

WPP SCANGROUP PLC

(the **Company**)

EXPLANATORY NOTES FOR SPECIAL RESOLUTIONS TO BE PASSED AT THE ANNUAL GENERAL MEETING

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR ATTENTION

Shareholders should read this document for background information relating to the special resolutions and the explanations why the Company Directors recommend that you vote in favour of the special resolutions to be proposed at the Annual General Meeting.

CREATION OF MERGER RESERVE AND ABSORPTION OF IMPAIRMENT

- a) Under certain circumstances, where shares are issued in consideration for the acquisition of shares in another company, the Companies Act, 2015 allows for the difference between the nominal value of shares issued and the subscription price paid for them (usually known as share premium) to be credited to an accounting reserve known as a merger reserve instead of the share premium account. This relief from crediting share premium is known as merger relief. The merger reserve is a non-statutory reserve that should be credited instead of the share premium account in circumstances where merger relief under the Companies Act, 2015 applies.
- b) The Company currently has a significant share premium balance of Kenya Shillings nine billion one hundred and fifty five million, one hundred and sixty six thousand and fifty eight (KES 9,155,166,058), largely accumulated from the issuance of shares by the Company as consideration for purchasing various subsidiaries (the **Acquired Entities**). A portion of the balance standing to the credit of the Company's share premium account, should be credited to the merger reserve since the transactions falls within the scope for merger relief.
- c) The Board is proposing to transfer a portion of the amount standing to the credit of the company's share premium account to the newly created merger reserve. This transfer would not affect the profit and loss of the Company and would only result in changes in the reserves in the Company's balance sheet. The transfer does not affect the assets of the Company.
- d) The benefit of the merger reserve is that it could be used to absorb any impairment in relation to the value of the Acquired Entities. Any impairment would normally be charged to the Company's profit and loss statement and could result in the elimination of the distributable reserves of the Company. If the Company's distributable reserves are depleted, this would mean that the Company would not be able to pay dividends to the shareholders in the short to medium term. However, since the merger reserve may be used to absorb any impairment relating to the value of the Acquired Entities, its creation would therefore be in the best interests of the shareholders of the Company.
- e) The Board is seeking shareholder approval to create the merger reserve and the authority to transfer the relevant amounts from the share premium account to the merger reserve. The directors shall report in the annual report and audited financial statements of the Company the amount resolved by the Board to be transferred to the merger reserve.

- f) The relevant resolutions to be passed in relation to the merger reserve is replicated below for your ease of reference:

Special Resolution 1 – Merger Relief

THAT, the directors are authorised to create in the books of account of the Company a merger reserve account as permitted by section 388 of the Companies Act, 2015 for the purpose of absorbing past and future impairments of value on shares of subsidiary companies where the share premium created on the issue of the Company's shares on acquisition of such subsidiaries qualifies for merger relief under the conditions of section 388 of the Companies Act, 2015 **AND THAT** the directors shall report in the annual report and audited financial statements of the Company the amount of share premium resolved by the board (if any) to be transferred to the merger reserve.

CHANGES TO ARTICLES OF ASSOCIATION

- a) The Board is proposing that new articles of association of the Company (the New Articles) are adopted by shareholders at the AGM.
- b) The existing articles of association of the Company are based on the Companies Act, Cap 486, which was repealed by the Companies Act, 2015, and were in need of modernisation. The proposed New Articles are compliant with the Companies Act, 2015, and other legislative changes, including the Unclaimed Financial Assets Act, 2011.
- c) Some provisions in the New Articles are in substantially the same form as the existing articles of association of the Company save that provisions are now in line with the Companies Act, 2015.
- d) There are also new provisions to allow for the holding of virtual or hybrid AGMs.
- e) The New Articles will be available for inspection on the Company's website <https://www.wpp-scangroup.com/investor-relations>
- f) The relevant resolution to be passed in relation to the New Articles is replicated below for your ease of reference:

Special Resolution 2 – new Articles of Association

THAT, the new Articles of Association (a copy of which were tabled at the meeting) be and are hereby adopted as the Articles of Association of the Company in complete substitution for, and to the exclusion of, the Company's existing Articles of Association, including any provisions contained in the Company's memorandum of association that were automatically deemed to form part of the Company's existing articles under section 26 of the Companies Act, 2015.