

EXPLANATORY MEMORANDUM FOR SHAREHOLDERS OF UAC OF NIGERIA PLC

Items 10.1 to 10.3 on the Agenda for the Annual General Meeting (“**AGM**”) of UAC of Nigeria Plc (the “**Company**”) scheduled to hold at 12th Floor, UAC House, 1-5 Odunlami Street, Marina, Lagos on Wednesday, June 22, 2022 at 10.00am.

(1) **SCRIP DIVIDEND**

The Directors have proposed for the shareholders' approval at the AGM, a scrip dividend that would give interested Shareholders the option to elect to receive new ordinary shares in the Company instead of the dividend in cash (“**scrip dividend election scheme**”). The proposal is on the AGM agenda as item 10.1.

These explanatory notes provide information on the scrip dividend election scheme and explain how Shareholders can make their election.

(a) **What the scrip dividend election scheme entails and its benefits**

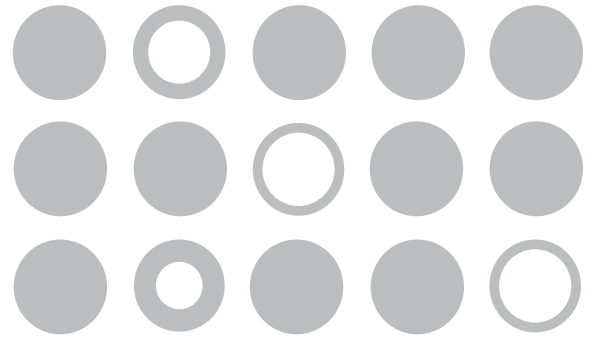
The scrip dividend election scheme gives Qualifying Shareholders (defined below) the opportunity to elect (i.e. choose) to receive their dividends in the form of new ordinary shares in the Company instead of cash.

Qualifying Shareholders are those whose names appear in the Company's Register of Members as at the close of business on the 7th of June 2022.

One benefit of the scrip dividend election scheme is that Qualifying Shareholders who elect to receive new ordinary shares would be able to increase the number of shares they hold in the Company without incurring capital market-related transaction costs.

(b) **How a Qualifying Shareholder participates in the scrip dividend election scheme**

A Qualifying Shareholder who intends to make an election for shares shall complete an Election Form and return same to Africa Prudential Plc, 220B Ikorodu Road, Palmgrove, Lagos (the “**Registrar**”) or via email to cxc@africaprudential.com on or before the 14th of June 2022.



A copy of the Election Form can be obtained from the office of the Registrar. It is also available at <https://www.uacnplc.com/wp-content/uploads/2022/05/UAC-Scrip-Election-Form-2022-AGM.pdf>. Further, the Election Form will be sent to Qualifying Shareholders along with the Company's 2021 Annual Report and Accounts accompanying the Notice of AGM. Qualifying Shareholders (using their personal and corporate e-mail addresses) can scan and send duly completed Election Forms to the Registrar at the e-mail address: cxc@africaprudential.com.

(c) Default option

Qualifying Shareholders who do not wish to receive the dividend as additional shares in the Company are not required to complete the Election Form or take any other steps. Such Shareholders will automatically receive cash. The default option shall be cash.

(d) Number of new ordinary shares to be received by a Qualifying Shareholder who elects for shares

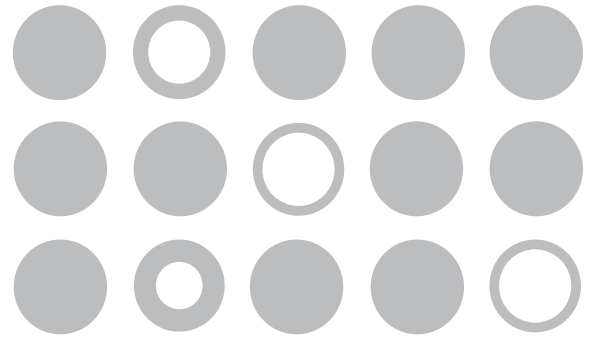
The number of new ordinary shares to be received by Qualifying Shareholders who elect for new shares will depend on their respective cash dividend entitlements (less withholding tax) and the Reference Share Price. The formula for calculating the number of shares to be received is as follows:

Net Cash Dividend Due **divided by** Reference Share Price.

Net Cash Dividend Due is Gross Dividend less Withholding Tax at the appropriate rate. The Reference Share Price shall be a 10-day average closing share price of the Company's stock traded on the Nigerian Exchange Limited starting on the 8th of June, 2022.

No fraction of a share will be issued. Thus, in the event that a residual cash dividend entitlement arises as a result of an election to receive new ordinary shares, Qualifying Shareholders will be paid the monetary value of such residual cash dividend entitlement.

In the event that the aggregate number of UAC shares required to settle all scrip dividend elections exceed available unissued shares, the Company will issue the available unissued shares pro-rata the shareholdings of all



shareholders who elect for scrip dividend. The value of the balance will be paid to shareholders as cash.

