

**THIS LETTER AND ACCOMPANYING EXERCISE NOTICE ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the contents of this document or what action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are resident in the United Kingdom, or, if not, from another appropriately authorised independent financial adviser.**

29 November 2023

Dear Participant

**ScS Group plc Long-Term Incentive Plan (the “LTIP”) and Recommended Cash Offer for ScS Group plc by Cerezola Limited (the “Offer”)**

As you will be aware, ScS Group plc (“ScS”) and Poltronesofà S.p.A. (“Poltronesofà”) announced on 24 October 2023 that they had reached agreement on the terms of the recommended cash acquisition by Poltronesofà, through its wholly owned subsidiary Cerezola Limited (“Bidco”), of the entire issued and to be issued ordinary share capital of ScS (the “Acquisition”).

**1. Why are we writing to you?**

We are writing to you to explain how the Acquisition will affect any outstanding option(s) that have been granted to you under the LTIP (“Option(s)”).

Enclosed is a form for you to complete and return in relation to your Option(s) (the “Exercise Notice”), should you wish to accept the Proposal (defined and described below) in respect of your Option(s). If you wish to accept the Proposal, you need to complete and return the enclosed Exercise Notice in accordance with the instructions set out in it, as soon as possible and return it to [REDACTED] by email to [REDACTED] so that it is received no later than 5pm (UK time) on 10 January 2024.

Save where otherwise defined, capitalised terms used in this letter and the Exercise Notice have the meanings given to them in the Scheme Document (as defined below).

**2. Acquisition background**

It is proposed that the Offer be implemented by means of a Court-sanctioned scheme of arrangement under Part 26 of the Companies Act 2006 (the “Scheme”) which requires the approval of the ScS shareholders and the sanction of the Court. The shareholder meeting is scheduled to take place on 21 December 2023 and the Court sanction hearing is currently anticipated to take place on 26 January 2024 (the “Court Sanction”).

A copy of the document containing full details of the Scheme (the “Scheme Document”) is available at <https://www.scsplc.co.uk/investors/offer-for-scs-group-plc-documents>. A copy of this letter is also available at <https://www.scsplc.co.uk/investors/offer-for-scs-group-plc-documents>. You should read this letter and the enclosed Exercise Notice in conjunction with the Scheme Document.

**3. What are the terms of the Offer?**

Under the terms of the Offer, which is subject to the satisfaction of the conditions set out in the Scheme Document, each Scheme Shareholder (i.e., a person holding ordinary shares in ScS (“Shares”) at the Scheme Record Time) will, provided that the Scheme becomes Effective, receive **270 pence in cash for each Share** they hold.

**4. What is the impact of the Acquisition on your Option(s)?**

As a result of the Acquisition, your Option(s) will vest (to the extent not already vested) and become capable of exercise, on Court Sanction (unless they lapse earlier in accordance with the LTIP rules).

The extent to which your Option(s) will vest and become exercisable will be determined by the Remuneration Committee in accordance with the LTIP rules, and will be notified to you shortly after Court Sanction.

On Court Sanction, any portion of your Option(s) which vest, will remain exercisable for six months commencing on the date of Court Sanction, and will lapse and cease to be capable of exercise at the end of that six month period to the extent not exercised (unless they lapse sooner in accordance with the LTIP rules). Any portion of your Option(s) which do not vest on Court Sanction will lapse on Court Sanction, and cease to be capable of exercise.

Please note that any Option(s) granted to you on or prior to 12 October 2020 are already vested and therefore currently capable of immediate exercise in the ordinary course (to the extent not already exercised).

#### **5. Bidco's Proposal**

Bidco is proposing that you exercise your Option(s) to the fullest extent possible, in advance of and conditional on Court Sanction (the "Proposal"). You may accept the Proposal by completing and returning the enclosed Exercise Notice.

**In order to exercise your Option(s) in conjunction with the Acquisition and receive your Proceeds (as defined below) at the earliest possible time, you should accept the Proposal by completing and returning the Exercise Notice as soon as possible and in any event by 5pm (UK time) on 10 January 2024. If you fail to exercise your Option(s) before they lapse, your Option(s) will become worthless.**

#### **6. When will you receive your Proceeds?**

If you accept the Proposal in respect of your Option(s) by completing the Exercise Notice, the trustee of the ScS Employee Benefit Trust (the "Trustee") will, immediately following Court Sanction: (i) be issued new Shares by ScS; and (ii) transfer to you the beneficial title in the Shares to which you will have become entitled as a result of the exercise of your Option(s), and retain the legal title to such Shares on bare trust for you.

