

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in doubt as to the action you should take you are recommended to seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000.

Please see the Chairman's letter and the notes on the meeting at the end of this Notice concerning the venue and format of the meeting.

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 Thursday, 28 April 2022 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 Tuesday, 26 April 2022. 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 Tuesday, 26 April 2022. 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 Tuesday, 26 April 2022. 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.

Letter from the Chairman of CLS Holdings plc

*CLS Holdings plc (the "Company")
(Incorporated and registered in England with registered number 2714781)*

16 Tinworth Street
London
SE11 5AL

Directors

Lennart Sten (Non-Executive Chairman)
Anna Seeley (Non-Executive Vice Chair)
Fredrik Widlund (Chief Executive Officer)
Andrew Kirkman (Chief Financial Officer)
Elizabeth Edwards (Non-Executive Director)
Bill Holland (Non-Executive Director)
Denise Jagger (Non-Executive Director)
Christopher Jarvis (Non-Executive Director)
Bengt Mortstedt (Non-Executive Director)

28 March 2022

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 Thursday, 28 April 2022 at 10.00 a.m. and the resolutions to be proposed at it. I'm pleased to confirm the publication of our Company's Annual Report and Accounts for the year ended 31 December 2021 (the "Annual Report"), which can be found on the Company's website at www.clsholdings.com, or has been enclosed if you have requested a copy.

As we reported when we announced our annual results on 16 March 2022, it is your Directors' intention to propose a distribution by way of a final dividend for the year ended 31 December 2021 of 5.35 pence per share. This is subject to the passing of Resolution 3.

Coronavirus (Covid-19)

At the present time, we expect to be able to welcome shareholders to the AGM in person. However, due to the ongoing uncertainty in respect of the Covid-19 pandemic, the arrangements for the AGM may be subject to change at short notice. If it becomes necessary to amend the arrangements for the AGM, an announcement will be made via our website at www.clsholdings.com and through a Regulatory Information Service.

As in previous years, voting on the resolutions to be proposed at the AGM will be conducted on a poll, rather than a show of hands. Therefore, shareholders are encouraged to vote via proxy and, where possible, online at www.clsholdings.com/evoting, appointing the Chairman of the meeting as their proxy to ensure their vote is counted.

As we appreciate some shareholders may prefer not to attend, or may be unable to attend, in person, questions to the Board may be submitted in advance of the AGM by emailing questions to cosec@clsholdings.com, or in writing addressed for the attention of the Company Secretary at our Registered Office. The last day for submitting questions is 10.00 a.m. on Tuesday, 26 April 2022 and responses which are relevant to the business of the meeting will be uploaded to our website at www.clsholdings.com. We also encourage shareholders to view the recording of the presentation of our annual results, details of which are available on our website at www.clsholdings.com/investors.

The purpose of the Annual General Meeting is to seek shareholders' approval for the Resolutions set out below.

Electronic communications with shareholders

The Companies Act 2006 (the "Act") enables us, if shareholders agree to it, to supply documents by email or by use of website access instead of posting documents to them. If you would also like to receive documents by post, you may request this service

by writing to our Registrar, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZZ or by contacting them online at www.investorcentre.co.uk/contactus.

Annual General Meeting – explanatory notes

The AGM is to be held in the Seminar Room at Spring Mews – Fresh Student Living, 10 Tinworth Street, Lambeth, London, SE11 5AL, on Thursday, 28 April 2022 at 10.00 a.m. You will find on pages 8 to 12 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 15 are ordinary resolutions. For these to be passed, more than half of the votes cast must be in favour of the relevant resolution. Resolutions 16 to 19 are special resolutions. For each of these to be passed, at least three quarters of the votes cast must be in favour of the resolution. I set out below further information on certain of the resolutions proposed.

Ordinary resolutions

Resolution 3 (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 5.35 pence per ordinary share for the financial year ended 31 December 2021. If approved, the final dividend will be paid on 29 April 2022 to those shareholders on the Company's statutory register of members as at the close of business on 25 March 2022.

Resolutions 4 to 12 (Re-election of Directors)

The Board notes that the UK Corporate Governance Code (the "Code"), which applies to the Company, requires that all Directors be subject to annual re-election by shareholders. Accordingly, resolutions 4 to 12 propose 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 continues to be effective and demonstrates commitment to their roles.

Biographies of all the Directors proposed to be re-elected, which contain specific details of their skills and experience that highlight why their contribution is, and continues to be, important to the Company's long-term sustainable success, are set out on page 7 of this Notice.

The Directors note that Mr Jarvis has served on the Board for more than nine years. In response to investor feedback in relation to the tenure of Mr Jarvis, the Board no longer considers him to be independent. Notwithstanding the tenure of Mr Jarvis, given his experience of the German real estate market, the Board recommends that shareholders vote in favour of his re-election at the AGM.

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 the Sten and Karin Mortstedt Family & Charity Trust (through Creative Value Investment Group Limited) control more than 30% 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 4, 8, 9 and 10 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 resolutions (as a proportion of the total votes cast by independent shareholders cast on the resolutions) 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.

Letter from the Chairman of CLS Holdings plc continued

*CLS Holdings plc (the "Company")
(Incorporated and registered in England with registered number 2714781)*

If a resolution to re-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 that director at a meeting to be held between 90 and 120 days from the date of the original vote. Therefore, if any of resolutions 4, 8, 9 and 10 are not approved by a majority of the independent shareholders at the AGM, the relevant director will be treated as having been 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 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 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 Lennart Sten, Elizabeth Edwards, Denise Jagger and Bill Holland. 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 other than by virtue of their term of office;
- 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 page 7 of this Notice, 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) prior to the appointment of each of the independent directors, 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 15 (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 approximately 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 at 6.00 p.m. on 28 July 2023, whichever is the earlier. Your Directors have no present intention of exercising this authority but the Board wishes to ensure that the Company has maximum flexibility in managing the financial resources of the Company.

Special resolutions

Resolution 16 (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 20,369,760 ordinary shares of 2.5 pence each in the Company ("Ordinary Shares") and representing approximately five per cent of the issued equity share capital of the Company (excluding treasury shares) as at 28 March 2022 (being the latest practicable date prior to the publication of this document). 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 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 at 6.00 p.m. on 28 July 2023, 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-preemptive basis without prior consultation with shareholders.

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

Resolution 17 (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, such authority being limited to the purchase of 10 per cent of the Ordinary Shares in issue as at 28 March 2022 (being the latest practicable date prior to the publication of this document). 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. No dividends are paid on shares while held in treasury and no voting rights attach to treasury shares.

The minimum price which may be paid for any Ordinary Shares pursuant to this authority will be 2.5 pence (being an amount equal to the nominal value of an Ordinary Share). 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.