(e) Confirmation of entitlement to Qualifying Shareholder who elects for new ordinary shares

Qualifying Shareholders who elect to receive new ordinary shares will receive a statement confirming the number of new shares issued, the Reference Share Price and the total cash equivalent of the new shares. In the event that the cash dividend entitlement of a Qualifying Shareholder is insufficient to acquire at least one (1) new share, no new ordinary shares will be received by such Qualifying Shareholder, and the dividend will be paid in cash, irrespective of the election.

(f) Proposed payment date for Qualifying Shareholders who elect to receive cash

The proposed payment date for Qualifying Shareholders who elect to receive cash is 23rd of June 2022.

(g) Proposed date for crediting the Central Securities Clearing System ("CSCS") accounts of Qualifying Shareholders who elect to receive new ordinary shares

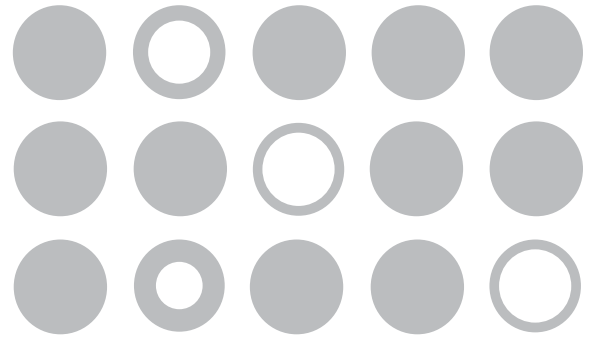
It is anticipated that the CSCS accounts of Qualifying Shareholders will be credited within seven (7) working days of the receipt of the Securities and Exchange Commission's ("SEC") approval.

(h) Qualifying Shareholders who have more than one holding/account

If a Qualifying Shareholder has more than one holding, each holding will require a separate election. Any Qualifying Shareholder who intends to combine its/his/her holding should contact the Registrar.

(i) Shares held in joint names

For joint account holders, the Election Form must be signed by all joint shareholders for the election to be valid.



(j) Contact for further questions about the scrip dividend election scheme

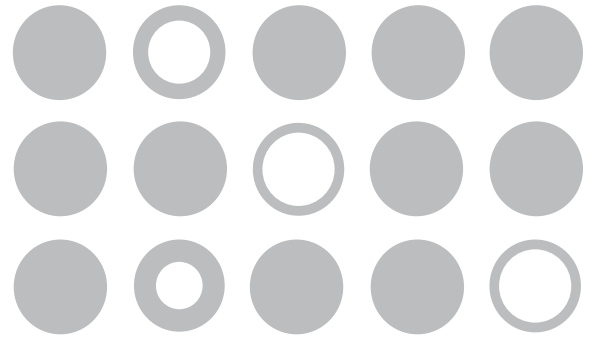
If there are additional queries or questions, please contact the Registrar via email at cxc@aficaprudential.com.

(2) SHARE CANCELLATION

This section of the Explanatory Memorandum provides Shareholders with information on the rationale for, and implementation of, the proposed cancellation of the Company's unissued shares following conclusion of the scrip dividend election scheme (the "**Share Cancellation**"). The proposal is on the AGM agenda as item 10.2.

(a) RATIONALE

- (i) The Corporate Affairs Commission ("**CAC**") by a notice titled '*Public Notice: Existing Companies and the Requirements of Issued Share Capital under the Companies and Allied Matters Act 2020*' dated April 16, 2021 (the "**CAC Notice**"), informed all existing companies incorporated in Nigeria that they should, in compliance with the provisions of the Companies and Allied Matters Act No. 3 of 2020 (as amended) ("**CAMA**") and the CAC Regulations 2021, ensure that they have no unissued shares by December 31, 2022 (the "**CAC Directive**").
- (ii) To ensure compliance with the CAC Directive, the Board of Directors explored the most optimal and suitable options available to the Company. In this regard, the Board was advised that the Company could either (1) undertake a transaction for the issuance of its unissued shares (e.g. rights offer for existing shareholders, a scrip dividend issued to existing shareholders and/or a fresh issuance of shares) or (2) cancel its unissued shares by implementing the Share Cancellation.
- (iii) After due deliberation, the Board was of the considered view that a combination of the scrip dividend election scheme and Share Cancellation was optimal for the Company to ensure compliance with the CAC Directive.



(b) IMPLEMENTATION OF THE SHARE CANCELLATION

(i) To implement the Share Cancellation, the following **key** authorisations and actions are required:

- board resolution recommending the Share Cancellation to the Company's shareholders
- shareholders' resolution approving the Share Cancellation and altering the Company's Memorandum and Articles of Association ("**MemArts**") to reflect the revised share capital of the Company – these resolutions are as set out in the AGM Notice.
- making the relevant filings at the CAC recording the cancellation of the unissued shares and alteration of the Company's MemArts.

(ii) Upon conclusion of the Share Cancellation:

- the Company will cease to have unissued shares in its share capital and would thus have complied with the CAC Directive;
- there shall be no change in the number of issued shares of the Company and/or in the proportional shareholding held by each Shareholder; and
- there shall be no financial, tax, legal and/or other obligations imposed on the Shareholders in connection with their respective shareholdings in the Company, by reason of the Share Cancellation.

BY THE ORDER OF THE BOARD

AYOMIWO WEY
Company Secretary
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