

# CORPORATE GOVERNANCE STATEMENT

## A. Introduction

This statement is being made by Simonds Farsons Cisk plc (SFC) pursuant to Listing Rules 5.94 and 5.97 issued by the Listing Authority of the Malta Financial Services Authority and sets out the measures taken to ensure compliance with the Code of Principles of Good Corporate Governance (the Code) contained in Appendix 5.1 to Chapter 5 of the said rules. In terms of Listing Rule 5.94, SFC is obliged to prepare a report explaining how it has complied with the Code. For the purposes of the Listing Rules, SFC is hereby reporting on the extent of its adoption of the Code.

SFC acknowledges that the Code does not prescribe mandatory rules but recommends principles so as to provide proper incentives for the Board of Directors (the Board) and SFC's management to pursue objectives that are in the interests of the Company and its shareholders. Since its establishment, SFC has always adhered to generally accepted standards of good corporate governance encompassing the requirements for transparency, proper accountability and the fair treatment of shareholders. The Board of Directors has therefore endorsed the Code of Principles and adopted it.

As demonstrated by the information set out in this statement, together with the information contained in the Remuneration Report, SFC believes that it has, save as indicated in the section entitled Non-compliance with the Code, throughout the accounting period under review, applied the principles and complied with the provisions of the Code. In the Non-compliance section, the Board indicates and explains the instances where it has departed from or where it has not applied the Code, as allowed by the Code.

## B. Compliance with the Code

### PRINCIPLE 1: THE BOARD

The Board's role and responsibility is to provide the necessary leadership, to set strategy and to exercise good oversight and stewardship. In terms of the Memorandum of Association of SFC, the affairs of the Company are managed and administered by a Board composed of eight directors.

The Board is in regular contact with the Group Chief Executive through the Chairman in order to ensure that the Board is in receipt of timely and appropriate information in relation to the business of SFC and management performance. This enables the Board to contribute effectively to the decision-making process, whilst at the same time exercising prudent and effective controls.

Directors are provided prior to each meeting with the necessary information and explanatory data as may be required by the particular item on the agenda. Comprehensive financial statements together with a comprehensive analysis of financial and business performance are also provided to the Board every month. The Company has its own legal advisors, both internal and external. The Directors are entitled to seek independent professional advice at any time at the Company's expense where necessary for the proper performance of their duties and responsibilities.

The Board delegates specific responsibilities to a number of committees, notably the Nominating and Corporate Governance Committee, the Related Party Transactions Committee, the Audit and Risk Committee and the Remuneration Committee, each of which operates under formal terms of reference approved by the Board. Further detail in relation to the committees and the responsibilities of the Board is found in Principles 4 and 5 of this statement.

### PRINCIPLE 2: CHAIRMAN AND CHIEF EXECUTIVE

The statute of SFC provides for the Board to appoint from amongst its Directors a Chairman and a Vice-Chairman. The Chairman is responsible to lead the Board and set its agenda, ensure that the Directors of the Board receive precise, timely and objective information so that they can take sound decisions and effectively monitor the performance of the Company, ensure effective communication with shareholders and encourage active engagement by all members of the Board for discussion of complex or contentious issues.

The role of the Senior Management Board (SMB) is to ensure effective overall management and control of Group business and proper co-ordination of the diverse activities undertaken by the various business units and subsidiaries which make up the Group.

The SMB is, inter-alia, responsible:

1. for the formulation and implementation of policies as approved by the Board;
2. to achieve the objectives of the Group as determined by the Board and accordingly;
3. to devise and put into effect such plans and to organise, manage, direct and utilise the human resources available and all physical and other assets of the Group so as to achieve the most economically efficient use of all resources and highest possible profitability in the interest of the shareholders and all other stakeholders.

All members of the SMB itself are senior SFC executives with experience of the Group's business and with proven professional ability, and each has a particular sphere of interest within his competence. The Company's current organisational structure provides for the Group Chief Executive to chair the SMB. The Group Chief Executive reports regularly to the Board on the business and affairs of the Group and the commercial, economic and other challenges facing it. He is also responsible to ensure that all submissions made to the Board are timely, give a true and correct picture of the issue or issues under consideration, and are of high professional standards as may be required by the subject matter concerned.