On the Scheme becoming Effective (i.e. on completion of the Acquisition), the Shares held by the Trustee on your behalf will be acquired automatically by Bidco under the terms of the Scheme, and the consideration payable under the Scheme for such Shares will be paid to you via ScS payroll, subject to the deduction of income tax and employee's National Insurance contributions arising on the exercise of your Option(s). The proceeds which are due to you for your Shares (the "Proceeds") will be paid to you on the next practicable payroll date following the date that ScS receives the consideration on your behalf.

On the exercise of your Option(s) you will also be entitled to receive a cash payment equal in value to any dividends declared by ScS between the date of grant of your Option(s) and the date of exercise, multiplied by the number of Shares subject to your exercised Option(s)). If you accept the Proposal, you will receive this cash amount, subject to the deduction of income tax and employee's National Insurance contributions, at the same time as you receive your Proceeds.

#### **7. What happens if you do not accept the Proposal using the Exercise Notice?**

Subject to the paragraph below, if you do not accept the Proposal in respect of your Option(s), they will lapse on the earlier of (i) their normal lapse date under the LTIP rules, and (ii) the end of the six-month period following Court Sanction.

Should you wish to exercise your Option(s) otherwise than by accepting the Proposal, you will need to contact [REDACTED] at ScS on [REDACTED] or [REDACTED] who will be able to assist you.

You should note that, unless you exercise your Option(s) prior to Court Sanction, if you do not accept the Proposal in relation to these Option(s), you may need to fund any liabilities to income tax and employee's National Insurance contributions which will arise on the exercise of your Option(s) from your own resources and provide funds in respect of such liabilities to ScS when you exercise your Option(s). Any Shares that you acquire on the exercise of your Option(s) on or after the Scheme Record Time will be transferred automatically to Bidco for the same price per Share that would have been paid pursuant to the Scheme (i.e. 270 pence per Share). Delaying the exercise of your Option(s) or not accepting the Proposal in respect of your Option(s) will therefore not have any effect on the value of your Proceeds, but is likely to delay when you receive such Proceeds.

## **8. What are the tax implications of the Proposal?**

You will be liable to pay income tax and employee's National Insurance contributions ("NICs") on the gain made on the exercise of your Option(s), i.e., the full value of the Shares you receive on the exercise of your Option(s).

Your employer will be responsible for accounting for these income tax and employee's NICs liabilities to HM Revenue & Customs, however, under the rules of the LTIP, ScS may withhold such amounts or make such other arrangements as they deem appropriate to meet such liabilities. By accepting the Proposal you will authorise ScS to withhold an amount equal to such liabilities from your Proceeds.

When your Shares are acquired by Bidco pursuant to the Scheme, you will be treated as having disposed of your Shares for capital gains tax ("CGT") purposes. You should have no liability to pay CGT in relation to the disposal of such Shares because the amount of the per Share consideration payable under the terms of the Scheme is expected to be equal to the market value of the Shares at exercise, so that no gain ought to arise.

**This summary above is for guidance only and cannot be relied on as tax advice by any person. The precise tax consequences for you will depend on your particular circumstances and, if you are in any doubt, you should consult an appropriate independent professional adviser. If you are resident, domiciled or work in a jurisdiction other than the UK, you should consult a suitably qualified professional adviser to determine your tax position.**

## **9. What happens if the Court does not sanction the Scheme?**

If for whatever reason the Acquisition does not complete (i.e. the Scheme does not become Effective), your Option(s) will continue to subsist on their existing terms and will vest / lapse subject to and in accordance with the LTIP rules. In these circumstances you will not, for the avoidance of doubt, receive any Proceeds.

## **10. What happens if you cease to be employed by ScS?**

If you cease to be employed by ScS before Court Sanction, your Option(s) may lapse or vest earlier than anticipated and the number of Shares subject to your Option(s) may be reduced, depending on your reason for leaving. The lever provisions in the LTIP rules will apply and you will be contacted separately if this is the case.

