

7 September 2016

## **AGM STATEMENT**

**For Immediate Release**

### **Sports Direct International plc**

Mr. Chairman, members of the board of Sports Direct International. My name is Euan Stirling and I am Head of Stewardship and Environmental, Social and Governance Investment at Standard Life Investments. On behalf of our clients, we own 34 million shares in Sports Direct International, representing 5.8% of the issued share capital.

Today, we have voted against the company's remuneration report and against the reappointment of all of the non-executive directors. I would like to explain why we have adopted this approach and taken such a strong stance in opposition to the board's recommendations.

We are longstanding shareholders in the company and have engaged with senior executives and non-executives over many years, sadly to little effect. The responses to our enquiries have been either unconvincing or non-existent. In that context, yesterday's RPC report into working practices represents a positive step forward.

By contrast, we do appreciate the scale and the market position of the business and its long-term value creation potential. That is why we remain fully-engaged shareholders.

In order to achieve that potential, we increasingly believe that a structural change in the way that the company is governed is now required. In speaking to the select committee of the Department for Business, Innovation and Skills this year, Mr Ashley acknowledged as much himself, referring to the way that the business has grown in both size and complexity.

Tight cost control can be an attractive feature of a business. However, taken too far, and with a focus on the short-term, it can and does result in the starvation of

investment in talent, facilities and infrastructure which can leave a business vulnerable to its competitors and its own weaknesses.

In order for the company's equity value to reflect its potential, we encourage the board to bold action. We would like to see Mr Ashley with a role, title and responsibilities that reflect his influence as majority shareholder and founder of the business.

And we would like to see that pivotal role supported, as well as challenged, by a group of talented and experienced executives. It is our opinion that even then, substantial strengthening of the non-executive members of the board will be required, particularly in the crucial role of Chairman.

We welcome yesterday's publication of the Working Practices Report and the positive change that is likely to bring to some of Sports Directs workers. However, the 'Follow up' commitment noted in Section 1.5 of the report is insufficient to realise the group's full potential.

In order to arrive at the correct structural conclusions, we believe that a full and independent review of governance at the company is required, along with a commitment to publish and act on the review's conclusions and recommendations in the next twelve months.

We would like to ask the board to commit to this course of action in order to achieve the associated objectives of structural change and long-term value creation.

ENDS

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#### **Notes to Editors**

1. With assets under management of £269.0 billion (30/06/16), Standard Life Investments is one of Europe's leading investment houses.
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