

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

This document contains information relating to certain of the resolutions to be voted on at the Annual General Meeting to be held on 9 February 2018. If you are not sure about any of the proposals or the action you should take, you should consult with a stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are in the United Kingdom (or, if not, from another appropriately authorised financial adviser). If you have sold or transferred all your shares in Shaftesbury PLC, please forward this document to the purchaser or transferee, or to the stockbroker, bank or other agent who arranged the sale or transfer.

1 February 2018

Dear Shareholder

Statement circulated pursuant to section 314 of the Companies Act 2006

Background

Mr Samuel Tak Lee, who has requested that the attached statement be circulated to all shareholders, has a declared interest of 25.02% in the issued share capital of the Company, which is held through a number of companies controlled by him. Mr Lee is a major, neighbouring landowner in London's West End, through his control of The Langham Estate, which owns commercial properties to the north of Oxford Street, up to Euston Road, W1, extending to c.13.8 acres.

Mr Lee has held varying levels of interest in the Company's shares for a number of years and in July 2015, he launched a public tender offer to acquire up to 9.3% of the Company's then issued share capital at 888 pence per share, representing a premium of 2.1% over the then mid-market share price. The tender offer was withdrawn as the minimum level of acceptances was not reached.

The majority of Mr Lee's current interest in the Company's shares has been acquired through market purchases since June 2016.

The Board's open and transparent corporate culture welcomes and encourages regular dialogue with shareholders to enable it to explain the Company's strategy and its implementation. At no time during Mr Lee's presence on the Company's share register has he, or his representatives, accepted any of the Company's numerous invitations to enter into a dialogue. However, since our share placing on 6 December 2017, the Company has received correspondence from Mr Lee's lawyers questioning the need for, and the conduct of, the share issue, which the Company has responded to promptly and, we believe, appropriately.

The Board has now received the attached statement, which is the first communication received directly from Mr Lee.

Placings as a method to raise new equity

A share placing involves the issue of new shares, usually for cash. Corporate law gives existing shareholders the right to subscribe for those shares on an equal basis with other shareholders, dependent on the number of shares they already own (a pre-emptive issue). Specific shareholder approval is required for any share issue not made on a pre-emptive basis. It is common for listed companies to seek such shareholder approval on an annual basis, subject to certain limits and guidelines specified by the Listing Rules and corporate governance bodies.

At the 2017 Annual General Meeting, shareholders granted authorities to the Board, by an overwhelming majority, to issue up to 9.99 per cent of the Company's then issued share capital without being obliged to first offer those shares to all existing shareholders on a pro-rata basis (a non pre-emptive issue). The Board is seeking to renew these authorities at the 2018 AGM.

A share placing affords a company a cost-effective method to issue equity. It is a method commonly used by companies listed in London, including other UK listed REITS, and the Company has issued shares on this basis in 2011, 2014 and 2017.

The Company's Placing in December 2017

The Board keeps under constant review the current and future financing requirements of the Company's business. Its responsibility is to ensure sufficient committed resources are available to invest in, and grow its portfolio, whilst maintaining a prudent balance between equity and debt which it considers to be appropriate for a publicly-listed company. In light of recent contracted property purchases, totalling c. £133 million, anticipated future acquisitions and value-enhancing investment plans, the Board resolved that it was in the best interests of the Company that further equity was secured.

Consequently, on 6 December 2017, the Company announced a placing, on a non pre-emptive basis, of up to 27,855,508 new ordinary shares at 952 pence per share, representing approximately 9.98 per cent. of the issued share capital of the Company at that time. Shares were issued at a price equivalent to the Company's last reported EPRA Net Asset Value, at a discount before costs of 4.90 per cent to the closing price on 5 December 2017.

The placing was well-supported by existing shareholders. Shares were only allocated to shareholders on the register at the date of the placing announcement, including those companies in respect of which Mr Lee is the ultimate beneficial owner. Through their participation in the placing, the companies ultimately controlled by Mr Lee received 6,864,368 new shares and retained a very similar percentage of shares after the placing as they held before it.

Two weeks after the placing, on 20 December 2017, the Company announced the acquisition of six buildings in Neal Street for £24.6 million, in line with its proven strategy to grow its exceptional portfolio. Management continues to identify and investigate a number of potential acquisitions, although the timing of purchases is always impossible to predict.