If you cease to be employed by ScS after Court Sanction, and have not yet exercised your Option(s), you will be entitled to exercise your Option(s) (to the extent vested as described above) up until the earlier of (i) their normal lapse date under the LTIP rules, and (ii) the end of the six-month period following Court Sanction, following which your Option(s) will lapse to the extent not exercised.

## **11. Recommendation**

The ScS Directors, who have been advised by Shore Capital as to the financial terms of the Proposal, consider the terms of the Proposal set out in this letter to be fair and reasonable in the context of the Offer. In providing its advice to the ScS Directors, Shore Capital has taken into account the commercial assessments of the ScS Directors. The ScS Directors unanimously recommend that you accept the Proposal set out in this letter in respect of the Option(s) that you hold. You should consider your own personal circumstances, including your tax position, when deciding whether to accept the Proposal.

**Please note that no officer or employee of ScS, Poltronosofà or Bidco will be able to give you legal, financial or tax advice nor advise you personally on the course of action that you should take in relation to your Option(s). If you are in any doubt as to the contents of this letter, the course of action you should take, or your tax position, you should seek your own independent professional advice immediately.**

## **12. Action Required**

If you wish to accept the Proposal, you need to complete and return the enclosed Exercise Notice in accordance with the instructions set out in it by email [REDACTED] at [REDACTED] so that it is received no later than 5pm (UK time) on 10 January 2024.

If you take no action with respect to your Option(s), or fail to take action promptly, and Court Sanction occurs, your Option(s) will remain exercisable for six months following Court Sanction (or any shorter period where an Option otherwise lapses in accordance with the LTIP rules), following which they will lapse and you will not receive any benefit in respect of your Option(s).

If you have any queries, you should contact [REDACTED] at ScS on [REDACTED] or [REDACTED] who will be able to assist you. Please note that if you also hold awards under any other share incentive scheme operated by ScS, you will receive a separate letter in relation to such those awards.

Yours faithfully

A large black rectangular redaction box covering the signature area.

ScS Group plc

Cerezzola Limited

## Notes

1. The ScS Directors, whose names are set out in paragraph 2(a) of Part 6 of the Scheme Document, accept responsibility for the information (including any expressions of opinion) contained in this letter and the accompanying Exercise Notice (other than the information for which the Bidco Director, whose name is set out in paragraph 2(b) and (c) of Part 6 of the Scheme Document, accepts responsibility in accordance with Note 2 below). To the best of the knowledge and belief of the ScS Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this letter and the accompanying Exercise Notice for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.
2. The Bidco Director, whose name is set out in paragraph 2(b) and (c) of Part 6 of the Scheme Document, accepts responsibility for the information (including any expressions of opinion) contained in this letter and the accompanying Exercise Notice relating to Bidco, Poltronesofà, the Wider Poltronesofà Group, the Poltronesofà Responsible Person and the BidCo Director, his immediate family, related trusts and persons connected with him (including persons deemed to be acting in concert (as such term is defined in the Code) with BidCo or any of them). To the best of the knowledge and belief of the Bidco Director (who has taken all reasonable care to ensure that such is the case), the information (including any expressions of opinion) contained in this document for which he accepts responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.
3. Shore Capital, which is authorised and regulated by the Financial Conduct Authority in the United Kingdom, is acting exclusively as financial adviser and broker to ScS and no one else in connection with the Offer and other matters referred to in this letter and the accompanying Exercise Notice and will not be responsible to anyone other than ScS for providing the protections afforded to its clients, nor for providing advice in connection with the Offer or in relation to the matters referred to herein. Neither Shore Capital nor any of its affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct, indirect, consequential, whether in contract, in tort, under statute or otherwise) to any person who is not a client of Shore Capital in connection with the Offer, any statement or other matter or arrangement referred to herein or otherwise.
4. Shore Capital has given and has not withdrawn its written consent to the issue of this letter and the accompanying Exercise Notice, with the inclusion of the references to its name in the form and context in which it appears.
5. Any consideration for the sale of Shares resulting from the exercise of your Option(s) outside of the Proposal set out in this letter which you may become entitled to receive may be despatched to you at your own risk by post to the address provided by you.
6. The enclosed Exercise Notice, including the terms and conditions, the notes and the instructions on it, shall be deemed an integral part of the Proposal. All acceptances and elections in respect of the Proposal will be irrevocable.
7. Your Option(s) are governed by the rules of the LTIP and applicable legislation. If there is any inconsistency between those rules and the legislation and this letter and the Exercise Notice, the rules of the LTIP and the applicable legislation will prevail. Nothing in this letter or the Scheme Document serves to vary the rules of the LTIP or to extend the life of any Option(s) which have lapsed or may lapse under the rules of the LTIP.
8. The ability to exercise your Option(s) pursuant to the Scheme is subject to the Scheme being sanctioned by the Court. If the Scheme is not sanctioned by the Court, your Option(s) will not become capable of exercise as a result of the Scheme and will continue to subsist on the terms of the LTIP.
9. The accidental omission to despatch this letter, or the accompanying Exercise Notice to, or any failure to receive the same by, any person to whom the Proposal is made, or should be made, shall not invalidate the Proposal in any way. Receipt of documents will not be acknowledged. All documents sent by or to you will be sent at your own risk.
10. The Proposal (and acceptances and elections in respect of the Exercise Notice) shall be governed by and construed in accordance with the laws of England and Wales.

