

A member of PG Group

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SHAREHOLDERS' CIRCULAR

Dated 22 September 2020

This circular is being issued by PG p.l.c. (C-78333) with registered office at PG Group Head Offices, PAMA Shopping Village, Valletta Road, Mosta MST 9017, Malta (the **"Company"**) and sent to those shareholders appearing on the register of members of the Company as at the close of business on 15 September, 2020, and is intended to provide an explanation on two resolutions which are being proposed to shareholders at the 4th Annual General Meeting of the Company (the **"Circular"**).

1. IMPORTANT INFORMATION

This Circular, containing information about two of the resolutions to be proposed for approval at the forthcoming annual general meeting (**"AGM"**) scheduled to be held remotely on 15 October, 2020, is being dispatched to all persons appearing on the Company's register of members as at close of business on 15 September, 2020 (the **"Members"**).

This Circular is being issued in compliance with the Listing Rules issued by the Listing Authority, in particular the requirements set out in Listing Rule 6.1.7 for circulars relating to changes to the memorandum and articles of association, Listing Rule 6.1.11 for circulars relating to any business to be considered at an annual general meeting which does not constitute ordinary business, and Listing Rule 6.2 on the contents of all circulars.

All the directors of the Company as at the date hereof, namely Charles Borg, Gianluca Borg, Claire Alexia Borg Gauci, Paul Gauci, William Spiteri Bailey, Lawrence Zammit and John Zarb (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 which is likely to affect the import of such information.

This Circular is important and requires your immediate attention as you shall be required to vote at the AGM. If you remain in doubt as to what voting action to take, you are advised to consult an appropriate independent adviser.

Where any or all of the shares in the Company held by a recipient of this Circular have been sold or transferred by the date of receipt of this document, a copy of this Circular should be passed on to the person through whom the sale or transfer was effected for transmission of the Circular to the purchaser or transferee.

2. INTRODUCTION

In addition to the resolutions relating to the ordinary business of the Company being placed before the Members at the AGM, the Directors are also placing before the Members: an ordinary resolution for the approval of the proposed Directors' Remuneration Policy of the Company; and an extraordinary resolution relating to proposed changes to the Company's Memorandum and Articles of Association and the substitution of the Company's current Memorandum and Articles of Association with that made available to Members at the registered office of the Company and on the Company's website since the dispatch of the notice convening the AGM.

3. EXTRAORDINARY BUSINESS: PROPOSED ORDINARY RESOLUTION

APPROVAL OF DIRECTORS' REMUNERATION POLICY

The proposed resolution reads as follows:

"That the Directors' Remuneration Policy of the Company, in the form as enclosed and explained in the Shareholders' Circular dated 22 September 2020 and circulated together with the notice convening this meeting, be and is hereby approved."

Explanatory Note

Following amendments made to Chapter 12 of the Listing Rules in July 2019 for the purpose of transposing Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 (the **"Shareholder Rights Directive II"**), the Directors have drawn up a remuneration policy relating to the remuneration payable to the Directors, Chief Executive Officer (**"CEO"**) and Deputy Chief Executive Officer (**"Deputy CEO"**) of the Company (the **"Remuneration Policy"**).

The overarching objective of the proposed Remuneration Policy is to promote the long-term success and development of the Company, and to attract, motivate and retain individuals with an apt combination of skills, knowledge, experience and expertise. Furthermore, the Remuneration Policy is formulated on the general principle of upholding integrity and good governance in the conduct of the affairs and business of the Company, by establishing clear, comprehensive, and objective parameters upon which decisions on the remuneration that may be paid to the Directors, CEO and the Deputy CEO of the Company are to be made, together with the decision-making process involved.

The Directors are proposing that this Remuneration Policy be approved by the shareholders of the Company as required in terms of the Listing Rules. Should the approval by the shareholders of the Company be forthcoming, the effective date of the Remuneration Policy shall be the date of approval by the Company in general meeting, that is 15 October 2020, and the Directors, CEO and the Deputy CEO of the Company shall be remunerated in accordance with this Remuneration Policy with effect from such date. The Remuneration Policy shall be reviewed regularly, and any material changes shall be submitted to a vote of the annual general meeting of the Company before adoption, and in any case at least every four (4) years.

As from the AGM to be held in 2021, the audited financial statements of the Company shall contain a remuneration report to be drawn up in accordance with the requirements of Appendix 12.1 of the Listing Rules, for the purpose of providing the Company's shareholders with a comprehensive overview of the remuneration (including all benefits in whatever form) awarded or accrued during the most recent financial year to the Directors, the CEO and the Deputy CEO of the Company in accordance with the Remuneration Policy.

4. EXTRAORDINARY BUSINESS: PROPOSED EXTRAORDINARY RESOLUTION

AMENDMENTS TO THE COMPANY'S MEMORANDUM AND ARTICLES OF ASSOCIATION

The proposed resolution reads as follows:

"That the current Memorandum and Articles of Association of the Company be and are hereby abrogated and replaced by the new Memorandum and Articles of Association (a copy of which was made available to shareholders at the registered office of the Company and on the Company's website since the dispatch of the notice convening this meeting), amended as explained in the Shareholders' Circular dated 22 September 2020 and circulated together with the notice convening this meeting."

The changes being proposed are amendments to:

- I. article 5 of the Memorandum of Association (Directors);
- II. article 12 (Directors – General), article 17 (Rotation of Directors) and article 19 (Removal of directors and vacation from office) of the Articles of Association.

A. It is proposed that article 5.1 of the Company's Memorandum of Association (Directors) be amended to read as follows:

"The administration of the Company shall be vested in a board of directors consisting of a minimum of five (5) and a maximum of eight (8) directors."