The Company has an Operations Board which discusses operational issues on a monthly basis, a Group Receivables Review Board which monitors the collection of receivables, and a Quality Board which monitors quality levels and controls. These boards are composed of executive managers of the Group. Each subsidiary has its own management structure and accounting systems and internal controls, and is governed by its own Board, whose members, are appointed by the Company and predominately, comprise SFC Directors and/or representatives of the SMB, and/or senior management of SFC.

The above arrangements provide sufficient delegation of powers to achieve effective management. The organisational structure ensures that decision making powers are spread wide enough to allow proper control and reporting systems to be in place and maintained in such a way that no one individual or small group of individuals actually has unfettered powers of decision.

### PRINCIPLE 3: COMPOSITION OF THE BOARD

Each member of the Board offers core skills, attributions and experience that are relevant to the successful operation of the Company. Although relevance of skills is key, a balance between skills represented is sought through the work of the Nominations and Corporate Governance Committee to ensure that there is an appropriate mix of members with diverse backgrounds. The shareholders are aware of the importance at board level of diversity with regard to age, gender, educational and professional backgrounds among others, and although there is no formal diversity policy, every effort is made as and whenever possible to promote enhanced diversity whilst ensuring that the Board continues to meet its role and responsibility in the best possible way.

The Board is composed of a Chairman, one Executive Director, a Non-Executive Vice-Chairman and five other Non-Executive Directors.

#### Executive Directors

Mr Louis A. Farrugia F.C.A. - *Chairman*

Mr Michael Farrugia M.A. (Edin.), MBA (Warwick) - *Executive Director*  
(*Operations & Business Development*)

#### Non-Executive Directors

Mr Marcantonio Stagno d'Alcontres - *Vice-Chairman*

Marquis Marcus John Scicluna Marshall

Dr Max Ganado LL.D, LL.M (Dal)

Mr Roderick Chalmers M.A. Div. (Edin.) F.C.A., A.T.I.I., F.C.P.A., M.I.A.

Ms Marina Hogg

Baroness Christiane Ramsay Pergola

The Group Chief Executive attends all Board meetings, albeit without a vote, in order to ensure his full understanding and appreciation of the Board's policy and strategy, and so that he can provide direct input to the Board's deliberations. The Board considers that the size of the Board, whilst not being large as to be unwieldy, is appropriate, taking into account the size of the Company and its operations. The combined and varied knowledge, experience and skills of the Board members provide a balance of competences that are required, and add value to the functioning of the Board and its direction to the Company.

It is in the interest of each of the three major shareholders (who are the original promoters of the Company) to nominate as Directors knowledgeable, experienced and diligent persons. Apart from this, informal arrangements, which do not infringe on their rights as shareholders, exist for consultation prior to any changes in the membership of the Board, as well as to assist in the identification of suitable persons who can be nominated for election by the other shareholders at general meetings, and who can bring in an independent viewpoint and particular knowledge to the deliberations of the Board.

Family relationships among Directors, the Directors' interest in the share capital of the Company as disclosed in the Shareholder Information and the commonality of Directors with Trident Estates plc with which the Company maintains contractual relationships, represent potential conflicts of interest. This notwithstanding, all Directors except for the Chairman and for Mr. Michael Farrugia, are considered to be independent in that they do not hold any relationship with the Company, a controlling shareholder or their management which creates a conflict of interest such as to impair their judgement. This has been ensured through the implementation of the following measures:

