

EXPLANATORY CIRCULAR TO SHAREHOLDERS

ANNUAL GENERAL MEETING – 23 JUNE 2022

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

This explanatory circular (the “**Circular**”) is being issued by Simonds Farsons Cisk p.l.c., a public limited liability company having Maltese registration number C.113 and registered office located at The Brewery, Mdina Road, Zone 2, Central Business District, Birkirkara, CBD 2010, Malta (the “**Company**”).

This Circular contains such information as would assist the members of the Company in making a properly informed decision with respect to two resolutions which are being proposed as special business at the Company’s Annual General Meeting to be held on the 23 June 2022 at 17:30 hrs (the “**Annual General Meeting**” or “**AGM**”).

This Circular is important and requires the attention of all Shareholders who shall be required to vote at the Company’s Annual General Meeting. Shareholders are advised that they should consider seeking the advice of an appropriate independent advisor before taking any decision on the matter.

This Circular is being sent to all persons appearing on the Company’s register of members as at close of business on the 24 May 2022 (the “**Shareholders**”). Where any or all of the shares in the Company held by a recipient of this Circular have been sold or transferred, this Circular, the notice of the Annual General Meeting and all other relevant documentation, or copies thereof, should be immediately passed on to the person through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This Circular is being issued in compliance with the provisions of the Capital Markets Rules issued by the Malta Financial Services Authority (the “**Capital Markets Rules**”) particularly the requirements set out in Capital Markets Rule 6.2 on the contents of circulars and Capital Markets Rules 6.8 relating to an increase in the authorised share capital, 6.9 relating to bonus issues and 6.16 relating to amendments to the Memorandum and Articles of Association.

All the Directors of the Company as on the date hereof, namely, Mr Louis A. Farrugia, Mr Michael Farrugia, Mr Marcantonio Stagno d’Alcontres, Mr Roderick Chalmers, Dr Max Ganado, Ms Marina Hogg, Marquis Marcus J. Scicluna Marshall and Baroness Justine Pergola (together, the “**Directors**”) accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

1. Introduction

In addition to the ordinary business being proposed at the Company’s forthcoming AGM, the Directors are also placing before the Shareholders as special business, an extraordinary resolution providing for certain amendments to the Company’s Memorandum and Articles of Association and an ordinary resolution relating to a bonus share issue.

An advisory vote regarding the Remuneration Report for the year ended 31 January 2022 is also being proposed as special business at the AGM. An explanation on this matter is provided in the Directors’ Report to the Financial Statements for the year ended 31 January 2022.

2. Special Business – Extraordinary Resolution – Amendments to the Memorandum and Articles of Association of the Company

Proposed extraordinary resolution:

5. *“That the amendments to specific articles of the Memorandum and Articles of Association of the Company, in accordance with the details provided in the Circular to Shareholders dated 25 May 2022 be hereby approved and that the Company proceeds to register a revised and updated copy of the Memorandum and Articles of Association with the Malta Business Registry upon receipt of regulatory approval.”*

Explanatory Note: The Board of Directors is placing before the Shareholders this extraordinary resolution for the purpose of obtaining their approval with regards to certain amendments being proposed to the current Memorandum and Articles of Association, as explained in further detail below. The main purpose of the amendments is that of increasing the Company's authorised share capital, to cater for the appointment of additional director/s on the board of directors and updating the Memorandum and Articles of Association to reflect legislative developments and statutory filings made.

A. Amendment to Article 3 of the Memorandum of Association of the Company to include reference to the Company's electronic mail address

It is proposed to amend the Company's Memorandum of Association to include reference to its electronic mail address as follows:

3. *The Registered Office of the Company shall be situated at The Brewery, Mdina Road, Zone 2, Central Business District, Birkirkara, CBD 2010 Malta, or at any other place in Malta which the Directors may from time to time determine.*

The electronic mail address of the Company is sfc@farsons.com.

Explanatory Note: This amendment has been rendered necessary following amendments to the Companies Act (Cap.386 of the Laws of Malta) requiring companies to provide an electronic mail address in addition to their registered address.