The maximum per cent aggregate number of Ordinary Shares hereby authorised to be purchased is 40,739,576 Ordinary Shares (representing 10 per cent of the Ordinary Shares in issue as at 28 March 2022 (being the latest practicable date prior to the publication of this document)). This authority will expire at the conclusion of the Company's next annual general meeting, or, if earlier, at 6.00 p.m. on 28 July 2023, being 15 months from the date of the passing of this resolution.

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. The Directors have no present intention of exercising this authority.

During the year to 31 December 2021 the Company did not make any market purchases of its own shares pursuant to its general authority to make market purchases.

Resolution 18 (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. Under the Act, 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, the proposals are time sensitive and it would clearly be to the advantage of shareholders as a whole.

Letter from the Chairman of CLS Holdings plc continued

*CLS Holdings plc (the "Company")
(Incorporated and registered in England with registered number 2714781)*

Resolution 19 (Amendments to the Articles of Association of the Company)

It is proposed that the Company adopts updated Articles of Association (the "New Articles"), principally in order to reflect developments in law and practice since the Company's current articles (the "Current Articles") were adopted in 2010 and to incorporate the consequential changes necessary for a UK REIT. A copy of the New Articles, together with a copy marked to show the changes from the Current Articles, is available for inspection and can be viewed on the Company's website (www.clsholdings.com).

A summary of the principal changes contained in the New Articles and the impact of the Company's election of its UK business into the UK REIT tax regime is contained in Part III of this Notice.

Voting

You will find enclosed with this document a Form of Proxy for use in respect of the AGM. Due on the ongoing uncertainty in respect of the Covid-19 pandemic, shareholders are encouraged 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 Tuesday, 26 April 2022.

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 Tuesday, 26 April 2022. 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 Tuesday, 26 April 2022. 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.

Further information

At 28 March 2022 (being the latest practicable date prior to the publication of this document), the issued share capital of the Company was 438,777,780 Ordinary Shares, of which 31,382,020 Ordinary Shares are held by the Company as treasury shares. As at 28 March 2022, the total number of voting rights in the Company was, therefore, 407,395,760.

At 28 March 2022, the Company operates the Performance Incentive Plan (the "Plan") which sets out share awards made to participants of Element B of the Plan and a Long-Term Incentive Plan (the "LTIP"). As at this date, there were awards outstanding under Element B of the Plan in respect of 570,081 shares and options outstanding under the LTIP in respect of 1,956,940 shares. Together, these represented 0.58 per cent of the Company's issued share capital on that date. If the authority to purchase shares set out in resolution 17 was exercised in full, the share awards would represent 0.63 per cent of the Company's issued share capital as at 28 March 2022.

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, 27,647,465 Ordinary Shares, representing approximately 6.76 per cent of the Company's issued share capital (excluding treasury shares).

Yours faithfully

Lennart Sten
Non-Executive Chairman

Directors' biographies

As at 28 March 2022 (being the latest practicable date prior to the publication of this document)

Lennart Sten

Independent Non-Executive Chairman

Appointment as a Director 1 August 2014
Tenure 7 years 4 months

Former roles: CEO, GE Capital Real Estate Europe. President, GE Real Estate Nordic. CEO Faberge AB. General Counsel, GE Capital Equipment Finances AB. Partner, Baker & McKenzie, Stockholm

Qualifications: Degree in Law, Stockholm University

Experience: International property industry. Founder and CEO of Svenska Handelsfastigheter. Board member, Interogo Holding AG. Chairman, Klara Bo Sverige AB

Anna Seeley

Non-Executive Director and Vice Chair

Appointment as a Director 11 May 2015
Tenure 6 years 7 months

Former roles: European Property Surveyor, General Electric Corporate and BT Group. Group Property Director, CLS Holdings plc. Chartered Surveyor, Chestertons

Qualifications: Degree in Property Valuation and Finance, City University and Chartered Surveyor

Experience: 20+ years of property industry and business experience

Fredrik Widlund

Chief Executive Officer

Appointment as a Director 3 November 2014
Tenure 7 years 1 month

Former roles: Global Commercial Leader, GE Capital International. Regional CEO, GE's European Leasing businesses. Managing Director, GE Capital Real Estate. CFO, GE Capital Equipment Finance. Various positions with Royal Dutch Shell

Qualifications: Degree in Business Administration, Stockholm University

Experience: Business leadership, property and finance experience in global organisations. Trustee of Morden College, a social and housing charity

Andrew Kirkman

Chief Financial Officer

Appointment as a Director 1 July 2019
Tenure 2 years 5 months

Former roles: Finance Director, Harworth Group plc. Finance Director, Viridor. Chief Finance Officer, Balfour Beatty Capital. Global Head of Corporate Finance, Bovis Lend Lease

Qualifications: Masters in Politics, Philosophy and Economics, Oxford University. Fellow, Institute of Chartered Accountants

Experience: Extensive plc, property, finance and operational experience. Non-Executive Director, A2Dominion Housing Limited, a social housing charity

Elizabeth Edwards

Senior Independent Director

Appointment as a Director 13 May 2014
Tenure 7 years 7 months

Former roles: Head, Property Lending, Landesbank Berlin. Senior positions with National Australia Bank, Berlin Hyp and Westdeutsche Immobilienbank. Management Consultant, PwC

Qualifications: Chartered Surveyor, Degree in Estate Management, South Bank University. Fellow, Royal Institution of Chartered Surveyors

Experience: Banking (primarily property related). Non-Executive Director, Schroders European REIT plc. Trustee, Salvation Army International Trust. Trustee, Refuge. Past Master, the Worshipful Company of Chartered Surveyors.

Christopher Jarvis

Non-Executive Director

Appointment as a Director 25 November 2008
Tenure 13 years 1 month

Former roles: Owner, Jarvis & Partners real estate consultancy. Partner, HRO Group. MD, Richard Ellis Germany

Qualifications: Chartered Surveyor. Masters in Land Economy, Cambridge University

Experience: Advising on all property-related matters, from debt financing to asset acquisitions, primarily in the German market

Denise Jagger

Non-Executive Director

Appointment as a Director 1 August 2019
Tenure 2 years 4 months

Former roles: Solicitor, Slaughter and May, Director Asda Stores, Company Secretary and General Counsel Asda Group plc/Asda Wal Mart, Partner Eversheds Sutherland LLP, Chair St Giles Trust

Qualifications: Law degree, Warwick University, Certificate in EU Studies Université de Nice, Hon Doctorate of Law, Leeds Beckett University

Experience: Legal advisory (corporate finance, M&A, regulatory, compliance and governance). Retail and property sector specialism. Independent NED and SID Bellway plc; NED and Remuneration and Nominations Committee Chair, Pool Reinsurance; Chair and Pro Chancellor University of York; Trustee National Trust

Bengt Mortstedt

Non-Executive Director

Appointment as a Director 7 March 2017
Tenure 4 years 9 months

Former roles: Director, CLS Holdings plc (1992–2010). Former Junior District Court Judge in Sweden

Qualifications: Degree in Law, Stockholm University

Experience: European property market and Group business. Developed and runs hotels in St Vincent & Grenadines, West Indies