- a. Disclosure and Exclusion: a Director is obliged to disclose any matter that may give rise to a potential or actual conflict. Following this, the respective Director is excluded from any deliberations and voting in respect of such matter;
- b. Related Party Transactions Committee: with regards to any transactions which may be determined to be related party transactions, such transactions are referred to and dealt by the Related Party Transactions Committee (the "Committee"). Similar to the situation at Board level, any Director who is a related party with respect to a particular transaction is not permitted to participate in the Committee's deliberation and decision on the transaction concerned. Furthermore, due to the fact that the most common of matters in which a related party transaction may arise would be in relation to a transaction with Trident Estates plc, the Committee in session is made up of Directors who are not common directors on the boards of both Trident Estates plc and the Company;
- c. Continuing Conflict: any Director having a continuing material interest that conflicts with the interests of the Company is obliged to take effective steps to eliminate the grounds for conflict and should this not be possible, said Director is encouraged to consider resigning;

d. Separation of Family Interests: there are no ties or relationships between management and the Directors. The Board has taken the view that the length of service on the Board does not undermine any of the Directors' ability to consider appropriately the issues which are brought before the Board. Apart from possessing valuable experience and wide knowledge of the Company and its operations, the Board feels that the Directors in question are able to exercise independent judgement and are free from any relationship which can hinder their objectivity. Although, the Board believes that by definition, employment with the Company renders a Director non-independent from the institution, this should not however, in any manner, detract from the non-independent Directors' ability to maintain independence of analysis, decision and action.

#### PRINCIPLES 4 AND 5: THE RESPONSIBILITIES OF THE BOARD AND BOARD MEETINGS

The Board meets regularly every month apart from other occasions as may be needed. Individual directors, apart from attendance at formal board meetings, participate in other ad hoc meetings during the year as may be required, and are also active in board sub-committees as mentioned further below, either to assure good corporate governance, or to contribute more effectively to the decision making process.

**Meetings held:** 11

#### Members attended:

Mr Louis A. Farrugia	11
Mr Marcantonio Stagno d'Alcontres	11*
Marquis Marcus John Scicluna Marshall	10
Dr Max Ganado	10
Mr Roderick Chalmers	11
Ms Marina Hogg	11
Mr Michael Farrugia	11
Baroness Christiane Ramsay Pergola	8

*\*Of which 1 meeting was attended by an alternate Director*

The Board, in fulfilling this mandate within the terms of the Company's Memorandum and Articles of Association, and discharging its duty of stewardship of the Company and the Group, assumes responsibility for the following:

- reviewing and approving the business plan and targets that are submitted by management, and working with management in the implementation of the business plan;
- identifying the principal business risks for the Group and overseeing the implementation and monitoring of appropriate risk management systems;
- ensuring that effective internal control and management information systems for the Group are in place;
- assessing the performance of the Group's executive officers, including monitoring the establishment of appropriate systems for succession planning and for approving the compensation levels of such executive officers; and
- ensuring that the Group has in place a policy to enable it to communicate effectively with shareholders, other stakeholders and the public generally.

The Board is ultimately responsible for the Company's system of internal controls and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate risk to achieve business objectives, and can provide only reasonable, and not absolute, assurance against material error, losses or fraud. Through the Audit and Risk Committee, the Board reviews the effectiveness of the Company's system of internal controls, which are monitored by the Internal Audit Department.

In fulfilling its responsibilities, the Board regularly reviews and approves various management reports as well as annual financial plans, including capital budgets. The strategy, processes and policies adopted for implementation are regularly reviewed by the Board using key performance indicators. To assist it in fulfilling its obligations, the Board has delegated responsibility to the Chairman of the Senior Management Board.

#### Board Committees

The Board has set up the following sub-committees to assist it in the decision-making process and for the purposes of good corporate governance. The actual composition of these committees is given in the Annual Report, but as stated earlier, each of the three major shareholders and the public shareholders are represented as far as possible.

The Corporate Governance Committee, the Nomination Committee and the Board Performance Evaluation Committee were merged into a Nominations and Corporate Governance Committee as of 1 May 2021. The New Ventures / Acquisitions / Mergers Committee was discontinued as part of the re-organisation of the Board committees on the understanding that the Board will appoint an ad hoc committee to review any potential new ventures, acquisitions and/or merger transactions as and when necessary.