B. Amendment to Article 6 of the Memorandum of Association of the Company to increase the Company's authorised share capital

It is proposed to increase the Company's authorised share capital and to delete and replace the existing Clause 6 of the Memorandum of Association by the following new Clause 6:

AUTHORISED CAPITAL

6. *The authorised share capital of the Company is thirty-nine million euro (€39,000,000) divided into:
 - a. sixty million (60,000,000) ordinary shares having a nominal value of thirty euro cents (€0.30) each; and
 - b. twenty-one million (21,000,000) preference shares having a nominal value of one euro (€1.00) each.*

Explanatory Note: This amendment is being proposed so that the Company's authorised share capital provides for an additional thirty million (30,000,000) ordinary shares of a nominal value of thirty euro cents (€0.30) each. This results in an increased authorised share capital of thirty-nine million euro (€39,000,000) divided into sixty million (60,000,000) ordinary shares of a nominal value of thirty euro cents (€0.30) each and twenty one million (21,000,000) preference shares of a nominal value of one euro (€1) each. For the purposes of Capital Markets Rule 6.8 the proposed increase in authorized share capital reflects a 100 % increase in authorised capital of the Company attributable to ordinary shares.

C. Amendments to Article 8 of the Memorandum of Association of the Company and Articles 2, 93, 94, 96, 98, 99, 115 and 117 of the Articles of Association of the Company providing for the appointment of additional directors.

It is being proposed that the Memorandum and Articles of Association of the Company be amended to cater for the appointment of additional directors. For this purpose, the amendments and insertions detailed hereunder are being proposed:

i. Amendment of Article 8 of the Memorandum of Association of the Company to provide as follows:

DIRECTORS

8. *The affairs of the Company shall be managed and administered by a Board of Directors composed of not more than ten (10) Directors who shall be natural persons and who shall be appointed or elected in accordance with the Articles of Association. The Board shall be able to act notwithstanding any vacancy in its composition.*

ii. Amendment to Article 2 of the Articles of Association of the Company to include a definition of “Senior Management Board” as follows:

“Senior Management Board” means the Company’s board of senior management composed of senior executives who are directly answerable to the Board of Directors or the Chief Executive Officer;

iii. Amendment to Article 93 of the Articles of Association of the Company to provide as follows:

93. *The affairs of the Company shall be managed and administered by a Board of Directors composed of not more than ten (10) Directors who shall be natural persons and who shall be appointed or elected in accordance with these Articles. The Board shall be able to act notwithstanding any vacancy in its composition.*

iv. Amendment to Article 94 of the Articles of Association of the Company to provide as follows:

94. *The holders of the ordinary shares shall be entitled to appoint or elect directors in accordance with Articles 95 and 96.*

v. Amendment to Article 96 of the Articles of Association of the Company to provide as follows:

96. *All shares not utilised for appointing Directors as hereabove mentioned (including the remaining fractions referred to in Article 95) may be used to elect, at the Company’s Annual General Meeting, such number of Directors as would, together with the Directors appointed in terms of Article 95, make a total of eight (8) directors. Such unutilised shares shall be entitled to vote at such election, which shall be conducted as follows:*

- a. *One vote shall pertain to each share entitled to vote at this election*
- b. *The voting shall be conducted and supervised by a Commission composed of the Company Secretary, the legal adviser and a representative of the Auditors. The Commission will establish the procedures to be applied in the election. When the number of persons standing for election equals the number of vacancies which are to be filled, they shall be declared elected;*
- c. *The persons obtaining the highest number of votes will be declared elected to fill the vacancies available.*

vi. Amendment to Article 98 of the Articles of Association of the Company to provide as follows:

98. *All Directors appointed under the provisions of Article 95 shall retire from office at least once every three years whereas all Directors elected under the provisions of Article 96 shall retire from office at the first Annual General Meeting of the Company following their election. A Director retiring from office at an Annual General Meeting shall retain office until the dissolution of such Meeting. A retired appointed Director shall be eligible for re-appointment. A retiring elected Director shall be eligible for re-election.*

vii. Amendment to Article 99 of the Articles of Association of the Company to provide as follows:

99. 1. *The Directors may appoint up to two (2) additional Directors to the Board of Directors of the Company from amongst the members of the Senior Management Board.*
2. *The appointment of additional Director/s in terms of Article 99(1) shall require the unanimous approval of the Directors appointed or elected to the Board of Directors pursuant to Articles 95 or 96. A Director appointed to the Board of Directors as an additional Director pursuant to Article 99(1) shall not have the right to vote on a resolution of Directors relating to the appointment of an additional Director. The appointment of additional Directors shall not require ratification by a resolution of the Shareholders of the Company.*
3. *A Director appointed as an additional Director shall hold office until the next following Annual General Meeting of the Company (or until such earlier time in the event he ceases to be a member of the Senior Management Board) and may be removed by the Board of Directors at any time..*
4. *A Director appointed as an additional Director pursuant to Article 99(1) shall be eligible for re-appointment.*

viii. Amendment to Article 115 of the Articles of Association of the Company to provide as follows:

115. The salary or remuneration of a Managing Director or a Director or Directors holding an executive office or offices in the Company shall, in respect of their management or executive function, be such as the Directors may from time to time determine.

ix. Amendments to Article 117 of the Articles of Association of the Company to provide as follows:

CHIEF EXECUTIVE OFFICER

- 117. 1. The Directors may from time to time appoint any person to the office of Chief Executive Officer of the Company for such period and on such terms, including remuneration, as they think fit and subject to the terms of any agreement entered into in any particular case may revoke such appointment.*
- 2. The Chief Executive Officer may be asked to attend meetings of the Board of Directors or General Meetings of the Company provided that he shall have no right to vote thereat.*
- 3. The Directors may entrust to and confer upon a Chief Executive Officer any of the powers exercisable by them upon such terms and conditions and with such restrictions as they may think fit, and either collaterally with or to the exclusion of their own powers and may from time to time revoke, withdraw, alter or vary all or any of such powers.*
- 4. Where the person holding the office of Chief Executive Officer is also a Director of the Company he shall be designated as Managing Director and where a member of the Senior Management Board of the Company (other than the Chief Executive Officer) is also a Director of the Company, such person shall be designated as an Executive Director. In such cases such persons shall have the right to attend and vote at meetings of the Board of Directors qua Directors of the Company.*

Explanatory Note: This set of proposed amendments to Article 8 of the Memorandum of Association and Articles 2, 93 ,94 ,96 ,98, 99, 115 and 117 of the Articles of Association is intended to increase the maximum number of directors that may be appointed/elected to the Board of Directors from eight (8) members to ten (10) members, such that while the shareholders of the Company retain the right to appoint or elect up to eight (8) directors, the Board of Directors may appoint up to two additional directors. Only persons who are members of the Company's Senior Management Board may be appointed as additional directors. This amendment is being proposed with a view of ensuring that the Company is, at all times, headed by an effective board, yielding the right combination of experience, skill and expertise as is necessary in the context of the Company's business.

D. Amendment to Article 56.3 of the Articles of Association

It is proposed to amend Article 56.3 of the Articles of Association of the Company to provide as follows:

*56.3. Members present in person or by proxy by means of an Electronic Facility shall be deemed to be present at that meeting for all purposes of the Act and these Articles, and "attend", "participate", "attending", "participating", "attendance" and "participation" shall be construed accordingly **PROVIDED** that when attendance and participation is to be by means of an Electronic Facility, Members wishing to appoint a proxy shall be entitled to appoint any other person, whether a Member or not as their proxy and may indicate on the form of proxy how such proxy is to vote on each resolution put to the meeting.*

Explanatory Note: Based on the underlying principle that a member is entitled to appoint another person as his proxy to attend and vote instead of him/her at a general meeting, this sub-article is intended to grant further flexibility to members of the Company attending a general meeting by electronic means. Pursuant to the proposed amendment, a member of the Company may appoint any person to act as its proxy at general meetings of the Company.

E. Other

In addition to the amendments described above, the Memorandum and Articles of Association are also being amended with a view of replacing references to "Listing Rules" and "Listing Authority" with "Capital Market Rules" and "Malta Financial Services Authority" respectively. The document has also been updated to reflect statutory filings made by the Company.