11. A copy of this letter will be available to view (subject to any applicable restrictions relating to persons resident in Restricted Jurisdictions) on Poltronesofa's website at <https://www.poltronesofa-offer.com/> and ScS' website at <https://www.scsplc.co.uk/investors/offer-for-scs-group-plc-documents>.

**ScS Group plc Long-Term Incentive Plan**

**EXERCISE NOTICE**

**SECTION 1 – DETAILS OF PARTICIPANT**

<b>Name:</b>	
<b>Home address (including postcode):</b>	
<b>Telephone number:</b>	

Please insert / amend your details above, including a telephone number, should we need to contact you regarding your Exercise Notice.

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

If you are in any doubt about the contents of this Exercise Notice or the actions you should take, you should consult an independent financial adviser duly authorised under the Financial Services and Markets Act 2000 if you are resident in the United Kingdom, or, if not, you should consult another appropriately authorised independent financial adviser.

This Exercise Notice should be read in conjunction with the accompanying letter from ScS and Bidco dated 29 November 2023 in relation to the LTIP (the “**LTIP Letter**”) and the Scheme Document. Terms and expressions used in this Exercise Notice shall have the same meaning as in the LTIP Letter, unless otherwise defined herein.

**If you wish to accept the Proposal in respect of your Option(s) using this Exercise Notice you must complete, sign and date this Exercise Notice in the presence of an independent witness (not being your spouse, civil partner or family member) over the age of 18 and return it by email to [REDACTED] at [REDACTED] so that it is received no later than 5pm (UK time) on 10 January 2024.**

This Exercise Notice (including the Terms & Conditions contained within it) is governed by and construed in accordance with the laws of England and Wales. The courts of England and Wales shall have exclusive jurisdiction to settle any dispute which may arise out of, or in connection with, the Proposal and / or the Terms & Conditions and / or this Exercise Notice.

**SECTION 2 – EXERCISE OF OPTIONS**

If you wish to accept the Proposal in relation to each Option such that each Option you hold, is exercised to the fullest extent possible at Court Sanction (as outlined in the LTIP Letter), please place a tick in the box below.

If you hold more than one Option, by placing a tick in the box below, you are choosing to accept the Proposal in respect of all such Options.

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**SECTION 3 – DECLARATION AND SIGNATURE**

*Please complete the following in the presence of an independent witness (a person who is aged 18 or more and who is not your spouse or civil partner, or a member of your immediate family).*

I confirm that by signing this Exercise Notice:

