

ANALYSIS

As the controversy surrounding the sports retailer rumbles on, **Luke Tugby** reports on its fiery AGM and **James Wilmore** asks if Mike Ashley's contrition will do the trick

Sports Direct investors revolt as Ashley pledges change

Sports Direct founder Mike Ashley defied his shareholders last week by keeping in place the under fire chairman, Keith Hellawell.

At a lively AGM at the retailer's Shirebrook headquarters, more than half of independent investors – 53% – rejected Hellawell's reappointment to the board.

But his position was maintained after Ashley – who owns 55% of the business – backed Hellawell to remain..

Hellawell had offered his resignation after the retailer came under fire over working practices in its Shirebrook warehouse and use of zero-hour contracts. But Sports Direct said it had asked Hellawell to stay on "in order to assist with making further improvements" at the business.

Following the vote, Hellawell denied his position had become untenable and insisted: "I am going to prove that I am competent."

Crunch vote

In the build-up to the crunch meeting, investors were urged to vote against the re-election of executive deputy chairman Ashley and Hellawell.

Pension and Investment Research Consultants (Pirc) advised shareholders to vote against Ashley because of concerns about his influence on the board. The group cited the judgement of MPs that Ashley should be accountable for working practices at Sports



Sports Direct Owner Mike Ashley gives investors, journalists and union representatives a tour of Sports Direct's Shirebrook warehouse

Direct, which have been heavily criticised.

Pirc had also advised shareholders to vote against the re-election of Hellawell, who the group claimed had not shown leadership.

But at the AGM, 92.6% of shareholders voted in favour of Ashley's re-election. When

Ashley's votes were taken into account, Hellawell's position was safeguarded with 81% of votes approving his re-election.

The AGM proved a tense affair as Ashley clashed with the Unite union, telling them: "It's your fault we're in this mess."

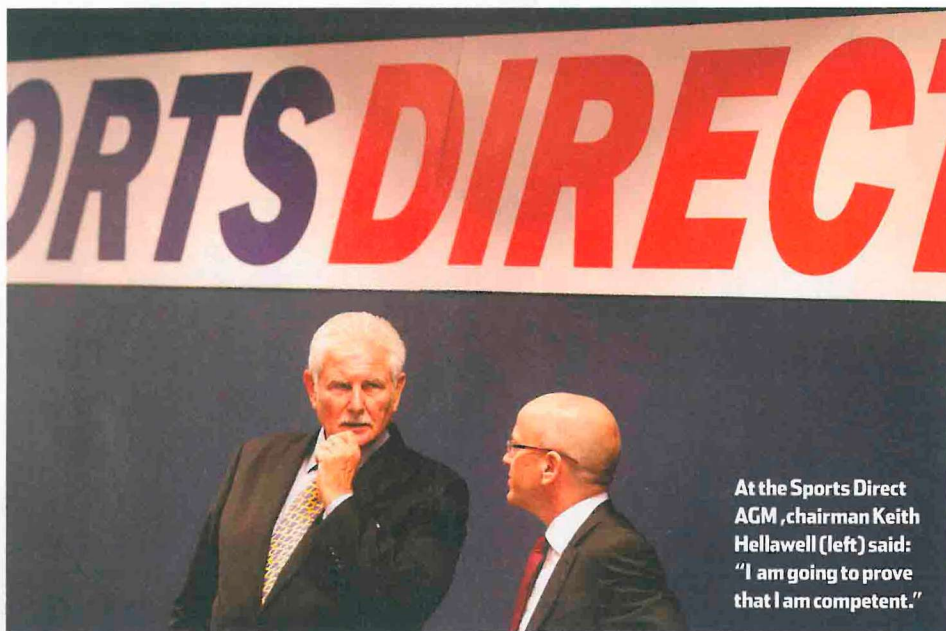
But Standard Life Investment head of stewardship and ESG investment, Euan Stirling, said Ashley should take responsibility and lead structural change at the retailer.

Stirling told the AGM: "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 12 months."

Following a report by law firm RPC into working practices at the business, Sports Direct has pledged to shake-up zero-hour contracts for store workers who would prefer to move to 12-hour deals, scrap the controversial 'six strikes and you are out' rule at its warehouse and invest in a welfare budget, appointing nurses and welfare officers for staff.

