

THIS DOCUMENT AND THE ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING AND FORM OF PROXY ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to any aspect of the proposals referred to in this document or as to the action you should take, you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000, as amended, if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial advisor.

If you have sold or otherwise transferred all of your shares in ScS Group plc (the Company), please send this document, together with the accompanying Notice of Annual General Meeting and Form of Proxy, as soon as possible, to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee. If you have sold or otherwise transferred any part of your holding, you should retain these documents.



Sofas, flooring and furniture

ScS GROUP PLC

(incorporated in England and Wales with registered no. 03263435)

Annual General Meeting

This document, together with the accompanying Notice of Annual General Meeting, should be read as a whole. Your attention is drawn to the letter from the Non-Executive Chair which is set out on pages 2 to 4 of this document and the recommendation in respect of the resolutions numbered 1 to 20 to be proposed at the Annual General Meeting referred to below.

Notice of the Annual General Meeting of ScS Group plc to be held at 2:00 p.m. on 01 December 2023 at the offices of Ward Hadaway LLP at Sandgate House, 102 Quayside, Newcastle upon Tyne, NE1 3DX accompanies this document. Details of the action you are recommended to take in respect of the resolutions numbered 1 to 20 to be proposed at the Annual General Meeting are set out on page 5 of this document.

Whether or not you plan to attend the Annual General Meeting, please complete the enclosed Form of Proxy and return it in accordance with the instructions printed on it as soon as possible, but in any event so as to be received by the Company's registrars, Equiniti, at Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA, by no later than 2:00 p.m. on 29 November 2023 (or, in the case of any adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting). Alternatively, if you hold your ordinary shares in the Company in uncertificated form, you may also appoint a proxy by completing and transmitting a CREST proxy instruction in accordance with the procedures set out in the CREST Manual ensuring that it is received by Equiniti by no later than 2:00 p.m. on 29 November 2023 (or in the case of any adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting). The completion and return of a Form of Proxy or using the CREST electronic proxy appointment service will not prevent you from attending, speaking and voting at the Annual General Meeting, or at any adjournment of such meeting, in person should you wish to do so.

LETTER FROM THE NON-EXECUTIVE CHAIR



Sofas, flooring and furniture

Directors:

Alan Smith
John Walden
Steve Carson
Mark Fleetwood
Chris Muir
Ron McMillan
Angela Luger
Carol Kavanagh
Andy Kemp
Swarupa Pathakji

ScS Group plc

Registered office:
45-49 Villiers Street
Sunderland
SR1 1HA

25 October 2023

Dear Shareholder

Annual General Meeting 2023

I am pleased to send you details of our Annual General Meeting (the AGM). The formal notice of the AGM, which accompanies this document (the Notice), sets out the business to be considered at the AGM. The purpose of this letter is to provide you with further details of resolutions 1 to 20 to be considered at the AGM.

As you will be aware, on 24 October 2023 the proposed acquisition of the Company by Cerezzola Limited (a company wholly owned by Poltronsofà S.p.A.) was announced (the Acquisition). Should the Acquisition become effective in accordance with its terms then it is likely that a number of the authorities which will be granted to the Directors, should the relevant resolutions be passed by shareholders at the AGM, will not be required, however such authorities are being sought from shareholders in case there is an eventuality where the Acquisition does not become effective, although at the date of this document there is no indication that this will be the case.

Recommendations

This year, shareholders will be asked to approve 20 resolutions. Resolutions 1 to 17 are proposed as ordinary resolutions. This means that, for each of those resolutions to be passed, a simple majority of votes cast on a show of hands must be in favour of the resolution or, on a poll, shareholders representing a simple majority of the total voting rights of the shareholders voting (in person or by proxy) must vote in favour of the resolution.

Resolutions 18 to 20 are proposed as special resolutions. This means that, for each of those resolutions to be passed, not less than 75% of the votes cast on a show of hands must be in favour of the resolution, or, on a poll, shareholders representing not less than 75% of the total voting rights of the shareholders voting (in person or by proxy) must vote in favour of the resolution.

Resolution 1: Annual Report and Accounts

The Directors must present the Company's Annual Report and financial statements, strategic report and Directors' and auditors' reports at a general meeting. Those to be presented at the AGM are in respect of the financial year ended 29 July 2023, and together comprise the Annual Report 2023.

The Annual Report 2023 is also available on the Company's website at <http://www.scsplc.co.uk/investors/reports-and-presentations/>.

Resolution 2: Directors' remuneration report

The Company must seek shareholder approval on an annual basis for the part of its Directors' remuneration report which describes how the Company's Directors' remuneration policy has been implemented during the previous financial year.

