Official List of, and to trading on, the London Stock Exchange plc's main market for listed securities following the vesting and/or exercise of awards.

Variation of Share Capital

On a variation of the capital of the Company, the number of Shares subject to awards and their terms and conditions may be adjusted in such manner as the Committee determines is appropriate.

Duration

The PIP will operate for a period of ten years from the date of approval by shareholders. The Committee may not grant awards under the Plan after the ten year period.

Amendments

Amendments to the rules of the Plan may be made at the discretion of the Committee. However, the provisions governing eligibility requirements, equity dilution, Share utilisation and the adjustments that may be made following a rights issue or any other variation of capital, together with the limitations on the number of Shares that may be issued, cannot be altered to the advantage of Participants without prior Shareholder approval, except for minor amendments to benefit the administration of the Plan, to take account of a change in legislation, or to obtain or maintain favourable tax, exchange control or regulatory treatment for Participants or for the Group. An amendment may not adversely affect the rights of an existing Participant except where the Participant has approved the amendment.

In addition, the Committee may add to, vary, or amend the rules of the Plan by way of a separate schedule in order that the Plan operates in compliance with all requisite local legislative and regulatory requirements as may apply to both Participants and/or the relevant Group company, provided that the parameters of these arrangements will provide no greater benefits than under the rules of the Plan as summarised above.

General

Cash bonus, Shares acquired and awards and any other rights granted pursuant to the Plan are non-pensionable.

Non-Transferability of Awards

Awards are not transferable, except in the case of a Participant for whom a trustee is acting, in which case the trustee will be able to transfer the benefit to the Participant or by will or the laws of descent and distribution.

Employee Trust

The Company may utilise the existing discretionary employee benefit trust, the CLS Holdings plc Employee Benefit Trust (the "EBT" which includes any successor trust set up in connection with the Company's employee share schemes), in order to meet obligations due under the PIP. The Trustee of the EBT has full discretion with regard to the application of the trust fund (subject to recommendations from the Committee). The Company will be able to fund the EBT to acquire Shares in the market and/or to subscribe for Shares at nominal value in order to satisfy awards granted under the Plan. Any Shares issued to the EBT in order to satisfy awards under the Plan will be treated as counting towards the dilution limits that apply to the Plan. For the avoidance of doubt, any Shares acquired by the EBT in the market will not count towards these limits. In addition, unless prior Shareholder approval is obtained, the EBT will not hold more than 5% of the issued share capital of the Company at any one time (other than for the purposes of satisfying awards of Shares that it has granted).

Note: This Appendix 2 summarises the main features of the Plan, but does not form part of them, and should not be taken as affecting the interpretation of the detailed terms and conditions constituting the Plan Rules. Copies of the Plan Rules will be available for inspection at the Company's registered office at 86 Bondway, London, SW8 1SF during usual office hours (Saturdays, Sundays and statutory holidays excepted) from the date of despatch of the AGM Notice up to and including the date of AGM. Copies of the Plan Rules will also be made available at 86 Bondway, London, SW8 1SF (where the 2017 AGM will be held) for 30 minutes before and after the AGM and during the AGM. The Directors reserve the right, up to the time of the AGM, to make such amendments and additions to the rules of the Plan as they consider necessary or desirable, provided that such amendments and additions do not conflict in any material respect with the summary set out in this Appendix 2.

APPENDIX 3 – All Employee Share Incentive Plan

Introduction

The Plan is being introduced to enable employees of the group in the UK to acquire ordinary shares in the Company ("Shares") in a tax-effective way. It is intended to comply with the statutory requirements in Schedule 2 to the Income Tax (Earnings and Pensions) Act 2003 as amended ("Schedule 2").

The Plan operates through a UK resident trust. The trustee of the Plan purchases or subscribes for shares that are awarded to or purchased on behalf of employees under the Plan.

Overall responsibility for the operation and administration of the Plan will be vested with the Board of Directors of the Company or a committee appointed by that board.