Mr Lee's notification of intention to vote against certain resolutions to be proposed at the 2018 Annual General Meeting and the implications for the Company's business

The attached statement from Mr Lee states that the shareholder companies he ultimately owns intend to vote against three resolutions:

- **Resolution 16** – this is an ordinary resolution authorising the Directors to allot shares in the capital of the Company; and
- **Resolutions 17 and 18** – these are special resolutions authorising the Directors to allot shares in certain circumstances on a non pre-emptive basis.

The Company released an announcement notifying shareholders of receipt of the attached statement via a regulatory information service on 30 January 2018.

Resolution 16 is conditional upon receiving approval of over 50% of votes cast on the resolution, and so cannot be blocked by Mr Lee acting alone. If this resolution is not passed, the Board will not have the power to issue shares, including through a rights issue or otherwise without seeking a new specific approval from shareholders in a general meeting. The requirement to hold separate general meetings of the Company would be time-consuming and costly.

Resolutions 17 and 18 require the approval of at least 75% of votes cast on the resolution. If Mr Lee votes against these resolutions, they will not be passed and the Company will not be able to issue shares on a non pre-emptive basis (irrespective of the outcome of resolution 16). As stated in the notice of meeting for the 2018 AGM, the Directors have no present intention of using the power under these authorities but, as in previous years, if passed, they would have the flexibility to act in the best interests of the Company should the Board see a clear need to raise equity.

The Board's response to statements made in Mr Lee's letter to shareholders

The highest standards of corporate governance and behaviour are embedded in our culture and the day-to-day running of your Company. We have an experienced board of executive and non-executive Directors who are fully aware of their fiduciary duties and seek always to act in the best interests of shareholders. Across the business, the long-term promotion of the business for the benefit of all stakeholders, including shareholders, rather than short-term considerations, is paramount in decision-making.

The Board considers it has fully discharged its fiduciary duties in its decisions regarding:

- the future financing needs of the business and the long-term benefits of strengthening the Company's equity base to support the continuing growth of its business and the returns delivered to shareholders; and

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- the raising of equity by way of a placing, which is a route widely followed in UK equity markets, and which has been successfully used and well-supported in previous equity issues by the Company in 2011 and 2014.

It is also satisfied that:

- the placing was conducted properly in accordance with authorities provided by shareholders to the Directors at the 2017 Annual General Meeting (where the corresponding resolutions to resolutions 17 and 18 were supported by more than 99% and 96%, respectively, of those shareholders present and voting at that meeting); and
- the placing was conducted in compliance with all legal and regulatory requirements.

The Board does not agree with the statements made and sentiments expressed by Mr Lee in the attached letter to shareholders, but respects his right and stated intention to vote against certain resolutions being proposed at the forthcoming Annual General Meeting.

The Board will continue its long and respected stewardship of this Company's exceptional business, which continues to deliver sector-leading, long-term returns for shareholders, and will be guided at all times by its clear fiduciary duties owed to shareholders as a whole to promote the long-term success of the Company.

Recommendation of the Board

The Board continues to consider that all of the resolutions to be proposed in the Notice of AGM are in the best interests of the Company and its shareholders as a whole and they unanimously recommend that shareholders vote in favour of them.

Yours faithfully



Jonathan Nicholls
Chairman

ATTACHMENT

THE BOARD HAS NOT INDEPENDENTLY VERIFIED THE ACCURACY OF THE FOLLOWING STATEMENT

Samuel Tak Lee
(9a Margaret Street, London W1W 8RJ)

29 January 2018

Shaftesbury plc Annual General Meeting – 9 February 2018

Dear Shaftesbury Shareholder,

I write as the ultimate beneficial owner of approximately 25 per cent. of the issued share capital of Shaftesbury. I am concerned to ensure the development and success of Shaftesbury in the interests of all its shareholders.

The Placing

On 6 December 2017, Shaftesbury undertook a placing of 27,855,508 new shares, amounting to 9.98% of its then issued share capital (the "**Placing**"). The Placing was carried out on a non-pre-emptive basis at a 6.59% discount to the prevailing share price. The combination of a non-pre-emptive offering at a material discount to the market price and the manner in which shares were then allocated has caused me great concern.