Bill Holland

Non-Executive Director

Appointment as a Director 20 November 2019
Tenure 2 years 1 month

Former roles: Senior Partner, KPMG real estate audit practice

Qualifications: Fellow, Institute of Chartered Accountants. Degree in Economics from Durham University

Experience: Real estate, finance and audit experience. Non-Executive Director, Urban&Civic and Ground Rents Income Fund plc. Governor, Winchester College

Notice of Annual General Meeting

CLS Holdings plc (the "Company")
(Incorporated and registered in England with registered number 2714781)

Notice is hereby given that the Annual General Meeting of CLS Holdings plc ("the Company") will be held at the Seminar Room at Spring Mews - Fresh Student Living, 10 Tinworth Street, Lambeth, London, SE11 5AL, on 28 April 2022 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 2021 together with the Directors' Report and the Independent Auditor's Report on those Accounts and on the auditable part of the Directors' Remuneration Report, be and are hereby received and adopted.
2. That the Directors' Annual Remuneration Report, as set out on pages 118 to 129 of the Annual Report & Accounts (as referred to in Resolution 1 above), be and is hereby approved.
3. That a final dividend for the financial year ended 31 December 2021 of 5.35 pence per ordinary share of 2.5 pence each payable on 29 April 2022 to those shareholders on the register of members at the close of business on 25 March 2022 be declared.
4. That Lennart Sten be re-elected as a Director.
5. That Anna Seeley be re-elected as a Director.
6. That Fredrik Widlund be re-elected as a Director.
7. That Andrew Kirkman be re-elected as a Director.
8. That Elizabeth Edwards be re-elected as a Director.
9. That Bill Holland be re-elected as a Director.
10. That Denise Jagger be re-elected as a Director.
11. That Christopher Jarvis be re-elected as a Director.
12. That Bengt Mortstedt be re-elected as a Director.
13. That Ernst & Young LLP be appointed as auditors to hold office until the conclusion of the next annual general meeting.
14. That the Directors be authorised to determine the remuneration of the auditors.
15. 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):
 - a. 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 £3,394,964 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 at 6.00 p.m. on 28 July 2023, whichever is the earlier (unless previously renewed, revoked or varied by the Company in general meeting); and
 - b. 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:

16. That subject to the passing of resolution 15 set out in the Notice convening this Meeting, the Directors be and are empowered in accordance with sections 570 and 573 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:
 - a. 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, record dates or legal or practical problems under the laws or requirements of any recognised regulatory body or stock exchange in any territory; and
 - b. the allotment (otherwise than pursuant to paragraph 16.a. 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 at 6.00 p.m. on 28 July 2023, 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.
17. 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 2.5 pence each in the capital of the Company ("Ordinary Shares") on such terms and in such manner as the Directors may determine provided that:
 - a. the maximum aggregate number of Ordinary Shares hereby authorised to be purchased is 40,739,576 (representing approximately 10 per cent of the Company's issued share capital excluding treasury shares);
 - b. the minimum price which shall be paid for any Ordinary Share pursuant to this authority shall be 2.5 pence, being the nominal value of an Ordinary Share;
 - c. 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;
 - d. 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 next annual general meeting of the Company following the passing of this resolution (or, if earlier, at 6.00 p.m. on 28 July 2023, being 15 months from the date of the passing of this resolution); and
 - e. the Company may make a contract or contracts to purchase 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 pursuant to any such contract or contracts as if such authority had not expired.
18. That a general meeting of the Company other than an annual general meeting may be called on not less than 14 clear days' notice.
19. That with effect from the conclusion of the Annual General Meeting and pursuant to section 21(1) of the Companies Act 2006, the Articles of Association produced to the meeting, and for the purpose of identification signed by the Chairman, be approved and adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association of the Company.

BY ORDER OF THE BOARD

David Fuller
Company Secretary
28 March 2022

Notice of Annual General Meeting continued

*CLS Holdings plc (the "Company")
(Incorporated and registered in England with registered number 2714781)*

Notes:

1. All the resolutions put to the AGM will be voted on by a poll and not a 'show of hands' as this delivers a fairer representation of shareholder views and has become best practice at large company annual general meetings. The results of the poll will be announced to the market by the end of the day and published on the Company's website.
2. 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 their 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 (the "Act") to enjoy information rights (a "Nominated Person").
3. To appoint a proxy you may:
 - a. use the Form of Proxy enclosed with this Notice of 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 6ZZ in each case no later than 10.00 a.m. on Tuesday, 26 April 2022; 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 Tuesday, 26 April 2022. 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 7 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.

4. 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. To facilitate shareholder engagement, questions to the Board may be submitted in advance of the AGM by emailing questions to cosec@clsholdings.com, or in writing addressed for the attention of the Company Secretary at our Registered Office. The last day for submitting questions is 10.00 a.m. on Tuesday, 26 April 2022 and responses which are relevant to the business of the meeting will be uploaded to our website at www.clsholdings.com. We also encourage shareholders to view the recording of the presentation of our annual results, details of which is available on our website at www.clsholdings.com/investors.

5. Pursuant to section 360B of the 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 5.00 p.m. on Tuesday, 26 April 2022 shall be entitled to attend and vote at the 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.
6. 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.
7. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the 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 & International'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 Tuesday, 26 April 2022.

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. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

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.

8. 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.
9. The following documents are available for inspection at the registered office of the Company, CLS Holdings plc, 16 Tinworth Street, London SE11 5AL during usual business hours on any weekday (Saturdays, Sundays and public holidays excluded) until the conclusion of the AGM and will be available for inspection at the place of the AGM 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; and
 - b. the New Articles (together with a comparison against the Current Articles).
10. As at 28 March 2022 (being the last business day prior to the publication of this Notice) the Company's issued share capital consists of 438,777,780 ordinary shares (of which 31,382,020 ordinary shares are held by the Company as treasury shares), carrying one vote each. Therefore, the total voting rights in the Company as at 28 March 2022 are 407,395,760.

Notice of Annual General Meeting continued

*CLS Holdings plc (the "Company")
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11. The information required to be published by s.311(A) of the 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.
12. Under section 527 of the Act, members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Meeting; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Act.
13. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Act. Where the Company is required to place a statement on a website under section 527 of the Act, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Meeting includes any statement that the Company has been required under section 527 of the Act to publish on a website.
14. 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.
15. 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.

REIT conversion and adoption of amended articles of association

CLS Holdings plc (the "Company")

(Incorporated and registered in England with registered number 2714781)

1. INTRODUCTION

On 28 December 2021, the Company announced that it would elect its UK business into the UK REIT tax regime with effect from 1 January 2022. Such change in status means that the CLS Group will not pay UK tax on the profits and gains from its Qualifying Property Rental Business and on disposals of shares in UK Property Rich Companies, provided certain conditions are met. The effect of this change in status on the Company and its Shareholders, and the conditions which the Company is required to meet, are described in more detail below. The Shares will continue to be listed on the Main Market of the London Stock Exchange plc and admitted to trading on the Official List of the Financial Conduct Authority.