As noted above, the role of the Nomination Committee was merged into that of the Nominations and Corporate Governance Committee, chaired by a Non-Executive Director and is entrusted with leading the process for board appointments and to make recommendations to it. Any proposal for the appointment of a Director whether by the three major shareholders or by the general meeting of shareholders should be accompanied by a recommendation from the Board, based on the advice of the Nominations and Corporate Governance Committee.

The terms of reference of the **Nominations and Corporate Governance Committee include monitoring and reviewing** best corporate governance practices and reporting thereon to the Board. Directors and senior officers who wish to deal in the Company's listed securities are obliged to give advance notice to the Board through the Chairman (or in his absence to the Secretary of the Board) and records are kept accordingly.

**The Related Party Transactions Committee** is presided over by a Non-Executive Director and deals with and reports to the Board on all transactions with related parties. In the case of any director who is a related party with respect to a particular transaction, such director does not participate in the committee's deliberation and decision on the transaction concerned.

Control mechanisms relevant to the reporting of related party transactions are in place to ensure that information is vetted and collated on a timely basis, before reporting to the Related Party Transactions Committee for independent and final review of the transactions concerned.

The **Audit and Risk Committee's** primary objective is to protect the interests of the Company's shareholders and assist the Directors in conducting their role effectively so that the Company's decision-making capability and the accuracy of its reporting and financial results are maintained at a high level at all times.

The *Audit and Risk Committee* is composed of the following Non-Executive Directors:

- Mr Roderick Chalmers – *Chairman*
- Ms Marina Hogg
- Marquis Marcus John Scicluna Marshall

The majority of the Directors on the Audit and Risk Committee are independent, Non-Executive Directors and, in the opinion of the Board, are free from any significant business, family or other relationship with the Company, its shareholders or its management that would create a conflict of interest such as to impair their judgement.

Roderick Chalmers is a professional qualified accountant with competence in matters relating to accounting and auditing. The Audit and Risk Committee as a whole has extensive experience in matters relating to the Company's area of operations, and therefore has the relevant competence required under Listing Rule 5.118.

The Audit and Risk Committee also reviews and approves the internal audit plan prior to the commencement of every financial year. The Audit and Risk Committee oversees the conduct of the internal and external audits and acts to facilitate communication between the Board, Management, the external auditors and the Group internal auditor.

During the year ended 31 January 2021, the Audit and Risk Committee held six meetings. Audit and Risk Committee meetings are held mainly to discuss formal reports remitted by the Group internal auditor but also to consider the external auditors' audit plan, the six-monthly financial results and the annual financial statements.

The Group internal auditor, who also acts as secretary to the Audit and Risk Committee, is present at Audit and Risk Committee meetings. The external auditors are invited to attend specific meetings of the Audit and Risk Committee and are also entitled to convene a meeting of the committee if they consider that it is necessary. The Chairman of the Senior Management Board and the Chief Finance Officer are also invited to attend Audit and Risk Committee meetings. Members of management may be asked to attend specific meetings at the discretion of the Audit and Risk Committee.

Apart from these formal meetings, the Audit and Risk Committee Chairman and the Group internal auditor meet informally on a regular basis to discuss ongoing issues.

The Group internal audit department has an independent status within the Group. In fact, the Group internal auditor reports directly to the Audit and Risk Committee and has right of direct access to the Chairman of the committee at all times.

The Group internal auditor works on the basis of an audit plan which focuses on areas of greatest risk as determined by a risk management approach. The audit plan is approved by the Audit and Risk Committee at the beginning of the financial year, and subsequent revisions to this plan in view of any ad hoc assignments arising throughout the year, would have to be approved by the Audit and Risk Committee Chairman.

The **Remuneration Committee** is dealt with under the Remuneration Report, which also includes the Remuneration statement in terms of Code Provisions 8.A.3 and 8.A.4.

#### **PRINCIPLE 6: INFORMATION AND PROFESSIONAL DEVELOPMENT**

The Group Chief Executive is appointed by the Board and enjoys the full confidence of the Board. The Group Chief Executive, although responsible for the recruitment and selection of senior management, consults with the Board on the appointment of, and on a succession plan for, senior management.