3. Special Business – Ordinary Resolution – Bonus Share Issue

Proposed Ordinary Resolution

- 6. a. That, subject to the registration of the revised and updated Memorandum and Articles of Association of the Company with the Malta Business Registry, the amount of €1,800,000 from the Company's Retained Tax Exempt Earnings Account be capitalised for the purpose of issuing not more than 6,000,000 fully paid up ordinary shares of a nominal value of €0.30 per share representing one (1) bonus share for every five (5) shares held, as recommended by the Board of Directors, to be allotted to the members of the Company appearing on the Register of Members as at close of trading on the Malta Stock Exchange on the 3 June 2022 ('Eligible Members'), thereby increasing the issued share capital of the Company from the current 30,000,000 ordinary shares of a nominal value of €0.30 each to not more than 36,000,000 shares of a nominal value of €0.30 each, fully paid up, resulting in a paid up capital of not more than €10,800,000**
- b. Since the allocation ratio of bonus shares to registered shares held by Eligible Members is 1 bonus share for every 5 shares held, the Company shall, where the number of shares held by an Eligible Member is not exactly divisible by 5, round up the allocation to the nearest share whenever the mathematical result of the allocation formula contains a fractional entitlement which is of 0.5 of a share or more, and round down to the nearest share in the event that the mathematical resolution of the allocation formula contains a fractional entitlement which is less than 0.5 of a share.**

Explanatory Note: The Board of Directors is recommending a bonus share issue of one (1) ordinary share for every five (5) ordinary shares held in the Company (the "Bonus Share Issue"). An amount of €1,800,000 will be transferred from the Company's Retained Earnings Account for the purposes of issuing up to 6,000,000 Ordinary Shares of a nominal value of €0.30 per share, resulting in the issued share capital of the Company increasing from the current 30,000,000 ordinary shares of a nominal value of €0.30 per share to not more than 36,000,000 ordinary shares of a nominal value of €0.30 per share, fully paid-up. The Company's paid-up capital will increase from €9,000,000 to not more than €10,800,000.

The shares issued pursuant to the Bonus Share Issue will have the same rights and entitlements as all the other ordinary shares of the Company which are listed on the Malta Stock Exchange and will rank *pari passu* with the existing listed ordinary shares.

Members appearing on the Company's register of members as at close of trading on the Malta Stock Exchange on the 3 June 2022 will be eligible for the Bonus Share Issue.

An application will be made for listing of the shares issued pursuant to the Bonus Share Issue on the official list of the Malta Stock Exchange. Further details regarding the date of issue and the dates on which the shares are expected to be admitted to listing on the Malta Stock Exchange and on which dealings are expected to commence will be made in due course by means of the Company Announcements issued on the Regulated Market. The bonus shares will be issued in uncertified form and will be maintained in a book-entry form at the Central Securities Depository of the Malta Stock Exchange.

The Directors consider that the Bonus Share Issue being undertaken by the Company will further strengthen its paid-up share capital base and may have the benefit of increasing the liquidity and volume of the Company's issued ordinary share capital.

The Bonus Share Issue is subject to regulatory approval.

PROPOSED CHANGES TO SHARE CAPITAL	POSITION PRIOR TO INCREASE IN AUTHORISED CAPITAL AND BONUS SHARE ISSUE	BONUS SHARE ISSUE OF 1 FOR 5	POSITION AFTER INCREASE IN AUTHORISED SHARE CAPITAL AND BONUS SHARE ISSUE
Number of authorised ordinary shares	30,000,000		60,000,000
Nominal value per ordinary share	€0.30	€0.30	€0.30
Value of authorised share capital	€30,000,000		€39,000,000
Number of issued and paid-up ordinary shares	30,000,000	6,000,000	36,000,000
Value of issued and paid-up capital	€9,000,000	€1,800,000	€10,800,000
Amount of capitalisation from retained earnings		€1,800,000	

4. Documents available for inspection

The following documents or certified copies thereof will be made available for inspection at the Company's registered office, located at The Brewery, Mdina Road, Zone 2, Central Business District, Birkirkara, CBD 2010, Malta for at least fourteen (14) days from the date of publication of the Circular:

- a. The Memorandum and Articles of Association of the Company; and
- b. The Company's Annual Report and Accounts for the year ending 31 January 2022.

5. Directors' Recommendation

The Directors, having made the necessary considerations, are of the view that the proposed resolutions are in the best interests of the Company and its shareholders as a whole. The Directors therefore recommend that Shareholders approve the proposed extraordinary and ordinary resolutions at the forthcoming AGM of the Company.

Date: 25 May 2022

Approved and issued by Simonds Farsons Cisk p.l.c., a public limited liability company having Maltese registration number C 113 and registered office located at The Brewery, Mdina Road, Zone 2, Central Business District, Birkirkara, CBD 2010, Malta.