I fundamentally believe that the Shaftesbury board of directors had a duty to consider at the time of the Placing whether such a non-pre-emptive share issue was necessary, whether it was in the best interests of its shareholders as a whole, and how it should be conducted (regardless of whether it may be claimed to be conducted in accordance with the strict letter of the Listing Rules, the Pre-Emption Statement of Principles or the shareholder authorities granted at the 2017 AGM). I believe placings of this nature can be inequitable and prejudicial to existing shareholders for the following reasons:

- shares may not be offered to all existing owners of the company pro rata to their existing shareholdings;
- when shares are issued at a discount to the prevailing market price, the only shareholders who benefit are those who are invited to and able to, participate; and
- the extremely short time period within which such offerings are typically conducted makes it very challenging for non-institutional investors who are offered the opportunity to participate, to be able to do so.

Shareholders should note that Shaftesbury has undertaken non-pre-emptive placings of approximately 10% of its issued share capital on 3 occasions in the last 7 years. The principal recipients of the new shares have been institutional investors, thus in my view compounding the inequitable treatment of existing non-institutional shareholders. This is a significantly higher level of share issues than undertaken by similar UK REITs.

In this instance, I believe that Shaftesbury's Board failed to take adequate account of what was in the best interests of all of its shareholders, both institutional and individual.

Dialogue with Shaftesbury Board

I have endeavoured to engage with the Shaftesbury Board in order to express my concerns. I have asked a number of specific questions over the Placing in order to try to understand the Board's actions and the treatment of shareholders, but the responses I received have not adequately addressed my concerns.

Absence of consideration of fiduciary duties

On many points, the Board has simply refused to provide information, in reliance upon implausible confidentiality obligations. On others, its responses have heightened my fears. In a letter dated 15 January 2018, Shaftesbury's solicitors, Hogan Lovells, wrote in relation to the Placing that:

"the Company and the joint bookrunners had complete discretion in the allocation of shares and had no legal obligations to any existing shareholders in the Company in respect of such allocation."

People sometimes defend statements which are quoted back at them by saying they were taken out of context. I assure you this statement is entirely within the overall context of that letter.

In response to that letter, I expressed my astonishment that the directors of a listed company could believe that they need have no concern for its existing shareholders when deciding how to exercise the fiduciary powers entrusted to them. Hogan Lovells responded on 25 January 2018 that the Shaftesbury Board was "*completely satisfied that it had discharged its fiduciary duties properly*" in relation to the Placing. I cannot see how this can be consistent with the Board's belief that it "*had complete discretion in the allocation of shares and had no legal obligations to any existing shareholders*". I consider that the equitable treatment of all shareholders should be a fundamental concern of directors in considering and conducting any new issue of shares, let alone in relation to a placing. Moreover, Shaftesbury is a REIT and so affords significant benefits to its shareholders; if its Board shows no proper concern for them, at least some of their benefits may be lost through the dilution of shareholdings.

My intentions

In the absence of any satisfactory explanation from the Board to my specific questions over the Placing and in the light of the Board's position quoted above, I do not believe the Board can be relied upon to consider the best interests of its shareholders when undertaking future share issues. I note the highly influential Pensions and Lifetime Savings Association Corporate Governance Policy and Voting Guidelines published on 25 January 2018 which only support disapplication of pre-emption rights:

"where a clear case is made for these not being applied in the context of the best interests of all of the owners of the Company concerned."

I do not believe a clear case has been shown.

Whilst I have never before exercised any right to vote at a Shaftesbury shareholder meeting, given the circumstances, at the forthcoming Shaftesbury AGM, the shareholders that I ultimately own will be voting against resolutions 16, 17 and 18, which propose to renew the Board's right to undertake further issues of shares, whether on a pre-emptive basis or otherwise. I would encourage all other shareholders who wish to avoid dilution as a result of new issues of shares to consider doing likewise.

I am a long term direct investor in prime West End real estate, with a profound appreciation for the intrinsic value of land. My own experiences following the Placing have led me to the view that the Board needs to rethink both its desire for additional capital from shareholders and, if thought necessary, the means by which such capital might be obtained.

Yours faithfully



Samuel Tak Lee