Training (both internal and external) of management and employees is a priority, coordinated through the Company's Human Resources Department. On joining the Board, a Director is provided with briefings by the Chairman and the Group Chief Executive on the activities of the Company's business areas. Furthermore, all new Directors are offered a tailored induction programme. Directors may, where they judge it necessary to discharge their duties as Directors, take independent professional advice on any matter at the Company's expense.

Under the direction of the Chairman, the Company Secretary's responsibilities include ensuring good information flows within the Board and its Committees and between senior management and Non-Executive Directors, as well as facilitating induction and assisting with professional development as required. Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring adherence to Board procedures, as well as good information flows within the Board and its Committees.

The Chairman ensures that Board members continually update their skills and the knowledge and familiarity with the Company required to fulfil their role both on the Board and on Board Committees. The Company provides the necessary resources for developing and updating its Directors' knowledge and capabilities. The Company Secretary is also responsible for advising the Board through the Chairman on all governance matters.

#### **PRINCIPLE 7: EVALUATION OF THE BOARD'S PERFORMANCE**

With effect from 1 May 2021, the role of the Board Performance Evaluation Committee was merged into that of the **Nominations and Corporate Governance Committee** chaired by a Non-Executive Director. The committee is to deal with the Board's performance evaluation and identify ways how to improve the Board's effectiveness.

The evaluation exercise is conducted annually through a Board Effectiveness Questionnaire prepared by the Company Secretary in liaison with the Chairman of the Committee. The Company Secretary discusses the results with the Chairman of the Committee who then presents the same to the Board together with initiatives undertaken to improve the Board's performance. The latest review has not resulted in any material changes in the Company's internal organisation or in its governance structures. The Non-Executive Directors are responsible for the evaluation of the Chairman of the Board.

#### **PRINCIPLE 8: COMMITTEES**

See the section above dealing with Principles 4 and 5 for details relating to Board Committees.

#### **PRINCIPLES 9 AND 10: RELATIONS WITH SHAREHOLDERS AND WITH THE MARKET, AND INSTITUTIONAL SHAREHOLDERS**

Every shareholder owning twelve and a half percent (12.5%) of the ordinary issued share capital or more, is entitled to appoint and replace a Director for each and every twelve and a half percent (12.5%) of such shares, and the remaining ordinary shares not so utilised are entitled to fill the remaining unfilled posts of Directors. Thus, each of the three major shareholders who are named and whose holdings are listed in the notes to the financial statements (page 102), normally each appoint two Directors for a total of six, the remaining two Directors then being elected by the general public shareholders. Accordingly, no individual or small group of individuals will be in a position to dominate the Board. The interests of the Directors in the shares of the Company are disclosed in the Shareholders' information section of this Annual Report.

The Company recognises the importance of maintaining a dialogue with its shareholders and of keeping the market informed to ensure that its strategies and performance are well understood. The Board is of the view that during the period under review the Company has communicated effectively with the market through a number of company announcements and press releases.

The Board endeavours to protect and enhance the interests of both the Company and its shareholders, present and future. The Chairman ensures that the views of shareholders are communicated to the Board as a whole.

The Board always ensures that all holders of each class of capital are treated fairly and equally. The Board also acts in the context that its shareholders are constantly changing and, consequently, decisions take into account the interests of future shareholders as well. Shareholders appreciate the significance of participation in the general meetings of the Company and particularly in the election of Directors. They hold Directors to account for their actions, their stewardship of the Company's assets and the performance of the Company.

The agenda for general meetings of shareholders and the conduct of such meetings is arranged in such a manner to encourage valid discussion and decision-taking. The Chairman and the Group Chief Executive also ensure that sufficient contact is maintained with major shareholders to understand issues and concerns.

The Company also communicates with its shareholders through the Company's Annual General Meeting (AGM) (further detail is provided under the section entitled General Meetings). The Chairman makes arrangements for the Chairmen of the Audit and Risk Committee and the Remuneration Committee to be available to answer questions, if necessary.

