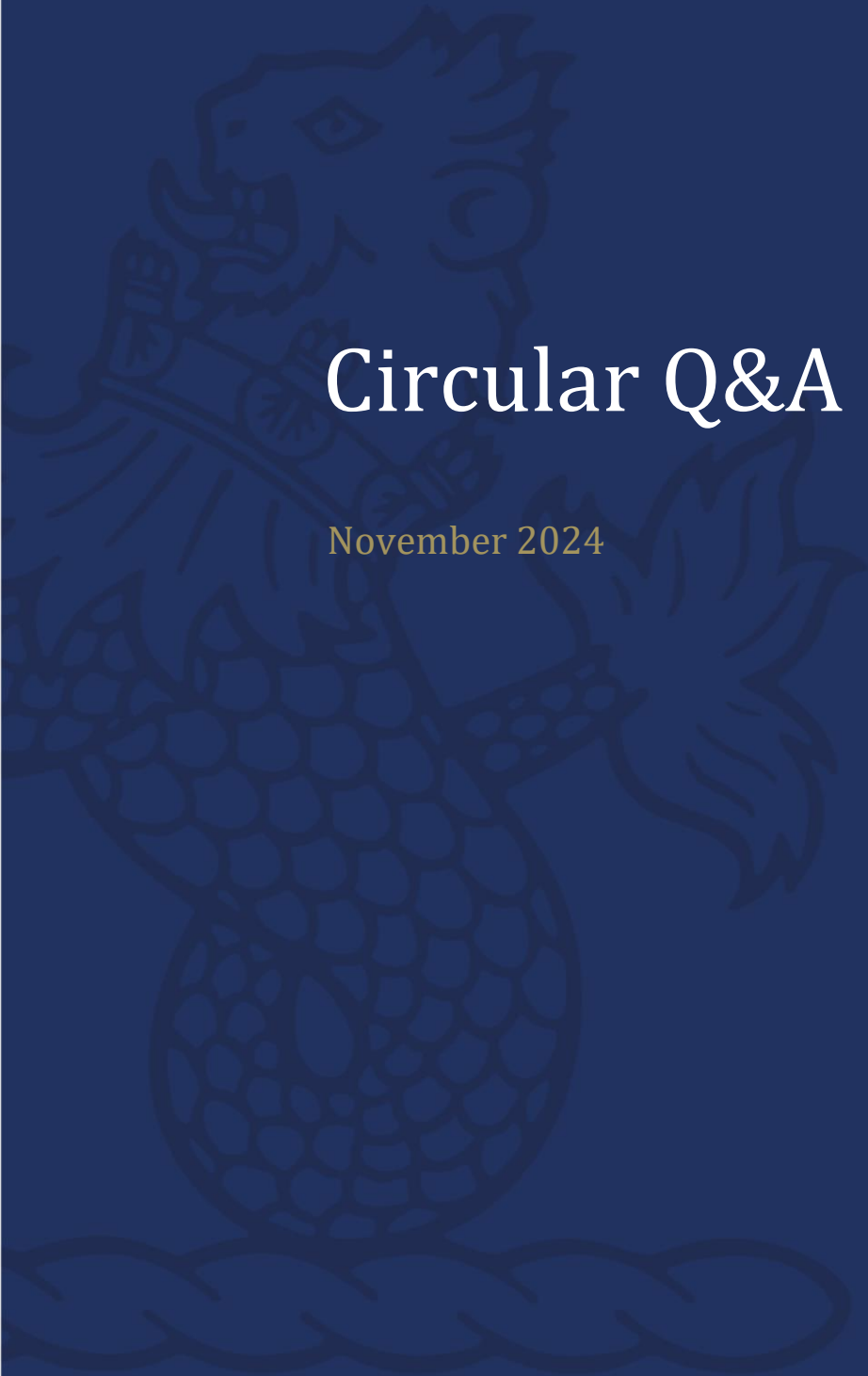




CALEDONIA
INVESTMENTS
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Circular Q&A

November 2024



Circular Q&A

Capitalised terms are defined in the Circular dated 26 November 2024

Why are you publishing a Circular?

The Circular outlines a proposal to:

- (i) refresh the Company's existing authority to make market purchases of Ordinary Shares; and
- (ii) at the same time, seek approval from Independent Shareholders of a waiver from the mandatory offer requirement in the Takeover Code that may otherwise apply to the Concert Party as a result of any exercise of the new Authority to Make Market Purchases.

While this proposal is similar to the annual authority and waiver sought in recent years, it differs in one important respect. The approval of this waiver does not include a cap on the percentage of the Ordinary Shares that the Concert Party can hold following the exercise by the Company of the new Authority to Make Market Purchases.

The Circular explains the two resolutions to be proposed at the General Meeting and why the Non-Concert Party Directors believe the proposal is in the best interests of the Company and are unanimously recommending that Independent Shareholders vote in favour of the Waiver Resolution.

You are encouraged to read the Circular before deciding what action you should take.

What are the Proposals?

There are two proposals: (i) refreshing the Company's authority to make market purchases of its Ordinary Shares; and (ii) a waiver of the requirements of Rule 9 of the Takeover Code.

Having consulted with the Panel on Takeovers and Mergers, the Company is seeking from Independent Shareholders the approval of a new Waiver Resolution that does not include a 49.9 per cent. cap on the Concert Party's interest in Ordinary Shares. This would allow optionality for the Company to make additional market purchases of Ordinary Shares when the Board believes it is in the best interests of the Company to do so. An ancillary benefit is that if, and for so long as, the aggregate Concert Party holding subsequently exceeds 50 per cent., the significant time and cost of seeking an annual Rule 9 Waiver would be removed. The Concert Party is not permitted to vote on the Waiver Resolution.