The relevant part of the Directors' remuneration report is set out in full on pages 97 to 119 of the Annual Report 2023. This vote is advisory only, therefore it does not affect the historical remuneration paid to any individual Director.

Resolution 3: Final dividend

The Directors are recommending a final dividend for the financial year ended 29 July 2023 of 10.0 pence per ordinary share in the capital of the Company, to be paid on 15 December 2023 to shareholders whose names appear on the register at the close of business on 17 November 2023, with an ex-dividend date of 16 November 2023.

Resolutions 4 and 5: Reappointment and remuneration of auditors

The Company is required to appoint auditors at each general meeting at which its annual accounts and reports are presented to shareholders. Therefore, resolution 4 proposes the reappointment of PricewaterhouseCoopers LLP as auditor (to hold office until the next such meeting at which the Company's annual accounts and reports are presented to shareholders), and, in accordance with normal practice, resolution 5 authorises the Audit Committee to determine the auditor's remuneration.

Resolutions 6 to 15 (inclusive): Re-election and election of Directors

Resolutions 6 to 15 (inclusive) propose the election or re-election of Steve Carson, Mark Fleetwood, Alan Smith, Ron McMillan, Chris Muir, Carol Kavanagh, Angela Luger, John Walden, Andy Kemp and Swarupa Pathakji, in each case respectively as Directors.

The proposed re-elections of Alan Smith, Ron McMillan and Chris Muir are each conditional upon the Acquisition not terminating prior to the Annual General Meeting as it is proposed that each of these directors remains on the Board to assist with the process of concluding the Acquisition given their long standing relationships with the Company and its stakeholders. If the Acquisition terminates prior to the Annual General Meeting then as previously announced, Alan Smith and Ron McMillan will retire from the Board and Chris Muir will step down from the Board following conclusion of the Annual General Meeting. If re-elected, the terms of office of each of Alan Smith, Ron McMillan and Chris Muir will expire on the earlier of 29 February 2024 and the Acquisition becoming effective or terminating.

As previously announced, from conclusion of the Annual General Meeting but subject to being elected or re-elected at the meeting, John Walden will Chair the Board, Andy Kemp will Chair the Company's Audit Committee and Angela Luger will act as the Company's Senior Independent Director.

Biographies of each of the Directors are set out on pages 68-71 of the Annual Report 2023.

The selection process for new Directors, the review process for existing Directors and the Company's assessment of independence are described on pages 82 to 88 of the Annual Report 2023.

Resolution 16: Authority to allot shares

Generally, the Directors may only allot shares in the Company (or grant rights to subscribe for, or to convert any security into, shares in the Company) if they have been authorised to do so by shareholders.

Resolution 16 is in two parts

In line with guidance issued by the Investment Association, if passed, the first part of resolution 16 will authorise the Directors to allot ordinary shares in the Company (and to grant rights to subscribe for, or to convert any security into, shares in the Company) up to an aggregate nominal amount of £11,318.22. This amount represents approximately one third of the issued ordinary share capital of the Company (excluding treasury shares) as at 25 October 2023, being the last practicable date before the publication of this document.

In addition, if passed, the second part of resolution 16 will authorise the Directors to allot ordinary shares in the Company (and to grant rights to subscribe for, or to convert any security into, ordinary shares in the Company) in connection with a rights issue only up to a further aggregate nominal amount of £11,318.22. This amount represents approximately one third of the issued ordinary share capital of the Company (excluding treasury shares) as at 25 October 2023, being the last practicable date before the publication of this document.

If given, these authorities will expire at the conclusion of the Company's next AGM or at the close of business on the date which is fifteen months after the date of this general meeting (whichever is the earlier).

As at the date of this document, none of the ordinary shares are held by the Company in treasury.

Resolution 16 is included to provide allotment authority to the Directors in the eventuality that the Acquisition does not become effective. The Directors have no current intention to exercise either of the authorities sought under resolution 16. However, the Directors consider that if the Acquisition does not become effective it is in the best interests of the Company to have the authorities available so that they have the maximum flexibility permitted by institutional shareholder guidelines to allot shares or grant rights without the need for a general meeting should they determine that it is appropriate to do so to respond to market developments or to take advantage of business opportunities as they arise. In the circumstances of the Acquisition not becoming effective it would be the Directors' intention to renew the allotment authority each year.

Resolution 17: Political donations and political expenditure

It is not the Company's policy to make donations to political parties, or to make other political donations within the normal meaning of that expression, and the Directors have no intention of changing that policy.