Ashley apologised to staff and promised to appoint a workers' representative to the retailer's board following the review.

In a video he said the new representative would "give workers a voice at the highest



At the Sports Direct AGM, chairman Keith Hellawell (left) said: "I am going to prove that I am competent."

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**"I wish to apologise
on behalf of myself
and the board for the
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working practices"**

Mike Ashley, Sports Direct



level and to help ensure that all staff are treated with dignity and respect". He added: "I think it will be the one no-brainer that Sports Direct should have been doing."

Appointing a workers' representative is one of the ideas put forward by Theresa May to reform big businesses just prior to becoming Prime Minister. Ashley said: "I want to be the pioneer who gets it done ... I am going to make it happen."

It is not clear how the representative will be chosen, but it is expected they will be elected.

In an email sent to his 20,000 staff, Ashley also said: "I have always believed that Sports Direct was built by the great people who work here. I therefore wish to apologise to you on behalf of myself and the board for the shortcomings that have occurred in our working practices, which have been identified in the report."

The tycoon also vowed to turn the business into "one of the best employers in Britain", although he admitted that this "will not happen overnight". The retailer also warned on profits.

Turning Sports Direct into a powerhouse again and great employer may go into plenty of injury time yet.

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Why the maverick Mike Ashley's apologies are no longer enough

BY JAMES WILMORE

Mike Ashley famously said last year he wanted Sports Direct to be as good a retailer as department store chain John Lewis.

And last week he said he is aiming to the make the company he founded 34 years ago the "Selfridges of sport".

But judging by Sports Direct's current troubles, the maverick billionaire has a big job to do to make that statement anywhere near a reality.

Sports Direct's well-documented problems – centred around its treatment of workers and corporate governance – got a very public airing at last week's AGM and 'open day'.

Ashley tackled his critics by using the same cheeky-chappy approach that charmed MPs. He repeatedly stressed that he was "sorry" for the problems, such as the long queues for warehouse staff to submit to security searches.

Blame game

But he tried to blame some of the issues on the vast size of the operations at the retailer's Shirebrook warehouse. "When it gets on this scale, nothing is easy," he said as he led about 100 shareholders, journalists and union representatives around the Derbyshire site.

The carefully stage-managed nature of the 'open day' meant that little had been left to chance.

Ashley highlighted that his warehouse workers were now picking 30,000 website orders a day. "It's very labour-intensive," he said. "You can't comprehend the size."

However, he insisted that by pointing out the scale, he was not making excuses. "I don't want the headline 'excuses', I want the headline 'sorry'," he said, when leading the tour through one of Shirebrook's canteens.

Inside the notorious facility – reportedly known locally as 'the gulag' – it did feel vast, as we were led past rows and rows of picking lines. This glimpse of the facility did not reveal the problems that have been written about. Nevertheless, some

of the workers looked pretty weary as they went about their business.

But one moment the Newcastle United owner may wish to forget was when he gave a demo of a security check and proceeded to pull out a wedge of £50 notes, causing merriment among onlookers and unfortunate headlines.

Apparently, he had been to a casino.

Another came when the tycoon lost his temper with a representative from Unite. He appeared to blame the union for some of the "mess" the company was in with its worker relations and accused it of "showboating".

Risky business

The offer of inviting all-comers to his firm's infamous Shirebrook HQ was a high-risk strategy.

As chairman Keith Hellawell admitted, they had a security team on standby in case things got too out of hand.

Hellawell suffered the ignominy of having his re-election rejected by independent shareholders, but has stayed in place with the backing of Ashley as majority shareholder.

The company had taken the sting out of proceedings by releasing a report yesterday that outlined how it was going to tackle some of its worst problems, such as its reliance on zero-hours contracts and the 'six strikes and you're out' rule.

However, this tactic was slightly scuppered by the fact that Sports Direct thought it a good idea to also release a profit warning and reveal that Hellawell had offered to resign.

Out of time?

For all the *mea culpas* that are offered, the only way that Sports Direct will appease its critics is if there is genuine substance to its promises of reform.

Ashley has asked shareholders for time to fix the business.

But with the share price still in the doldrums and the unions and media baying for blood, the clock continues to tick louder than ever.

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