Tax Consequences

As a consequence of electing its UK business into the UK REIT Regime the CLS Group will no longer be chargeable to UK corporation tax on the profits and gains of its Qualifying Property Rental Business and on gains on the disposal of rights or interests in UK Property Rich Companies. Instead of which, Shareholders will be chargeable to UK tax on such profits and gains when they are distributed by the Company.

The UK REIT election does not affect the taxation of the CLS Group's profits and gains of any business outside its Qualifying Property Rental Business, including its German or French operations, nor does it affect the taxation of Shareholders when such profits and gains are distributed to them by the Company.

Further details on the tax consequences relating to the conversion to a UK REIT are set out below.

Business implications

With the CLS Group's focus on commercial property investment and the winding down of non-core activities over recent years, a review was undertaken by the Group's Head of Tax, with the assistance of external advisors, which concluded that the CLS Group's UK business now comfortably meets all the conditions in order to elect into the UK REIT regime.

In addition to this, in March 2021 the UK Chancellor announced that the UK Corporation Tax rate would increase from 19% to 25% from 1 April 2023. This tax increase made the case for the Company's UK business entering the UK REIT regime even more compelling.

The Board consulted with the Company's majority shareholder, Creative Value Investments Group Limited ("CVIG"), prior to electing the Company's UK business in to the UK REIT Regime and CVIG confirmed its support for the UK REIT conversion and the proposed amendments to the Current Articles. The Group's UK business REIT status will be subject to regular review by the Group's Head of Tax going forward, ensuring that the Board receives updates as required.

Dividend Policy

The Company continues to expect sufficient cash flow to be able to meet the growth requirements of the business, maintain an appropriate level of debt and provide cash returns to shareholders via a dividend.

Following the Company's election of its UK business into the UK REIT Regime, it is our intention to continue to pay a progressive dividend fully covered by EPRA earnings.

Going forward, dividends will be split into two payments as set out in the "Dividends" section below. Approximately one-third of the aggregate annual dividend (i.e. the total of both the Property Income Distributions and non-Property Income Distributions) will be made as an interim dividend in September, with the balance paid as a final dividend in April.

Following the election of the UK business into the UK REIT Regime, our dividend policy will be reviewed prior to the first interim dividend anticipated to be paid in September 2022.

Reasons for the UK REIT changes to the Current Articles

Following the Company's election of its UK business into the UK REIT Regime, a tax charge may be levied on the Company if it pays a distribution to a Substantial Shareholder, and the Company has not taken reasonable steps to avoid doing so. The UK REIT provisions in the New Articles are intended to demonstrate to HMRC that such reasonable steps have been taken and are in line with equivalent provisions contained in other UK REIT companies' articles of association. The changes in the New Articles:

- (i) provide the Directors with powers to identify Substantial Shareholders;
- (ii) prohibit the payment of dividends on Shares that form part of a Substantial Shareholding, unless certain conditions are met;

REIT conversion and adoption of amended articles of association

CLS Holdings plc (the "Company")

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- (iii) allow dividends to be paid on Shares that form part of a Substantial Shareholding where the Shareholder has disposed of its rights to dividends on its Shares; and
- (iv) seek to ensure that if a dividend is paid on Shares that form part of a Substantial Shareholding and arrangements of the kind referred to in (iii) are not met, the Substantial Shareholder concerned does not become beneficially entitled to that dividend.

HMRC has published guidance which confirms that it will consider that reasonable steps have been taken by the Company to avoid paying distributions to Substantial Shareholders if the four elements described above are adopted by the Company.

A more detailed description of the amendments set out in the New Articles is set out below.

Exit from the UK REIT regime

CLS can give notice to HMRC that it wants to leave the UK REIT Regime at any time. The Board retains the right to decide to exit the UK REIT Regime at any time in the future, without Shareholder consent, if it considers this to be in the best interests of CLS and the Shareholders taken as a whole.

It is important to note that CLS cannot guarantee continued compliance with all of the UK REIT conditions and that the UK REIT Regime may cease to apply in some circumstances.

2. THE UK REIT REGIME

1. WHAT ARE THE TAX CONSEQUENCES OF BEING A UK REIT FOR THE COMPANY?

The below is intended as a general guide only and is based on the Company's understanding of current UK tax law and HMRC practice based on published guidance to date, each of which is subject to change, possibly with retrospective effect. This is not advice and should not be relied upon as such.

Introduction

As a result of the Company's conversion to UK REIT status, provided it meets certain conditions, from the Conversion Date members of the CLS Group will no longer pay UK corporation tax on the profits and gains from their Qualifying Property Rental Businesses and on gains on the disposal of rights or interests in UK Property Rich Companies.

UK REIT conversion does not affect the taxation of the CLS Group's profits and gains of any business outside its Qualifying Property Rental Business including the overseas business of overseas members of the CLS Group. Other residual business profits and gains of the CLS Group, such as on the disposal of assets outside their Qualifying Property Rental Businesses and in respect of third-party property management fees, will continue to be subject to corporation tax as before.

Qualification as a UK REIT

A Group becomes a group UK REIT by the Principal Company of the group giving notice to HMRC before the beginning of the first accounting period for which it wishes the Group to become a group UK REIT. In order to qualify as a group UK REIT, the Principal Company and the Group must satisfy certain conditions set out in Part 12 of CTA 2010. A non-exhaustive and high-level summary of the material conditions is set out below. Broadly, the Principal Company must satisfy the conditions set out in paragraphs A to D and F below and the Group as a whole must satisfy the conditions set out in paragraph E.

(A) Company conditions

The Principal Company must be solely UK resident for tax purposes, its shares admitted to trading on a recognised stock exchange and it must not be an open-ended investment company. The Principal Company's shares must also either be listed on a recognised stock exchange throughout each accounting period or actually traded on a recognised stock exchange in each accounting period. This further listing requirement is relaxed in the Group's first three accounting periods as a UK REIT, but must be met before the end of the third accounting period. The Principal Company must also not (apart from in circumstances where it is a close company only because it has as a participator an Institutional Investor as defined in section 528(4A) of CTA 2010) be a "close company" (as defined in section 439 of CTA 2010 as amended by section 528(5) of CTA 2010) (the "close company condition"). In summary, the close company condition amounts in basic terms to a requirement that the company cannot be under the control of 5 or fewer participators, or of participators who are directors (and for these purposes "participators" is defined in section 454 of CTA 2010), subject to certain exceptions. The close company condition is relaxed for the Group's first three years as a UK REIT.

(B) Share capital restrictions

The Principal Company must have only one class of ordinary shares in issue and the only other shares it may issue are “non-voting restricted preference shares”, including shares which would be restricted preference shares but for the fact that they carry a right of conversion into shares or securities of the Principal Company.