Apart from the AGM, SFC communicates with its shareholders by way of the Annual Report and Financial Statements and by publishing its results on an annual basis. The Company's website ([www.farsons.com](http://www.farsons.com)) also contains information about the Company and its business, including an Investor Relations section. In addition, the Company holds a meeting for stockbrokers and financial intermediaries once a year to coincide with the publication of its financial statements.

The Company Secretary maintains two-way communication between the Company and its investors. Individual shareholders can raise matters relating to their shareholdings and the business of the Group at any time throughout the year and are given the opportunity to ask questions at the AGM or submit written questions in advance.

In terms of Article 51 of the Articles of Association of the Company and Article 129 of the Maltese Companies Act, 1995, the Board may call an extraordinary general meeting on the requisition of shareholders holding not less than one tenth (1/10) of the paid-up share capital of the Company. Minority shareholders are allowed to formally present an issue to the Board of Directors.

In the event of conflicts arising between minority shareholders and the three major shareholders, who are also the original promoters of the Company, every effort shall be made to seek mediation.

#### **PRINCIPLE 11: CONFLICTS OF INTEREST**

The Directors are strongly aware of their responsibility to act at all times in the interest of the Company and its shareholders as a whole and of their obligation to avoid conflicts of interest. Should any such conflicts of interest be perceived to arise:

- a Director is obliged to make full and frank disclosure with respect to any matter where there is a potential or actual conflict, whether such conflict arises from personal interests or the interests of the companies in which such person is a Director or officer;
- the said Director is excused from the meeting and accordingly is not involved in the Company's Board discussion on the matter; and
- the said Director does not vote on any such matter.

A Director having a continuing material interest that conflicts with the interests of the Company, is obliged to take effective steps to eliminate the grounds for conflict. In the event that such steps do not eliminate the grounds for conflict then the Director should consider resigning. On joining the Board and regularly thereafter, the Directors are informed of their obligations on dealing in securities of the Company within the parameters of law, including the Listing Rules.

The Directors' interests in the share capital of the Company as at 31 January 2021 and as at 26 May 2021 are disclosed in the Shareholder Information section of this Annual Report.

**PRINCIPLE 12: CORPORATE SOCIAL RESPONSIBILITY**

The principal objective of the Company's commitment to Corporate Social Responsibility (CSR) is to provide support where possible in aspects that include social, occupational, financial, cultural and historical values. Tracing its origins since 1928, the Company is very much rooted in local culture and as a Company it endeavours to meet the expectations of the community by engaging among a host of other initiatives in the following:

- Encouraging moderate drinking and responsible alcohol consumption;
- Corporate Social Responsibility (CSR) Day initiative – Together with other sponsoring companies, employees volunteer to carry out turnkey projects involving one day's work during a public holiday;
- Sponsorships of major charitable events on a national level;
- Promoting the industrial heritage of the Maltese Islands;
- Co-operating with the University of Malta particularly in the areas of engineering, the built environment and history;
- Participation in recognised national student-exchange programmes for the benefit of local and foreign students;
- Assisting with environmental projects;
- Waste and energy conservation initiatives and policies;
- Liaising with NGOs and the provision of employment opportunity for groups of people with a disability on a yearly basis;
- Assisting employees encountering medical problems with obtaining overseas medical treatment;
- Supporting employees with a home loan interest subsidy scheme;
- Employee Assistance Programmes for employees needing support, rehabilitation, counselling and advice;
- The Farsons Foundation promotes and supports local initiatives and considers requests from a social, cultural and historical perspective at no commercial gain for the Company. The Foundation is entirely funded by subventions authorised by the SFC Board. The aims of the Foundation are to:
  - promote and assist the development and public manifestation of Maltese culture especially in the fields of art, music, literature and drama;
  - contribute research projects and assist in the publication of studies undertaken by any duly qualified person or persons, regarding Maltese disciplines relating to art, music and drama;
  - provide assistance to talented Maltese to enable them to obtain higher professional standard than those that can be obtained locally in disciplines relating to art, music and drama;
  - contribute by means of financial assistance towards the work of any private, voluntary and non-profit organisation or religious body engaged principally in fostering social solidarity.