1. I have read and understood the LTIP Letter and the Exercise Notice and understand and irrevocably agree to the Terms & Conditions set out in this Exercise Notice;
2. If I have placed a tick in the box in Section 2 above, I hereby:
  - 2.1.1 irrevocably elect to exercise the Option(s) held by me to the extent such Option(s) are vested as at Court Sanction and instruct the Trustee to, immediately following such exercise, transfer to me the beneficial title of the Shares to which I become entitled and to retain the legal title thereto on bare trust on my behalf;
  - 2.1.2 authorise and instruct the Trustee for and on my behalf to agree that the Proceeds shall be paid directly to ScS;
  - 2.1.3 authorise and instruct ScS to:
    - 2.1.3.1 withhold from the Proceeds payable to me an amount equal to the liability to income tax and employee's National Insurance contributions that arise in respect of the exercise of my Option(s) and to arrange for such withheld amount to be paid to HM Revenue & Customs, or other applicable tax authority; and
    - 2.1.3.2 arrange for the net amount of the Proceeds remaining after the withholding referred to in paragraph 2.1.3.1 above has been made to be paid to me in the next practicable payroll following the date that ScS receives the Proceeds referred to in paragraph 2.1.2 above;
3. I irrevocably appoint any director of ScS and / or Bidco and any person nominated by them as my attorney and authorise such attorney to execute, complete, sign and submit any documents and deliver any document (including deeds) and do any act or thing which the attorney in their absolute and unfettered discretion considers necessary or desirable on my behalf in order to give effect to my instructions in this Exercise Notice, including the sale of my Shares to Bidco, or otherwise in connection with the Scheme;
4. I agree that all powers of attorney and authorities on the terms conferred by this Exercise Notice are given by way of security for the performance of my obligations and are irrevocable in accordance with section 4 of the Powers of Attorney Act 1971; and
5. I undertake to confirm and ratify any action properly or lawfully taken on my behalf by any attorney appointed by or pursuant to this Exercise Notice.

**SIGNED AND DELIVERED AS A DEED BY:**

<b>Your full name (in block capitals):</b>	
<b>Your signature:</b>	
<b>Date:</b>	
<b>Witness' full name (in block capitals):</b>	
<b>Witness' address:</b>	
<b>Witness' signature:</b>	



## TERMS & CONDITIONS

By completing, signing and returning the Exercise Notice duly executed, I:

- (a) confirm that I have had an opportunity to read the Scheme Document and have understood it;
- (b) confirm that I have had an opportunity to obtain independent advice in relation to the decisions set out in the Exercise Notice;
- (c) confirm that I am entitled to exercise the Option(s) in accordance with the rules of the LTIP, subject (where appropriate) to Court Sanction;
- (d) confirm that each of the Option(s) that I hold is valid and has not lapsed and is free from all liens, mortgages and third-party interests of any nature whatsoever, and I acknowledge that any award certificate in respect of any Option(s) that I hold shall become void once the Option concerned has been exercised or lapses;
- (e) understand that the exercise of any of the Option(s) pursuant to the Exercise Notice is conditional upon and subject to the Scheme being sanctioned by the Court and that if the Scheme is not sanctioned by the Court, the Exercise Notice shall have no effect and my Option(s) will remain in existence and continue to be governed by, and subject to, its terms and the rules of the LTIP, even if I have completed and submitted the Exercise Notice prior to the time that the Scheme was expected to be sanctioned by the Court;
- (f) understand that if any of my Option(s) have lapsed or lapse (or have been exercised or are exercised) before exercise takes effect pursuant to the Exercise Notice, completion of the Exercise Notice will be of no effect in relation to such Option(s);
- (g) confirm that all decisions made in this Exercise Notice are irrevocable and cannot be withdrawn or altered;
- (h) acknowledge that neither ScS, Poltronesofà nor Bidco will be responsible for any consequential loss if this Exercise Notice is incorrectly completed or where it has not been possible to obtain clarification of my instructions;
- (i) authorise that any correspondence or any other items or documents (if any) in connection with the acquisition of any Shares which I acquire on the exercise of the Option(s) may be sent to me at my own risk at the address set out for me in this Exercise Notice;
- (j) understand and accept that if the Scheme is sanctioned by the Court and my Option(s) are exercised pursuant to this Exercise Notice, I will be liable to satisfy all income tax and employee's National Insurance contributions liabilities that arise in respect of any such exercise;
- (k) hereby agree that, if this Exercise Notice is returned duly signed by me but has not otherwise been validly or correctly completed or is returned duly signed by me but there is no tick in the box in Section 2 of this Exercise Notice, I will be deemed to have irrevocably: (i) agreed to accept the Proposal in respect of any Option(s) held by me; and (ii) agreed to be subject to and bound by all of the terms and conditions set out herein; and
- (l) hereby accept that ScS and Bidco reserve their respective rights, at their discretion, to accept any Exercise Notice which is not received by 5pm (UK time) on 10 January 2024 as an acceptance of the Proposal in respect of my Option(s).