(C) Restrictions on types of borrowings

The Principal Company must not be party to any loan in respect of which, broadly, the lender is entitled to interest which exceeds a reasonable commercial return on the consideration lent or where the interest depends to any extent on the results of any of the Principal Company’s business or on the value of any of its assets (subject to exceptions). In addition, the amount repayable must either not exceed the amount lent or must be reasonably comparable with the amount generally repayable (in respect of an equal amount lent) under the terms of issue of securities listed on a recognised stock exchange.

(D) Financial statements

The Principal Company must prepare financial statements in accordance with statutory requirements set out in sections 532 and 533 of CTA 2010 and submit these to HMRC. In particular, these financial statements must contain the information about the Qualifying Property Rental Business and the Residual Business separately.

(E) Conditions for the Property Rental Business

The Qualifying Property Rental Business must satisfy, amongst other things, the following conditions in respect of each accounting period during which the Group is to be treated as a group UK REIT:

- (i) the Qualifying Property Rental Business must throughout the accounting period involve at least three properties;
- (ii) throughout the accounting period no one property may represent more than 40 per cent. of the total value of all the properties involved in the Qualifying Property Rental Business. Assets must be valued in accordance with international accounting standards and at fair value when international accounting standards (“IAS”) offer a choice between a cost basis and a fair value basis;
- (iii) the income profits arising from the Qualifying Property Rental Business must represent at least 75 per cent. of the Group’s total profits for the accounting period. Profits for this purpose means profits calculated in accordance with IAS, before deduction of tax and excluding, broadly, gains and losses on the disposal of property and gains and losses on the revaluation of properties, and certain exceptional items; and
- (iv) at the beginning of the accounting period the value of the assets in the Qualifying Property Rental Business must represent at least 75 per cent. of the total value of assets held by the Group. Cash held on deposit and gilts are included in the value of the assets relating to the Qualifying Property Rental Business for the purpose of meeting this condition.

(F) Distribution condition

The Principal Company of the Group will be required to distribute to shareholders (by way of cash or stock dividend) at least 90 per cent. of the income profits arising in each accounting period of the UK resident members of the Group in respect of their Property Rental Business and of the non-UK resident members of the Group in respect of their UK Property Rental Business (to the extent permitted by law). The distribution must be made on or before the filing date for the UK REIT’s tax return for the accounting period in question. Income profits for these purposes are to be calculated, broadly, in accordance with normal tax rules. Failure to meet this requirement will result in a tax charge calculated by reference to the extent of the failure, although in certain circumstances where the profits are increased from the amount originally shown in the Financial Statements delivered to HMRC this charge does not arise if and to the extent that an additional dividend is paid within a specified period which brings the amount of profits distributed up to the required level. For the purpose of satisfying the distribution condition, any dividend withheld in order to comply with the 10 per cent. rule (as described below) will be treated as having been paid.

Investment in other UK REITs

A UK REIT Group may make investments in other UK REIT Groups. The legislation exempts a distribution of profits or gains of a Qualifying Property Rental Business of one UK REIT Group to another UK REIT Group. The investing UK REIT Group is required to distribute 100 per cent. of any such distributions to its shareholders. A distribution received by one UK REIT Group from another UK REIT Group is treated as a profit of the Qualifying Property Rental Business for the purposes of the 75 per cent. profits condition (see paragraph (E)(v) above). The investment by one UK REIT Group in another UK REIT Group will effectively be treated as a Qualifying Property Rental Business asset for the purposes of the 75 per cent. assets condition (see paragraph (E)(iv) above).

REIT conversion and adoption of amended articles of association continued

CLS Holdings plc (the "Company")

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Effect of becoming a UK REIT

(A) Tax exemption

As a UK REIT, the UK REIT Group will not pay UK corporation tax on profits and gains from the Qualifying Property Rental Business and gains on the disposal of rights or interests in UK Property Rich Companies. However, corporation tax will still apply in the normal way in respect of the Residual Business.

The Group will also continue to be liable for other taxes such as VAT, stamp duty land tax, stamp duty and national insurance contributions in the normal way.

(B) The "10 per cent. rule"

The Principal Company of a UK REIT Group may become subject to an additional tax charge if it pays a dividend to, or in respect of, a person beneficially entitled, directly or indirectly, to 10 per cent. or more of the Principal Company's dividends or share capital or that controls, directly or indirectly, 10 per cent. or more of the voting rights in the Principal Company. Shareholders should note that this tax charge only applies to shareholders that are companies and to shareholders which are deemed to be bodies corporate for the purposes of overseas jurisdictions with which the UK has a double taxation agreement or for the purposes of such double tax agreements. It does not apply to nominees unless the person on whose behalf the nominee holds the shares meets the test in their own right.

This tax charge should not be incurred if the Principal Company has taken reasonable steps to avoid paying dividends to such a shareholder. HMRC guidance describes certain actions that might be taken to show it has taken such "reasonable steps". One of these actions is to include restrictive provisions in the Principal Company's articles of association to address this requirement. The proposed amendments to the Articles of Association are considered to be consistent with the provisions described in the HMRC guidance.

(C) Dividends

A dividend paid by the Principal Company of a UK REIT Group will be a PID to the extent necessary to satisfy the 90 per cent. distribution condition. If the dividend exceeds the amount required to satisfy the 90 per cent. test, the UK REIT Group may determine that all or part of the excess is a Non-PID paid out of the profits of the Residual Business or profits which derive from periods before the Group was a UK REIT. Any remaining balance of the dividend (or other distribution) will generally be deemed to be a PID, firstly in respect of the income profits for the current year or previous years out of which a PID can be paid and secondly in respect of capital gains which are exempt from tax by virtue of the UK REIT Regime.

Subject to certain exceptions, PIDs will be subject to withholding tax at the basic rate of income tax (currently 20 per cent.).

Further details of the UK tax treatment of certain categories of shareholder while the Group is in the UK REIT Regime are set out below.

If the Group ceases to be a group UK REIT, dividends paid by the Principal Company may nevertheless be PIDs for a transitional period to the extent they are paid in respect of profits and gains of the Qualifying Property Rental Business and gains on the disposal of rights or interests in UK Property Rich Companies whilst the Group was a group UK REIT.

(D) Financial Statements

As mentioned above, a group UK REIT will be required to submit specific Financial Statements to satisfy the requirements of the UK REIT Regime to HMRC.

