



THE INVESTOR FORUM

INVESTOR FORUM CALLS ON SPORTS DIRECT TO COMMIT TO A FULLY INDEPENDENT REVIEW OF ENTIRE GOVERNANCE PRACTICES

(London, 25 August 2016)

The Investor Forum (“the Forum”) has been facilitating an extensive process of collective shareholder engagement between a number of its Members and the Board of Sports Direct International (SDI) over an extended period of time and today calls for the company to undertake a wide-reaching independent review of the entire governance practices at the company.

Following Mike Ashley’s appearance at the BIS Select Committee, shareholders requested that the Board commit to an **independent and comprehensive** review. The Forum was clear that the review would have to be independent, comprehensive and, as recommended by the BIS Committee report, cover **all** aspects of corporate governance across the business, not only employment practices.

Recent developments demonstrate continued reluctance on the part of the Board to act in line with the views of independent shareholders. The narrow benchmarking exercise of employment practices is being carried out by RPC solicitors, who SDI has a pre-existing relationship with, and therefore will not be independent. The recently announced external Board evaluation, (which is already a minimum requirement under the UK Corporate Governance Code), fails to reflect the breadth and magnitude of reform that is required.

Governance failings are clearly resulting in declines in operating performance and long term shareholder value and, given the lack of progress and the broader impact on all stakeholders, the Forum now considers it important to make public its recommendations to the SDI Board.

A clear plan of action is urgently required to begin rebuilding the confidence of shareholders and that of wider stakeholders. **The Forum calls on the Board and Mike Ashley to launch an independent review of the company’s entire corporate governance framework at the AGM on 7th September and commit to implement the recommendations of that review.**

This would go substantially beyond the currently proposed Board effectiveness evaluation, and the terms of reference should address fully the previously raised investor concerns including:

- corporate governance and Board oversight and effectiveness,
- related party transactions and potential conflicts of interest,
- employment practices,
- acquisition strategy and associated due diligence, and
- oversight of key supplier relationships and the management of the store portfolio.

Conducting this wide-reaching review is now a necessary step for rebuilding the company’s reputation and the Forum has already offered its full support in defining its scope. Should the non-executive Directors be unwilling to implement this review, serious questions will be raised as to whether they truly represent the interests of all shareholders and, therefore, whether they are meeting their statutory Director duties. Shareholders will have to consider their voting at the AGM with great care given recent events at the company.

Andy Griffiths, Executive Director of the Investor Forum said:

“It is highly unusual for the Investor Forum to consider it necessary to make public their concerns and recommendations in this way. In prior situations we have always managed to work privately with companies to create effective long term solutions.

We do not take this step lightly and whilst we welcome SDI’s move to hold an Open Day, we still have not received an appropriate level of commitment to respond to investor concerns and, as a result, the usual options have been exhausted.

We remain committed to engaging with the Board constructively to enhance the value of Sports Direct’s franchise but this requires the company to reconsider its proposed actions and acknowledge the need for fundamental reform. If they are unable to do so, then members of the Board will have to ask themselves whether they are able to effectively represent the interests of all shareholders.”



NOTES TO EDITORS:

- The Investor Forum has been engaging with Sports Direct's Board on behalf of and alongside its Members, representing approximately 12% of the issued share capital or 27% of Independent Shareholders, since July 2015.
- Bilateral engagement between shareholders and Sports Direct began soon after its initial public offering in 2007, and the Forum can confirm that eight collective meetings have now been facilitated since April 2014 (including a predecessor engagement). Institutional investors have consistently sought to fulfil their stewardship responsibilities directly as well as through the work of the Forum.
- The Investor Forum is an independent, not for profit organisation funded by a membership comprising 40 leading asset managers, insurance companies, pension funds, and endowments.
- The combined global assets under management of its Members is ~£14.5trn, of which ~£850bn are invested in UK equities currently. The 40 members together own approx. 42% of the FTSE All Share index.
- The purpose of the Investor Forum is to position stewardship at the heart of investment decision making by facilitating dialogue, creating long term solutions and enhancing value.
- The Investor Forum was launched at the end of October 2014 and has been involved in numerous collective engagements, covering a wide range of issues from succession and governance to the direction and execution of strategy.
- The team currently comprises experienced investment professionals, with extensive experience in Board positions and portfolio manager, asset owner and governance roles.

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