Methods of acquiring Shares

The Plan allows for employees to acquire Shares in four different ways at the discretion of the Directors.

'Partnership Shares'

Shares which are acquired using contributions deducted from employees' salaries. Contributions are used each month and/or on a one-off basis to acquire Shares at the full market value on the acquisition date.

'Matching Shares'

Shares which are awarded to employees, in proportion to the number of Partnership Shares acquired, paid for by the employing companies.

'Free Shares'

Shares which are awarded to employees, on the same terms and/or on the basis of business unit performance, paid for by the employing companies.

'Dividend Shares'

Shares which are acquired by reinvestment of dividends paid on Shares held in the Plan.

It is intended that only Partnership Shares and Matching Shares will be offered initially.

Eligibility

The participating companies in the Plan will be the companies in the group which have employees in the UK and have been selected by the Directors. Participation in the Plan must be offered to all employees of the participating companies who are UK resident and meet a qualifying period of service not exceeding 18 months. Employees of participating companies who are not UK resident may be included at the discretion of the Directors.

Individual Share acquisition limits

The limits to the participation in the Plan by an individual employee are set out in Schedule 2 and are currently as follows:

- Each employee may contribute up to £1,800 (or 10% of PAYE earnings, if less) by salary deduction in any tax year to acquire Partnership Shares.
- The maximum number of Matching Shares awarded to an employee is twice the number of Partnership Shares acquired.
- The maximum value of Free Shares awarded to an employee in any tax year is £3,600.

Share capital limit

No Shares may be issued under the Plan if the total number of Shares issued under the Plan, together with the number of Shares issuable or issued pursuant to share options or share awards granted under any other employee share plan operated by a member of the group over the previous 10 years, would exceed 10% of the Company's issued ordinary share capital at the time.

For the purpose of this share capital limit, the issue of Shares includes the reissue of treasury shares.

Rights of participants over Shares

Employees immediately become the beneficial owners of Shares acquired on their behalf under the Plan. However, the Shares are held initially by the trustees of the Plan.

Participants may take their Partnership Shares out of the Plan at any time.

Any Matching Shares or Free Shares must normally be left in the Plan for a holding period of between three and five years.

The holding period for Dividend Shares is three years.

Participants may instruct the trustees of the Plan to accept a takeover offer for the Company during the holding period and the holding period ends if the participant ceases to be an employee of the group.

The Directors may determine that Matching Shares and Free Shares will be forfeitable if the participant ceases to be employed within the group during a period of up to three years after the award date, except in certain circumstances specified in Schedule 2 (including death, injury, disability, redundancy, retirement or a transfer of the employing company or business outside the group).

Matching Shares may also be forfeitable if the corresponding Partnership Shares are taken out of the Plan during a period of up to three years after the award date.

Participants may instruct the trustees as to how the voting rights will be exercised in respect of their Plan Shares. In the event of any reconstruction or variation in the Company's share capital, participants will have the same rights as other holders of Shares and can instruct the trustees of the Plan what action should be taken.

Any Shares allotted under the SIP will rank equally with other Shares of the same class then in issue.

Pension rights

The benefit of Shares acquired under the Plan will not be pensionable.

Amendments to the Plan

The Plan may be amended from time to time by the Directors. The provisions relating to:

- (a) the persons eligible to participate;
- (b) the limits on the number of Shares which may be issued or reissued from treasury;
- (c) the maximum entitlement of any one participant; and
- (d) the basis for determining a participant's entitlement to, and the terms of, Shares, and their adjustment if there is any variation of capital

cannot be amended to the advantage of participants without the prior approval of shareholders in general meeting, except for minor amendments to benefit the administration of the Plan or amendments to take account of a change in the legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for the Company or for other members of the group.

Overseas employees

The Directors may modify the terms of the Plan, to take account of tax laws or other legal or regulatory requirements in the relevant country in respect of awards to employees who are resident outside the United Kingdom.