(E) Interest cover ratio

A tax charge will arise if, in respect of any accounting period, the Group's ratio of income profits as calculated for tax purposes before capital allowances and brought forward losses and financing costs ("Property Profits") to financing costs in respect of its Qualifying Property Rental Business is less than 1.25. The amount (if any) by which the financing costs exceeds the amount of those costs which would cause that ratio to equal 1.25 (subject to a cap of 20 per cent. of the Property Profits) is chargeable to corporation tax. In other words, if and to the extent that, in respect of any accounting period, the finance costs are more than 80 per cent. of the Property Profits the excess is subject to corporation tax. Financing costs comprise interest on, and amortisation of discounts and premiums in relation to, borrowings and other similar amounts

(F) Property development and property trading by a UK REIT Group

A property development undertaken by a member of the Group can be within the Qualifying Property Rental Business provided certain conditions are met. However, if the costs of the development exceed 30 per cent. of the fair value of the asset at the later of: (a) the date on which the relevant company becomes a member of a UK REIT Group, and (b) the date of the acquisition of the development property, and the UK REIT Group sells the development property within the three years beginning with the completion of the development, the property will be treated as never having been part of the Qualifying Property Rental Business for the purposes of calculating any gain arising on disposal of the property (and any tax exempt market value deemed disposal of the property or entry to the UK REIT Regime will be ignored). Any gain will be chargeable to corporation tax. Similarly, the UK REIT tax exemption that applies to gains on disposal of UK Property Rich Companies does not apply in relation to so much of a gain accruing on such shares as relates to such property which has been developed.

If a member of the UK REIT Group disposes of a property (whether or not a development property) in the course of a trade, the property will be treated as never having been within the Qualifying Property Rental Business for the purposes of calculating any profit arising on disposal of the property (and any tax exempt market value deemed disposal of the property or entry to the UK REIT Regime will be ignored). Any profit will be chargeable to corporation tax. In addition, the profit arising on the disposal of the property will be considered part of the UK REIT Group's Residual Business.

(G) Certain tax avoidance arrangements

If HMRC believes that a member of the Group has been involved in certain tax avoidance arrangements, it may cancel the tax advantage obtained and, in addition, impose a tax charge equal to the amount of the tax advantage. These rules apply to both the Residual Business and the Property Rental Business. In addition, if HMRC consider that the circumstances are sufficiently serious or if two or more notices in relation to the obtaining of a tax advantage are issued by HMRC in a ten year period, it may require the UK REIT Group to exit the UK REIT Regime.

(H) Movement of assets in and out of Qualifying Property Rental Business

In general, where an asset owned by a UK resident member of the UK REIT Group and used for the Qualifying Property Rental Business begins to be used for the Residual Business, there will be a tax exempt market value disposal of the asset. Where an asset owned by a UK resident member of the UK REIT Group and used for the Residual Business begins to be used for the Qualifying Property Rental Business, this will generally constitute a taxable market value disposal of the asset for UK corporation tax purposes, except for capital allowances purposes.

(I) Joint ventures

The UK REIT Regime also makes certain provisions for corporate joint ventures. If one or more members of the UK REIT Group are beneficially entitled, in aggregate, to at least 40 per cent. of the profits available for distribution to equity holders in a joint venture company and at least 40 per cent. of the assets of the joint venture company available to equity holders in the event of a winding up, that joint venture company (or its subsidiaries) is carrying on a Qualifying Property Rental Business which satisfies the 75 per cent. profits condition and the 75 per cent. assets condition (the "JV company") and certain other conditions are satisfied, the Principal Company may, by giving notice to HMRC and with the consent of the JV Company, elect for the assets and income of the JV company to be included in the Qualifying Property Rental Business for tax purposes (on a proportionate basis). In such circumstances, the income of the JV company will count towards the 90 per cent. distribution condition and the 75 per cent. profits condition, and its assets will count towards the 75 per cent. assets condition (on a proportionate basis).

The UK REIT Group's share of the underlying income and gains arising from any interest in a tax transparent vehicle carrying on a Qualifying Property Rental Business, including offshore unit trusts or partnerships, should automatically fall within the UK REIT tax exemption, and will count towards the 75 per cent. profits and assets conditions, provided the UK REIT Group is entitled to more than 20 per cent. of the profits and assets of the relevant tax transparent vehicle. The UK REIT Group's share of the Qualifying Property Rental Business profits arising will also count towards the 90 per cent. distribution condition.

REIT conversion and adoption of amended articles of association continued

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(J) Acquisitions and Takeovers

If a UK REIT Group is taken over by another UK REIT Group, the acquired UK REIT Group may, provided the conditions are met, continue to enjoy tax exemptions in respect of the profits of its Qualifying Property Rental Business and capital gains on disposal of properties in the Qualifying Property Rental Business and gains on the disposal of rights or interests in UK Property Rich Companies.

The position is different where a UK REIT Group is taken over by an acquirer which is not a UK REIT Group. In these circumstances, the acquired UK REIT Group is likely in most cases to fail to meet the requirements for being a UK REIT Group and will therefore be treated as leaving the UK REIT Regime at the end of its accounting period preceding the takeover and ceasing from the end of that accounting period to benefit from tax exemptions on the profits of its Qualifying Property Rental business and capital gains on disposal of property forming part of its Qualifying Property Rental Business and gains on the disposal of rights or interests in UK Property Rich Companies. The properties in the Qualifying Property Rental Business are treated as having been sold and reacquired at market value for the purposes of corporation tax on chargeable gains immediately before the end of the preceding accounting period. These deemed disposals should be tax free as they are deemed to have been made at a time when the acquired UK REIT Group was still in the UK REIT Regime and future capital gains on the relevant assets will therefore be calculated by reference to a base cost equivalent to this market value (subject to certain anti-avoidance provisions). If the acquired UK REIT Group ends its accounting period immediately prior to the takeover becoming unconditional in all respects, dividends paid as PIDs before that date should not be recharacterised retrospectively as normal dividends. It should also be noted that there are special tax consequences for groups leaving the UK REIT Regime within 10 years of joining.

2. WHAT ARE THE TAX CONSEQUENCES FOR SHAREHOLDERS?

Following the election of its UK business into the UK REIT Regime, the Company's stated dividend policy remains the same as set out above. As a UK REIT, the Company is required to distribute to Shareholders, within twelve months of the accounting period in question, at least 90 per cent. of the income profits of the members of the CLS Group in respect of their Property Rental Business. Such a distribution is known as a "Property Income Distribution" and will be within the dividend policy above.

The conversion of the Company to a UK REIT will affect Shareholders' tax positions in respect of receipts of Property Income Distributions ("PIDs") paid under the UK REIT Regime. The implications can vary from Shareholder to Shareholder, and if you are in any doubt about your tax position you should consult your own appropriate independent professional adviser.

The below is intended as a general guide only and is based on the Company's understanding of current UK tax law and HMRC practice based on published guidance to date, each of which is subject to change, possibly with retrospective effect. This is not advice and should not be relied upon as such.

