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LAPFF Recommends Oppose Vote for Sports Direct Bonus Share Scheme

The Local Authority Pension Fund Forum (LAPFF) is recommending an Oppose Vote for the 2015 Bonus Share Scheme to be voted upon by Sports Direct shareholders at the EGM scheduled for Wednesday 2nd July. In a Voting Alert issued to its 60 member funds the Forum outlines its continued concerns with remuneration at the sporting and leisurewear retailer.

“LAPFF believes that it is inappropriate to establish an incentive plan with a single board member in mind, especially one whose company has a 57.7% holding in Sports Direct,” Forum Chair Cllr Kieran Quinn said.

“This arrangement creates a bias in favour of Mr Ashley as well as the impression that he is creating the scheme for himself. The Company states that it has performed very well over the year, so Mr Ashley should be adequately compensated through dividends on his shares in the Company.”

“It would also be preferable to establish a salary for Mr Ashley on which his contribution to a bonus pool could be based, rather than creating an arrangement for him that is different from that of the other board members,” he said.

The proposed 2015 Bonus Share Scheme consists of nil-cost options granted to a maximum of 25 million ordinary shares, or approximately 4.2% of the issued share capital of the Company that could allocated to Vice Chair, Mr Ashley.

Threshold performance would be achieved if the FY2019 EBITDA (earnings before interest, tax, depreciation and amortisation) target of £750 million were met; this achievement would allow 25% of the maximum award to vest. Achievement of the FY2021 EBITDA target would allow 75% of the maximum award to vest.

The July EGM will be the third attempt by Sports Direct to resolve remuneration issues, with a September 2012 bonus proposal rejected by shareholders, the company withdrawing a previous share incentive scheme and cancelling an April 2014 EGM.

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About the Local Authority Pension Fund Forum

The Local Authority Pension Fund Forum (LAPFF), formed in 1991, is a voluntary association of 60 public sector pension funds based in the UK with combined assets of approximately £120 billion. It exists to “promote the long-term investment interests of local authority pension funds, and to maximise their influence as shareholders to promote corporate responsibility and high standards of corporate governance amongst the companies in which they invest.” PIRC is the Research and Engagement partner to the Forum. www.lapfforum.org