LETTER FROM THE NON-EXECUTIVE CHAIR (continued)

However, as a result of the wide definitions of political expenditure, political donations and political organisations in the Companies Act 2006 ('Act'), normal business activities and expenditure which might not be thought to be political expenditure or a political donation to a political organisation in the usual sense may fall within the restrictions of the Act. For example, sponsorship of industry forums, funding of seminars and other functions to which politicians are invited, matching employees' donations to certain charities, expenditure on organisations concerned with matters of public policy, law reform and representation of the business community, and communicating with the Government and political parties at local, national and European level might be construed as political expenditure or as a political donation to a political organisation.

Resolution 17 does not purport to authorise any particular donation or expenditure, but is expressed in general terms, as required by the Act, and is intended to authorise normal donations and expenditure while avoiding inadvertent infringement of the Act. If passed, resolution 17 would allow the Company and its subsidiaries to make political donations to political parties, other political organisations and independent election candidates and to incur political expenditure up to an aggregate limit of £50,000 in the period beginning with the date on which resolution 17 is passed and ending at the conclusion of the next AGM of the Company. The authority will not be used to make political donations within the normal meaning of that expression.

In the circumstances of the Acquisition not becoming effective, it would be the Directors' intention to renew this authority each year.

Resolutions 18 and 19: Disapplication of pre-emption rights

Generally, if the Directors wish to allot new shares or other equity securities (within the meaning of section 560 of the Act) for cash, then under the Act they must first offer such shares or securities to shareholders in proportion to their existing holdings. These statutory pre-emption rights may be disapplied by shareholders.

Resolutions 18 and 19, which are proposed as special resolutions, follow institutional shareholder guidelines, including the revised Statement of Principles on Disapplying Pre-emption Rights issued by the Pre-emption Group in November 2022 (the "2022 Statement of Principles"). The 2022 Statement of Principles is supportive of companies seeking authority for the annual disapplication of pre-emption rights to include: (i) 10% of a company's issued ordinary share capital to be issued on an unrestricted basis; and (ii) an additional 10% of a company's issued ordinary share capital to be used for either an acquisition or specified capital investment. In both cases an additional follow-on offer, up to a nominal amount equal to 20% of any allotment made under (i) or (ii), can be made to existing holders of securities not allocated shares under such allotment, as contemplated by paragraph 3 of Section 2B of the 2022 Statement of Principles. Whilst there is no current intention to make use of these authorities, the Board believes that in the eventuality of the Acquisition not becoming effective it is in the best interests of shareholders for the Directors to have the flexibility to take advantage of these authorities if required.

Consequently, if approved, resolution 18, which follows the Pre-emption Group's template resolution, will authorise the directors, in accordance with the 2022 Statement of Principles, to issue shares in connection with pre-emptive offers (paragraph 18.1 of the resolution), or otherwise to issue shares and/or sell treasury shares for cash:

- under paragraph 18.2 of the resolution, up to an aggregate nominal amount of £3,395.47 (being approximately 10% of the Company's issued ordinary share capital as at 25 October 2023 (the latest practicable date before the publication of this document)); and
- under paragraph 18.3 of the resolution, up to an additional aggregate amount equal to 20% of any allotment under paragraph 18.2 of the resolution, for the purposes of making a follow-on offer to existing shareholders as described in the 2022 Statement of Principles. The maximum additional nominal amount that could be issued under paragraph 18.3 of the resolution (based on the authority under paragraph 18.2 being used in full) is £679.09 (representing approximately 2% of the Company's issued ordinary share capital as at 25 October 2023).

The total maximum nominal amount of equity securities to which resolution 18 relates is £4,074.56 (representing approximately 12% of the Company's issued ordinary share capital as at 25 October 2023).

The purpose of resolution 19, which also follows the Preemption Group's template resolution and reflects the 2022 Statement of Principles, is to authorise the directors to allot new shares and other equity securities pursuant to the allotment authority given by resolution 16, or sell treasury shares for cash, without first being required to offer such securities to existing shareholders:

- under paragraph 19.1 of the resolution, up to a further nominal amount of £3,395.47, being approximately 10% of the Company's issued ordinary share capital as at 25 October 2023 (the latest practicable date before the publication of this document), to be used only in connection with an acquisition or specified capital investment of a kind contemplated by the 2022 Statement of Principles, and which is announced contemporaneously with the allotment, or which has taken place in the preceding 12-month period and is disclosed in the announcement of the issue; and
- under paragraph 19.2 of the resolution, up to an additional aggregate amount equal to 20% of any allotment under paragraph 19.1 of the resolution, for the purposes of making a follow-on offer to existing shareholders as described in the 2022 Statement of Principles. The maximum additional nominal amount that could be issued under paragraph 19.2 of the resolution (based on the authority under paragraph 19.2 being used in full) is £679.09 (representing approximately 2% of the Company's issued ordinary share capital as at 25 October 2023).