Introduction

The following paragraphs relate only to certain limited aspects of the United Kingdom's taxation treatment of PIDs and Non-PIDs paid by the Company, and to disposals of Shares, in each case after the Conversion Date. Except where otherwise indicated, they apply only to (i) individual Shareholders who are resident for tax purposes solely in the United Kingdom and (ii) companies solely tax resident in the United Kingdom. They apply only to Shareholders who are the absolute beneficial owners of both their PIDs and their Shares and who hold their Shares as investments. They do not apply to Substantial Shareholders. They do not apply to certain categories of Shareholders, such as dealers in securities, persons who have or are deemed to have acquired their Shares by reason of their or another's employment, persons who hold their Shares as part of hedging or conversion transactions, persons who hold their Shares by virtue of an interest in any partnership, collective investment scheme, insurance company, life assurance company or mutual company, persons who hold their investments within a personal equity plan or individual savings account, or to Lloyds members. Except where otherwise indicated in the paragraph headed "Withholding tax: Exceptions to requirement to withhold income tax" below, they do not apply to charities, trustees or pension scheme administrators or persons who hold their Shares in connection with a UK permanent establishment.

Shareholders who are in any doubt about their tax position, or who are subject to tax in a jurisdiction other than the United Kingdom, should consult their own appropriate independent professional adviser without delay, particularly concerning their tax liabilities on PIDs, whether they are entitled to claim any repayment of tax, and, if so, the procedure for doing so.

UK taxation of Non-PID Dividends

Non-PID Dividends paid by the Company will be taxed in the same way as dividends paid by the Company prior to entry into the UK REIT Regime, whether in the hands of individual or corporate Shareholders.

UK taxation of PIDs

(i) UK taxation of Shareholders who are individuals

Subject to certain exceptions, a PID will generally be treated in the hands of Shareholders who are individuals as the profit of a single UK property business (as defined in section 264 of the Income Tax (Trading and Other Income) Act 2005). A PID is, together with any PID from any other company to which Part 12 of CTA 2010 applies, treated as a separate UK property business from any other UK or overseas property business (a "different property business") carried on by the relevant Shareholder. This means that surplus expenses from a Shareholder's different property business cannot be set off against a PID as part of a single calculation of the profits of the Shareholder's UK and overseas property businesses. A Shareholder who is subject to income tax at the basic rate will be liable to pay income tax at 20 per cent. on the PID. Higher rate taxpayers will be subject to tax at 40 per cent. and additional rate taxpayers at 45 per cent. Credit will be available in respect of the basic rate tax withheld by the Company (where required) in respect of the PID.

Please see also the paragraphs headed "Withholding tax" below.

(ii) UK taxation of corporate Shareholders

Subject to certain exceptions, a PID will generally be treated in the hands of Shareholders who are within the charge to corporation tax as profit of a UK property business (as defined in section 205 CTA 2009). A PID is, together with any PID from any other company to which Part 12 of CTA 2010 applies, treated as a separate UK property business from any other UK or overseas property business (a "different property business") carried on by the relevant Shareholder.

This means that any surplus expenses from a Shareholder's different property business cannot be off-set against a PID as part of a single calculation of the Shareholder's UK and overseas property businesses. Any tax withheld will be taken into account when calculating the Shareholder's tax liability.

Please see also the paragraphs headed "Withholding tax" below.

UK taxation of Shareholders who are not resident for tax purposes in the UK

Where a Shareholder who is resident outside the UK for tax purposes receives a PID, the PID will generally be chargeable to UK income tax as profit of a UK property business and this tax will generally be collected by way of a withholding tax, although individuals may be subject to further UK tax liabilities on that PID. Under section 548(7) of CTA 2010, this income is expressly not non-resident landlord income for the purposes of regulations under section 971 of the Income Tax Act 2007.

Non-UK tax resident Shareholders should consult their own professional advisers on the implications in the relevant jurisdictions of any non-UK implications of receiving PIDs.

Please see also the paragraphs headed "Withholding tax" below.

Withholding tax

(a) General

Subject to certain exceptions summarised at the paragraph headed "Withholding tax: Exceptions to requirement to withhold income tax" below, the Company is required to withhold tax at source at the basic rate (currently 20 per cent.) from its PIDs. The Company will provide Shareholders with a certificate setting out the gross amount of the PID, the amount of tax withheld, and the net amount of the PID.

(b) Shareholders solely resident in the UK

Where tax at the basic rate has been withheld at source, Shareholders who are individuals may, depending on their individual circumstances, either be liable to further tax on their PID at their applicable marginal rate, or be entitled to claim repayment of some or all of the tax withheld on their PID. Shareholders who are corporates will generally be liable to pay corporation tax on their PID but they should note that, where (exceptionally) tax at the basic rate is withheld at source, the tax withheld can be set against their liability to income tax or corporation tax in the accounting period in which the PID is received.

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(c) Shareholders who are not resident for tax purposes in the UK

It is not possible for a Shareholder to automatically make a claim under a double taxation treaty for a PID to be paid by the Company gross or at a reduced rate. The Company will therefore deduct withholding tax from any PID payment to such Shareholders. The right of a Shareholder to claim repayment of any part of the tax withheld from a PID will depend on the existence and terms of any double tax convention between the UK and the country in which the Shareholder is resident. Any refund claim under a double tax treaty needs to be made to HMRC.

(d) Exceptions to requirement to withhold income tax

Shareholders should note that in certain circumstances the Company is not required to withhold income tax at source from a PID. These (as set out in regulation 7 of the Real Estate Investment Trusts (Assessment and Recovery of Tax) Regulations 2006) include where the Company reasonably believes that the person beneficially entitled to the PID is a company resident for tax purposes in the UK, a company resident for tax purposes outside the UK with a permanent establishment in the UK which is required to bring the PID into account in computing its chargeable profits, a charity or a body mentioned in section 468 CTA 2010 which is allowed the same exemption from tax as charities. They also include where the PID is paid to the scheme administrator of a registered pension scheme, the sub-scheme administrator of certain pension sub-schemes, the account manager of an Individual Savings Account (ISA), the plan manager of a Personal Equity Plan (PEP) or the account provider for a child trust fund, in each case, provided the Company reasonably believes that the PID will be applied for the purposes of the relevant fund, scheme, account or plan.

In order to pay a PID without withholding tax, the Company will need to be satisfied that the Shareholder concerned is entitled to that treatment. For that purpose the Company will require such Shareholders to submit a valid claim form (copies of which may be obtained on request from the Company's registrars). Shareholders should note that the Company may seek recovery from a Shareholder if the statements made in its claim form are incorrect and the Company suffers tax as a result. The Company will, in some circumstances, suffer tax if its reasonable belief as to the status of the Shareholder turns out to have been a mistake.

UK taxation of chargeable gains, stamp duty and SDRT in respect of Shares

Subject to the paragraph headed "Introduction", above, the following comments apply to both individual and corporate Shareholders, regardless of whether or not such Shareholders are resident for tax purposes in the UK.

UK taxation of chargeable gains

Chargeable gains arising on the disposal of Shares following entry into the UK REIT Regime should be taxed in the same way as chargeable gains arising on the disposal of Shares prior to entry into the UK REIT Regime. The entry of the CLS Group into the UK REIT Regime will not constitute a disposal of Shares by Shareholders for UK chargeable gains purposes.

UK stamp duty and SDRT

A conveyance or transfer on sale or other disposal of Shares following entry into the UK REIT Regime will be subject to UK stamp duty or SDRT in the same way as it would have been prior to entry into the UK REIT Regime.

