



CLS Holdings plc

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Mr Andrew Ninian
Director, Stewardship and Corporate Governance
The Investment Association
Camomile Court
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18 June 2019

Dear Mr Ninian

INVESTMENT ASSOCIATION'S ("IA") PUBLIC REGISTER

Thank you for your letter of 16 May 2019, which has been passed to me to respond on behalf of CLS Holdings plc (the "Company").

The Company notes that it received 21.3% of votes cast by independent shareholders against resolution 11, to re-elect Christopher Jarvis as a director, at its Annual General Meeting held on 25 April 2019. This is in excess of the 20% threshold and the Company understands it will therefore be included in the IA's Public Register.

CLS believe in the importance of good corporate governance as a key driver to building a strong business that delivers sustainable value to all stakeholders. We recognise that through an effective structure of controls, which define authority and accountability throughout the Group, we can manage risks appropriately whilst still promoting effective and entrepreneurial leadership and ensuring a successful and innovative business.

The Board notes the Provisions of the UK Corporate Governance Code (the "Code") operate on a "comply or explain" basis and that an alternative to complying with a Provision may be justified so long as clear explanations are given.

Provision 10 of the Code states that:

"The board should identify in the annual report each non-executive director it considers to be independent. Circumstances which are likely to impair, or could appear to impair, a non-executive director's independence include, but are not limited to, whether a director [...] has served on the board for more than nine years from the date of their first appointment.

"Where any of these or other relevant circumstances apply, and the board nonetheless considers that the non-executive director is independent, a clear explanation should be provided."

As set out in the Company's 2018 Annual Report, the Board noted that Mr Jarvis had served for longer than 9 years but, following a rigorous review of the Board and individual directors, it was concluded Mr Jarvis remained independent given his other substantial work commitments outside of CLS and the significant contribution (and challenge) he makes in Board discussions. Notwithstanding the explanation given, the Board accepts that this view was not shared by some shareholders.

The Nomination Committee studied all shareholder feedback relating to the issue of Board composition and the tenure of Mr Jarvis, which was shared with the Board, and is fully committed to refreshing Board membership. This is evidenced by the Company's recent confirmation that it is seeing to replace Mr Cooper during 2019, who has also served for more than 9 years. The Company is also seeking to appoint a further independent non-





executive director who will succeed Mr Jarvis. It should be noted that given the important role Mr Jarvis fulfils as Chairman of the Remuneration Committee, his succession plan may need to include a longer transition period in light of the Code's requirements regarding remuneration experience.

Yours sincerely

A handwritten signature in black ink, appearing to read 'David Fuller'.

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& Head of Group HR
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