As detailed further in section 5 of the Circular, the Concert Party has confirmed that it remains fully supportive of the Company's management and has no intention to make any changes to the future business or the strategic direction of the Company. If this proposal is approved by a majority of Independent Shareholders, it is not expected to affect the running of the Company, its inclusion in the FTSE 250 index or remove any rights of an Ordinary Shareholder. The Takeover Code continues to apply to the Company. The Board and the management team would remain focused on the same objective of delivering long-term, compounding returns for all Ordinary Shareholders.

It is important for Independent Shareholders to note that, if the Waiver Resolution is passed and the maximum number of Ordinary Shares is bought back by the Company pursuant to the Authority to Make Market Purchases (and assuming that no Ordinary Shares are sold by the Concert Party), then the Concert Party would, in aggregate, hold Ordinary Shares carrying 52.10 per cent. of the voting share capital of the Company.

If, and for so long as, the Concert Party holds Ordinary Shares carrying over 50 per cent. of the voting rights of the Company, it may increase its percentage holding in Ordinary Shares without incurring any obligation to make an offer under Rule 9, although individual members of the Concert Party will not be able to increase their percentage interests in shares above 30 per cent. (or, if already holding between 30 and 50 per cent. of the Ordinary Shares, at all) without Panel consent (whether through market purchases by the Company or through the Concert Party acquiring further interests in Ordinary Shares).

You are encouraged to read the Circular before deciding what action you should take.

What is a Rule 9 Waiver?

A Rule 9 Waiver means an approval by the Independent Shareholders, by way of a poll, of a waiver of the obligation on the Concert Party to make an offer for the entire issued share capital that may otherwise arise as a result of market purchases by the Company of its Ordinary Shares.

Why are you seeking approval for a new Rule 9 Waiver?

The Board believes the proposals are aligned to the Company's objective to deliver long-term compounding returns for all shareholders.

The Board believes it is important for shareholders to capture more fully the benefit from the long-term increase in Net Asset Value per Ordinary Share. In recent years, the widening of the discount has resulted in total shareholder return substantially underperforming growth in the Net Asset Value per Ordinary Share. In particular, the Board believes the Company's share price undervalues the Company's high quality and diverse portfolio, its long-term track record and its future prospects.

Alongside continuing to deliver long-term real returns, addressing the discount is a priority for the Board and the Company's management team. As detailed further in section 1 of the Circular, the Board believes that the long-term compounding investment objective of the Company makes market purchases of Ordinary Shares at wide discounts to their underlying Net Asset Value per Ordinary Share highly appealing.

Following its regular discussion with our Independent Shareholders, the Board has been carefully considering the possibility of taking steps to ensure that the Company can continue to make market purchases of Ordinary Shares. The Board continues to believe that market purchases of Ordinary Shares at the current discount to Net Asset Value per Ordinary Share are accretive to ongoing Ordinary Shareholders and believes that it is in the best interests of the Company and Ordinary Shareholders as a whole to ensure that the Company is able to continue to do so.

As a result of recent purchases of Ordinary Shares by the Company, the Concert Party's percentage of shares carrying voting rights of the Company as at the Latest Practicable Date was approximately 49.49 per cent. Accordingly, the Company's ability to buy back any further shares is severely constrained by the existing cap on the Concert Party's maximum potential interest of 49.9 per cent.

You are encouraged to read the Circular before deciding what action you should take.

Why do the Board believe this is in the best interests of Ordinary Shareholders?

As noted in the Q&A above (*Why are you seeking approval for a new Rule 9 Waiver?*), the Board believes the Company's share price undervalues the Company's high quality and diverse portfolio, its long-term track record and its future prospects, and addressing this discount is a priority for the Board and the Company's management team. The Board continues to believe that market purchases of Ordinary Shares at the current discount to Net Asset Value per Ordinary Share are accretive to ongoing Ordinary Shareholders and believes that it is in the best interests of the Company and Ordinary Shareholders as a whole to ensure that the Company is able to continue to do so.

You are encouraged to read the Circular before deciding what action you should take.

Details on the Concert Party

The Concert Party is a group of Ordinary Shareholders which the Panel of Takeovers and Mergers has confirmed is deemed to act in concert. Details of the members of the Concert Party are set out in paragraph 4.6 of Part III of the Circular.

What do you mean by Independent Shareholders?

Independent Shareholders means those Ordinary Shareholders who are not members of the Concert Party.

When and where is the General Meeting?

The general meeting will be held at Cayzer House, 30 Buckingham Gate, London SW1E 6NN at 2.00 pm on 18 December 2024.

Further information on actions to be taken and key deadlines can be found in the Circular.

How do I lodge my proxy form?

You are encouraged to read the Circular before deciding what action you should take.

If you hold your Ordinary Shares via a nominee, you will need to instruct the nominee on how you wish to vote. Your nominee will provide you with details of how to do this.

If you wish to attend and vote in person at the General Meeting and hold your shares through a nominee, you will need to provide us with a letter of representation from the nominee through which you hold your shares.

If you hold shares through an investment platform, detailed information on how to attend and/or vote can be found on the [AIC website](#).

Further information on actions to be taken and key deadlines can be found in pg. 27 to 28 of the Circular.

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*Calls cost 12p per minute plus your phone company's access charge. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9am and 5.30pm, Monday to Friday excluding public holidays in England and Wales.