3. SUMMARY OF CHANGES TO THE ARTICLES

Resolution 19 proposes that the Company adopts the New Articles, principally in order to incorporate the consequential changes necessary for a UK REIT but also to reflect developments in law and practice since the Current Articles were adopted in 2010. A copy of the New Articles, together with a copy marked to show the changes from the Current Articles, is available for inspection and can be viewed on the Company's website (www.clsholdings.com).

A summary of the principal changes is set out below:

UK REIT provisions: In order to demonstrate to HMRC that the Company has taken reasonable steps to avoid paying a dividend (or making any other distribution) to a Substantial Shareholder (and thereby avoid tax charges being levied on the Company in respect of distributions to Substantial Shareholders) the New Articles contain the following provisions designed to meet HMRC requirements in this regard:

- Shareholders who are or become Substantial Shareholders must notify the Company providing details of the relevant Substantial Shareholding;
- the Board has the power to require any Shareholder to provide information regarding their shareholding to establish whether that shareholder is a Substantial Shareholder;

- the Board may withhold distributions in respect of any Shares which it believes form part of a Substantial Shareholding, with provisions included in the New Articles regarding the circumstances in which withheld distributions may be paid; and
- Substantial Shareholders may nominate two or more persons to hold distributions on Substantial Shareholdings on trust for nominated beneficiaries (none of whom being Substantial Shareholders).

Other UK REIT-related changes to the Current Articles include as follows:

- if a distribution is paid to a Substantial Shareholder and the Company suffers a tax charge in respect of such payment (an "Excess Charge"), the Substantial Shareholder will pay the amount of such Excess Charge together with all fees, costs, expenses, taxes and other liabilities incurred by the Company in connection with the recovery of such amount to the Company on demand. In addition, if any sum paid or payable by a Substantial Shareholder to the Company is or will be chargeable to tax in the hands of the Company, the Substantial Shareholder shall be obliged to pay such sum as will ensure that, after payment of any such tax, there shall be left an amount in the hands of the Company equal to the original sum payable; and
- further provisions have been included requiring any Shareholders in the Company to co-operate with the Company in ensuring that the Company complies with its international tax compliance obligations.

Hybrid meetings: The New Articles give the Directors the power to convene a hybrid general meeting, being a meeting which has the facilities for Shareholders to attend both in a physical place and via electronic platforms. The New Articles do not give the Directors the power to hold a solely electronic general meeting. The provisions included in the New Articles include, for example, the details that need to be provided to Shareholders if such a meeting is to be held and a requirement that all resolutions must be taken on a poll in the event of a hybrid meeting. The Directors consider that the Company should properly have the ability to convene hybrid meetings should the circumstances require this.

Annual re-election of directors: The New Articles include a requirement for the Directors to be subject to annual re-election, in line with the requirements of the 2018 UK Corporate Governance Code.

Maximum number of directors: The Current Articles do not state a maximum number of Directors but, in line with best corporate governance, the New Articles propose that the Company shall have a maximum of 12 Directors.

Untraced members: In line with market practice, the New Articles provide additional flexibility in relation to the sale of shares owned by Shareholders who are untraced after a period of at least 12 years. Under the Current Articles, the Company is required to give notice to untraced Shareholders of an intention to sell their shares by way of an advertisement in both a national daily newspaper and a local newspaper circulating in the area in which the shareholder's last known postal address is. Under the New Articles, the Company must instead send a notice to the last registered or known address of the Shareholder and use reasonable steps to trace the Shareholder including, if considered appropriate, using a professional asset reunification company or other tracing agent. Additionally, under the New Articles, in respect of the proceeds of shares sold on behalf of an untraced member, if they are not validly claimed within six years of the sale, they will belong to the Company.

Sub-division of shares: In line with market practice, the New Articles provide that a resolution to sub-divide shares may include the creation of deferred shares so as to make administering any sub-division of shares more straightforward.

Postponement/Change of general meeting: In line with current market practice, the New Articles provide flexibility to permit the notice of any change or postponement to be advertised in the manner that the Directors (in their discretion) decide.

Payment of dividends: In March 2014, the Institute of Chartered Secretaries and Administrators ("ICSA") Registrars' Group" (now the Chartered Governance Institute of the UK & Ireland) published guidance on the practical issues relating to the provisions on dividend distributions in companies' articles of association. ICSA noted that it is clear that as new payment methods will be adopted, it is important that the market is prepared for such methods. ICSA, therefore, recommended that companies amend their articles of association to ensure that they have the flexibility to adopt new developments if, and when, it is considered desirable to do so. Consequently, the New Articles incorporate the wording suggested by ICSA in relation to the payment of dividends and provide the Company with this flexibility.

Unclaimed dividends: To reflect current market practice, the time period in respect of unclaimed dividends has been reduced from 12 years to 6 years.

Scrip dividends: In accordance with the Investment Association Share Capital Management Guidelines 2016, the expiry period for an ordinary resolution authorisation in respect of a scrip dividend has been decreased from five years to three years.

Minor amendments: Some additional minor changes have been made to the Current Articles, including to ensure compliance with the Listing Rules in respect of the proceeds of fractional entitlements updating provisions that are no longer legally correct

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and adding market standard carve outs to the conflicts of interest provisions. There have also been some minor updates to the Borrowing Powers provisions, but the multiple remains unchanged.

Definitions:

Board or Directors	the board of directors of the Company
Company or CLS or Principal Company	CLS Holdings plc
Conversion Date	the effective date of Company's conversion to a UK REIT, being 1 January 2022
CLS Group or Group	the Company and its subsidiaries
CYA 2009	the Corporation Tax Act 2009
CTA 2010	the Corporation Tax Act 2010
Current Articles	the current articles of association adopted by the Company
CVIG	Creative Value Investment Group Limited
HMRC	Her Majesty's Revenue & Customs
New Articles	the new articles of association of the Company which will be adopted if Resolution 19 is passed
Qualifying Property Rental Business	a business within the meaning of section 205 CTA 2009 or an overseas property business within the meaning of section 206 CTA 2009 but excluding certain specified classes of business (as per section 519(3) CTA 2010)
UK REIT	a real estate investment trust
UK REIT Regime	the provisions contained in Part 12 of CTA 2010 and related regulations
Shareholders	the holders of Shares in the Company
Shares	the ordinary shares of 2.5 pence each in the capital of the Company
Substantial Shareholder	a corporate shareholder that is beneficially entitled to 10 per cent. or more of the Company's shares or dividends and/or controls 10 per cent. or more of the Company's voting rights
Substantial Shareholding	Shares in relation to which or by virtue of which (in whole or in part), a person is a Substantial Shareholder
UK Property Rich Company	a company (or certain offshore collective investment schemes) the disposal of which would be regarded for the purposes of Schedule 1A to TCGA 1992 as a disposal of an asset deriving at least 75% of its value from UK land