**C. Non-compliance with the Code****PRINCIPLE 4 (CODE PROVISION 4.2.7):**

This Code Provision recommends "the development of a succession policy for the future composition of the Board of Directors and particularly the executive component thereof, for which the Chairman should hold key responsibility".

In the context of the appointment of directors being a matter reserved exclusively to SFC's shareholders (except where the need arises to fill a casual vacancy) as explained under Principle 3 in Section B, and on the basis of the Directors non-executive role, the Company does not consider it feasible to have in place such a succession policy. However, the recommendation to have in place such a policy will be kept under review. An active succession policy is however in place for senior executive positions in the Company including that of the Group Chief Executive.

**D. Internal control and risk management**  
**Internal Control**

The key features of the Group's system of internal control are as follows:

**Organisation:**

The Group operates through Boards of Directors of subsidiaries with clear reporting lines and delegation of powers.

**Control Environment:**

The Group is committed to the highest standards of business conduct and seeks to maintain these standards across all of its operations. Group policies and employee procedures are in place for the reporting and resolution of fraudulent activities. The Group has an appropriate organisational structure for planning, executing, controlling and monitoring business operations in order to achieve Group objectives.

**Risk Identification:**

Group Management is responsible together with each subsidiary's management, for the identification, evaluation, control and reporting of major risks applicable to their areas of business.

**Reporting:**

The Group has implemented control procedures designed to ensure complete and accurate accounting for financial transactions and to limit the potential exposure to loss of assets or fraud. Measures taken include physical controls, segregation of duties, reviews by Management and internal audit.

On a monthly basis the Board receives a comprehensive analysis of financial and business performance, including reports comparing actual performance with budgets as well as the analysis of any variances.

**E. General meetings**

The manner in which the general meeting is conducted is outlined in Articles 49 to 52 of the Company's Articles of Association, subject to the provisions of the Maltese Companies Act, 1995. Save for the exceptional circumstances arising out of the legally sanctioned delays allowed in times of the current pandemic, within seven months of the end of the financial year, an Annual General Meeting of shareholders is convened to consider the annual consolidated financial statements, the Directors' and Auditor's report for the year, to decide on dividends recommended by the Board, and to elect the Directors and appoint the Auditors of the Company. With effect from financial year ended 31 January 2021, the Remuneration Report will be subjected to an advisory vote of the shareholders at each Annual

General Meeting. Prior to the commencement of the Annual General Meeting, a presentation is made to shareholders on the progress made and strategies adopted during the year in the light of prevailing market and economic conditions and the objectives set by the Board, and an assessment on future prospects is given. The Group's presence on the worldwide web ([www.farsons.com](http://www.farsons.com)) contains a corporate information section.

Apart from the above, the Group publishes its financial results every six months and from time-to-time issues public notices regarding matters which may be of general interest or of material importance to shareholders and the market in general, or which may concern price sensitive issues.

At the time of the Annual General Meeting, the publication of the six-monthly report or significant events affecting the Group, public meetings are held to which institutional investors, financial intermediaries and inventory brokers are invited to attend. Press releases are also issued regularly on the business activities of the Group.

Approved by the Board of Directors on 26 May 2021 and signed on its behalf by:



**Louis A. Farrugia**  
*Chairman*

All shareholders registered in the Shareholders' Register on the Record Date as defined in the Listing Rules, have the right to attend, participate and vote in the general meeting. A shareholder or shareholders holding not less than 5% of the voting issued share capital may request the Company to include items on the agenda of a general meeting and/or table draft resolutions for items included in the agenda of a general meeting. Such requests are to be received by the Company at least forty-six (46) days before the date set for the relative general meeting.

A shareholder who cannot participate in the general meeting can appoint a proxy by written or electronic notification to the Company. Every shareholder represented in person or by proxy is entitled to ask questions which are pertinent and related to items on the agenda of the general meeting and to have such questions answered by the Directors or such persons as the Directors may delegate for that purpose.



**Marcantonio Stagno d'Alcontres**  
*Vice-Chairman*