The total maximum nominal amount of equity securities to which resolution 19 relates is £4,074.56 (representing approximately 12% of the Company's issued ordinary share capital as at 25 October 2023).

The authority granted by resolution 19 would be in addition to the general authority to disapply pre-emption rights under resolution 18. The maximum nominal value of equity securities that could be allotted if both authorities were used would be £8,149.12, which represents approximately 24% of the Company's issued ordinary share capital as at 25 October 2023, being the latest practicable date before the publication of this document.

The Board confirms that, should it exercise the authorities granted by resolutions 18 or 19, it intends to follow best practice as regards their use, including (i) following the shareholder protections in Part 2B of the 2022 Statement of Principles; and (ii) in respect of any follow-on offer, following the expected features set out in paragraph 3 of Part 2B of the 2022 Statement of Principles.

The directors have no current intention to allot shares except in connection with employee share schemes. If given, these authorities will expire at the conclusion of the Company's next AGM or at the close of business on the date which is fifteen months after the date of this general meeting (whichever is the earlier).

In the circumstances of the Acquisition not becoming effective, it would be the Directors' intention to renew these powers each year.

Resolution 20: Purchase by the Company of its own shares

Resolution 20 will be proposed as a special resolution. If passed, it will allow the Company to purchase up to 3,395,467 ordinary shares in the market (which represents approximately 10 per cent of the issued ordinary share capital of the Company as at 25 October 2023, being the last practicable date before the publication of this document). The minimum and maximum prices for such a purchase are set out in the resolution. If given, this authority will expire at the conclusion of the Company's next AGM or at the close of business on the date which is fifteen months after the date of this general meeting (whichever is the earlier).

Whilst there is no current intention to make use of this authority, the Board believes that in the eventuality of the Acquisition not becoming effective it is in the best interests of shareholders for the Directors to have the flexibility to take advantage of this authority provide maximum flexibility in the management of the Company's capital base. In the circumstances of the Acquisition not becoming effective it would be the Directors' intention to renew this authority each year.

If passed, the Directors will only exercise this authority if they believe that to do so would result in an increase in earnings per share and would be in the best interests of the Company and of its shareholders generally.

The Act allows the Company to hold shares which have been repurchased as treasury shares and either re-sell them for cash, cancel them (either immediately or in the future) or use them for the purposes of its employee share schemes. The Directors will have regard to institutional shareholder guidelines which may be in force at the time of any such purchase, holding or re-sale of shares held in treasury. This provides the Company with additional flexibility in the management of its share capital. No dividends will be paid on, and no voting rights will be exercised in respect of, treasury shares.

As at 25 October 2023 (being the last practicable date before the publication of this document), there were options outstanding over 2,031,118 ordinary shares in the Company (which represent approximately 5.98 per cent of the issued ordinary share capital of the Company at that date). If the authority to purchase the Company's ordinary shares was exercised in full and those shares were subsequently cancelled, these options would represent approximately 6.65 per cent of the issued ordinary share capital of the Company.

The Directors consider that all of the resolutions set out in the document would be most likely to promote the success of the Company for the benefit of its members as a whole. The Directors will be voting in favour of all of the resolutions in respect of their own beneficial holdings amounting to approximately 0.8 per cent of the issued share capital of the Company; and unanimously recommend that you do so as well.

LETTER FROM THE NON-EXECUTIVE CHAIR (continued)

Action to be taken

If you would like to vote on the resolutions set out in the Notice but cannot come to the AGM, please appoint a proxy or proxies:

- by completing the Proxy Form enclosed with this document and returning it to our registrars, Equiniti Limited, together with the power of attorney or other authority (if any) under which it is signed, by hand (during normal business hours) to Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, or in the pre-paid envelope provided;
- electronically at www.sharevote.co.uk; or
- (if you are a CREST member) through the CREST electronic proxy appointment service using the procedures described in the CREST Manual. CREST messages must be received by the issuer's agent (CREST ID RA19) by no later than 2:00 p.m. on 29 November 2023.

For proxy appointments to be valid, they must be received by 2:00 p.m. on 29 November 2023. Further details relating to voting by proxy are set out in the notes to the Notice.

Yours sincerely



Alan Smith

Non-Executive Chair

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