



Retail

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Iain Wright MP
Chair of BIS Committee
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Dear Mr Wright

RE: Working Practices at Sports Direct

Thank you for your letter of 25 June 2016 in which you refer to my evidence to the BIS Committee on 7 June 2016. During that hearing, I committed to conduct a review of various issues concerning working practices and you requested a timescale for that review.

I am writing to confirm that we have commenced work and that I intend to provide you with a written update within 90 days of the date of your letter.

In the meantime, I have appointed Sports Direct's independent legal advisors to compile a Working Practices Report.

As you know, I do not believe there is ever a time when we can stop trying to improve things. So whilst it is unlikely that we can address every allegation within 90 days, the report will set out details of our progress so far. It will also act as a benchmark for future improvements.

I should note that some of the questions in your letter have paraphrased my evidence in a way that is not entirely correct – however I have given answers below at this stage as best I can.

I am happy to provide you with the following provisional updates, where available, in answer to the numbered questions in your letter:

ANSWER TO Q1 - The tannoy is used only for logistical purposes and we are currently drawing up a Tannoy Policy for managers (along with exploring other measures) to ensure that this remains the case. Details of this will be included in the report.

With regard to emergency calls, this is also a subject that we will look at in the report. Early work has included a meeting with the family of a male agency worker from Latvia who was the subject of a medical emergency at our site in Shirebrook. We will also cover the fact that Sports Direct is working closely with Bolsover District Council as a leading partner in the working group 'NG20 Forward Shirebrook', which aims to provide a better future for the community. This work involves regular contact with interested parties such as the emergency services.

In relation to independence, the Working Practices Report will be compiled by RPC solicitors of St Katherine's Way, London EC1A 1AA. The report will cover our various policies on working

conditions where available. The report will not include those matters raised in Questions 9, 11 & 12 (for reasons that I will address below).

ANSWER TO Q2 – I have looked into moving the clocking stations and my initial assessment is that it will not be practical. However, there will be a further consideration and an update on this subject and in the meantime I draw your attention to my answer on June 7 to Q189, in which I stated that it is our policy that all workers are now able to clock off one minute early without suffering a wage penalty.

ANSWER TO Q3 - There will be an update on this subject in the report.

ANSWER TO Q4 – Please note that Sports Direct does not operate a strikes policy in our stores nor anywhere else. However as you know, a number of concerns have been identified about the strikes policy operated by our employment agencies who engage workers for our warehouse. These matters are under consideration and in the meantime we are encouraging the agencies to ensure that their appeals procedure (which is open to agency workers in Shirebrook) should be made more transparent as an interim measure. There will be a further update on the strikes policy in the report.

I feel it would also be helpful to let you know at this stage that I have contacted Unite with a view to opening a constructive dialogue regarding this subject and related matters. Whilst I believe Sports Direct is better placed to do an excellent job for our people, I recently met with a representative of Unite along with members of the team at Sports Direct at our premises in Shirebrook in order to listen to the concerns of the union with an open mind.

ANSWER TO Q5 – This information, where available, will be included in the report.

ANSWER TO Q6 – There will be an update on this subject in the report.

ANSWER TO Q7 - I can confirm that as of 1 January 2016 all workers at Sports Direct, including agency workers, who were previously on National Minimum Wage are now paid at hourly rates that are above the National Minimum Wage by at least 15p per hour. This includes the new National Living Wage that came into effect on 1 April 2016. The cost of this, as disclosed to the Stock Exchange in an RNS announcement on 31 December 2015, is circa £10 million on an annualised basis. I see this as an important positive step that rightly reflects the value we place on our people.

However, please note that these pay rises are not 'back pay' as such. Steve Turner (of Unite) did make a reference to back pay in his evidence to the committee. I believe this relates to a confidential HMRC matter and I draw your attention to my own answer on June 7 to Q225, in which I confirmed that an investigation was on-going.

The Committee also asked me if workers are being docked 15 minutes for being one minute late. Can I be clear for the record as to what we are doing now: the system calibrates by rounding upwards in segments of five minutes. So for example, if a person is four minutes late, they will lose five minutes pay (ie: the four minutes they were late, plus an extra minute by way of rounding up to the five minute mark). This is offset by the fact that all workers are now able to clock off one minute early (as mentioned above) without suffering a wage penalty, thus potentially leaving them in a neutral position overall with regard to lateness.

ANSWER TO Q8 – We are looking into the allegations and we will update on the findings in the report.

ANSWER TO Q9 – This question falls into the area of our wider business strategy and will take longer than 90 days to consider.

ANSWER TO Q10 - This information, where available, will be in the report.

ANSWER TO Q11 – Please see answer to Q9. The same applies to Q11.

ANSWER TO Q12 We will, of course, continue to consider corporate governance on an on-going basis. However it is a subject outside of working practices and will therefore not be included in the report.

That concludes my answers to the questions in the letter.

I hope you will agree that this letter outlines a positive course of action and I look forward to writing back to you within the 90 day timeframe set out above (ie by close of business on 23 September 2016).

In the meantime, the Committee would be welcome to attend Shirebrook. Our AGM will take place here on Wednesday 7 September 2016, so that may be one date on which you may wish to consider taking a tour.

Yours sincerely

Mike Ashley