

## Position Statement: LGIM's Voting Intentions at Sports Direct International General Meeting, 5 January 2017.

Legal & General Investment Management (LGIM) takes its stewardship obligations seriously and pro-actively engages with companies in order to bring positive change to their governance structures. We use our position as a large shareholder to influence and promote best practice. Voting is an important tool for escalating issues which have not been resolved through our engagement activities. Therefore, we believe the market will react positively if Sports Direct takes active steps to improve its governance and working practices.

### Background - why has this General Meeting of Sports Direct been convened?

Under the UK Listing Rules, independent directors of controlled companies must receive the majority support from both the minority shareholders and controlling shareholders.

At the Sports Direct AGM in September 2016, the Chairman failed to secure sufficient support from minority investors for his re-election. 50.6% of minority investors, including LGIM, voted against his re-election. LGIM has been voting against the re-election of the Chairman since 2014.

As support of the minority shareholders was not achieved, the UK Listing Rules mandate the company to convene a general meeting within 90 days of the AGM. However, at the forthcoming general meeting, approval from a majority of all shareholders (including the major shareholder) will secure the Chairman's re-election to the board.

### How has LGIM engaged with the Company since the last AGM?

LGIM has been proactively engaging with Sports Direct on its governance, social and risk structures, and transparency on these issues, since the company listed in 2007. We have a number of long-standing governance and labour concerns including lack of refreshment of the board, poor succession planning for key management positions, the use of related party transactions, transparency of company strategy, supply chain management and health and safety policies.

At the AGM in September 2016, LGIM escalated its concerns by voting against the re-election of the Chairman and all independent non-executive directors on the Board of Sports Direct. We supported the shareholder resolution at the 2016 AGM and also attended the meeting in person.

Following the outcome of the AGM, LGIM collectively engaged with the company alongside other shareholders through membership of the Investor Forum. We have been requesting an independent review of overall governance and labour practices. Therefore, we initially welcomed the company's announcement after the AGM that they would be undertaking such a review. Since the AGM the Sports Direct board has also announced the appointment of a further non-executive director and the resignation of both the CEO and Finance Director.

### How will LGIM be voting at the forthcoming general meeting?

Despite some changes to the composition of the board, we consider that insufficient progress has been made to improve corporate governance at the company since the September AGM. Therefore, LGIM has continued to vote against the re-election of the Chairman to the board.

LGIM will continue to engage with the company to seek improvements in its governance structure.

### Related Documents

October 2016, [Q3 ESG Impact Report](#)

August 2016, Investor Forum Statement on Sports Direct, available on the Investor Forum website: [http://media.wix.com/ugd/1cf1e4\\_92f4632de08048fd8f551d92adc5158b.pdf](http://media.wix.com/ugd/1cf1e4_92f4632de08048fd8f551d92adc5158b.pdf)

August 2016, LGIM Position Statement: Voting Intentions at Sports Direct International AGM

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