B. It is proposed that article 12.3 of the Company's Articles of Association (Directors – General) be amended to read as follows:

"The Board of Directors shall consist of a maximum of eight (8) Directors appointed as specified in Article 14 below, one of whom shall be the Chief Executive Officer appointed in terms of Article 13 below."

C. It is proposed that article 17.2 (Rotation of Directors) of the Articles of Association be amended to read as follows:

"At the annual general meeting falling on the third (3rd) anniversary of the general meeting referred to in Article 17.1, two (2) Directors, which for the purposes of this Article shall not include the Chief Executive Officer, shall retire from office, but shall be eligible for re-appointment. In every subsequent year, two (2) Directors holding office on the Board of Directors, other than the Chief Executive Officer, shall retire from office, but shall be eligible for re-appointment, provided that if in any subsequent year, in order for the requirements of Article 17(1) to be met the number of Directors required to retire from office is greater than two (2), then such greater number of Directors shall retire from office (but be eligible for re-appointment)."

D. It is proposed that article 19 of the Company's Articles of Association (Removal of Directors and Vacation of Office) be amended follows:

I. The heading to article 19, that is, "*Removal of Directors and Vacation of Office*" shall be amended as follows:

"Removal of Directors, Vacation of Office and Co-Option"

II. A new article 19.3 of the Company's Articles of Association be added immediately following sub-article 19.2.6, and state as follows:

"Without prejudice to the instances in which the office of the Director is vacated in terms of Article 19.2, for the purposes of these Articles a vacancy among the Directors shall also be deemed to exist where, at any point in time between one annual general meeting and the next, the number of Persons sitting on the Board of Directors is for any other reason lower than the maximum number of Directors specified in Article 12.3, provided that where the reduction results from a vacancy in the post of Chief Executive Officer, the provisions of Articles 19.4 and 19.5 shall not apply and the provisions of Article 13.1 shall apply instead."

III. Article 19.4 of the Company's Articles of Association (as re-numbered to article 19.5) be amended to read as follows:

"Any vacancy among the Directors filled by virtue of a co-option as aforesaid, shall be valid until the next annual general meeting. At such next annual general meeting, the director so co-opted shall be one of the Directors subject to Rotation in accordance with the provisions of Article 17."

Explanatory Note

A. Amendments to article 12 of the Company's Articles of Association:

This proposed amendment to article 12.3 will increase the maximum number of directors who may sit on the Board of Directors from time to time from seven (7) to eight (8). The Board of Directors has identified an individual having the necessary combination of skills, knowledge, experience and expertise to complement the existing Board of Directors. Subject to the prior approval of the Nominations Committee, the Board of Directors are of the view that the said individual would further enhance the capabilities of the Board. For this reason, the Board of Directors considers it in the best interests of the Company to increase the maximum amount of directors who may sit on the Board of Directors to allow for the appointment and, or co-option of the individual so identified.

B. Amendments to article 17 of the Company's Articles of Association:

This amendment was considered necessary in light of the amendment to article 12.3 (referred to in "A" above). This proposed amendment to article 17.2 would ensure that every director will be subject to rotation at least once every three (3) years. Whereas the existing article 17.2 would allow for this in the case of a board complement of seven (7) (with one of them being the CEO), this would not be the case where the board is composed of more than seven (7) directors (with one of them being the CEO).

C. Amendments to article 19 of the Company's Articles of Association:

The proposed addition of the new article 19.3 is intended to clarify the position relative to the co-option of persons recommended by the Nominations Committee to the Board of Directors where the board complement at any time falls below the maximum number of directors specified in article 12.3 (and article 5 of the memorandum of association). Accordingly, by virtue of this amendment, the power of the Board of Directors to co-opt persons to the Board will apply both in such case as well in the circumstances set out in article 19.2.

The proposed amendment to article 19.4 (as re-numbered to article 19.5) clarifies that any director co-opted in accordance with the new article 19.3 as aforesaid must retire at the next annual general meeting following his co-option and shall be subject to rotation in accordance with the provisions of article 17.

D. Amendment to article 5.1 and updates to article 5.2 of the Memorandum of Association

Article 5.1 is to be amended to increase the maximum number of directors who may sit on the Board of Directors from time to time from seven (7) to eight (8). Such amendment is being proposed for the purposes explained in section A above.

The updates proposed to be made to article 5.2 of the Memorandum of Association are required in order for the Directors' details found in the Memorandum of Association be up to date and reflective of the most recent information available at the Malta Business Registry, further to statutory notifications made to the Malta Business Registry from time to time in the case of past changes to the Board of Directors or details relative to its members.

5. DIRECTORS' RECOMMENDATION

The Directors, having made the necessary considerations, are of the view that the proposed resolutions, including those not forming the subject of this Circular, are in the best interests of the Company and its shareholders as a whole. The Directors therefore recommend that the shareholders vote in favour of the said resolutions at the AGM.

6. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents or certified copies thereof will be available for inspection at the Company's registered office situated at PG Group Head Offices, PAMA Shopping Village, Valletta Road, Mosta MST 9017, Malta, for at least fourteen (14) days from the date of publication of this Circular:

- a) the Company's existing Memorandum and Articles of Association;
- b) the Company's draft Memorandum and Articles of Association, as they are to be amended should the resolution set out above be passed;
- c) the Directors' Remuneration Policy, as put forward for approval by the shareholders of the Company; and
- d) the Company's last Annual Financial Statements, together with the Directors' Report and Auditors' Report thereon, for the financial year ended 30 April 2020.

Date: 22 September 2020

Approved and issued by PG p.l.c., with registered office situated at PG Group Head Offices, PAMA Shopping Village, Valletta Road, Mosta MST 9017, Malta.