

AIM RULE 26 DISCLOSURE (CORPORATE GOVERNANCE)

Chairman's statement

The Board remains committed to effective corporate governance as the basis for delivering long-term value growth and for meeting shareholder expectations for proper leadership and oversight of the business. As the Chairman of the Board, I am responsible for corporate governance within the Group and the Board is committed to maintaining a sound ethical culture that feeds our risk management and decision making. We believe that having good corporate governance is the best way to pursue medium to long-term success for Sumo Group plc and our stakeholders. To this end, since our IPO in 2017, we have adopted the code published by the Quoted Companies Alliance (QCA code) as our benchmark for governance matters and believe that we are in full compliance at the date of this report.

My role as Chairman of the Board remains separate to, and independent of, that of the Chief Executive and we both have clearly defined responsibilities. These, along with the terms of reference for all the Committees of the Board, can be found on the Sumo Group plc Investor Relations website.

Below we set out how we comply with the QCA Code by reference to the ten principles it contains. In some cases, this is by cross-reference to our 2018 Annual Report and Accounts. We will review and update our approach as the Group continues to grow and will update this statement as we do so.

Ken Beaty
Chairman
8 April 2019

Principle 1: Establish a strategy and business model which promote long-term value for shareholders

Our strategy and business model are discussed in the Chief Executive's review on pages 18 to 21 of the 2018 Annual Report.

The Company provides creative and development services to the video games and entertainment industries, delivering full-service visual and development solutions. We work with some of the largest video game producers in the world on long-term, high-value contracts, as well as launching our own smaller, independent games.

Our growth targets will principally be achieved through:

- The organic growth of our contracted development fees model
- Targeted acquisitions aimed at bringing on board talent and intellectual property to grow the Sumo group.

Principle 2: Seek to understand and meet shareholder needs and expectations

The Group is committed to engaging with our shareholders to ensure that our strategy and business model are understood. The Board believes that the disclosures of this Annual Report provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

The executive directors of the company are in frequent contact with the Company's shareholders and brief the Board on shareholder issues. In 2018 we held investor roadshows and briefings, hosted investor days at our Sheffield Studios and held frequent one to one meetings with investors and potential investors.

The Company's largest shareholder is Perwyn Bidco (UK) Limited. Under the terms of the Relationship Agreement entered into at the time of the Company's admission to AIM, Perwyn has nominated Ken Beaty to the Board as its nominated director and has the right for a Perwyn observer to attend Board meetings.

The Chief Executive Officer and Chief Financial Officer are primarily responsible for contact with our shareholders. To request any meetings or ask questions please contact investors@sumogroupplc.com.

Any reports from analysts that refer to the Company or cover the video games sector are circulated to the Board to support their understanding of the views of the investment community.

Zeus as the Company's broker and Belvedere as financial PR advisers provide both attributable and anonymised feedback directly to the Board from shareholder meetings and events such as the investor day. An update on investor sentiment and shareholding changes is provided at every Board meeting.

The Chairman and the other non-executive directors will always make themselves available to meet shareholders. The Annual General Meeting (AGM) is a prime opportunity for this. The Company held its first AGM in June 2018 and this acted as forum for dialogue between the directors and our shareholders. At the meeting, 100% of the votes cast were in favour of every resolution proposed by the Board.

The business to be conducted at the AGM is set out in a separate Notice of Annual General Meeting.

Principle 3: Take into account wider stakeholder and social responsibilities and their implications for long-term success

The Board recognises that the long-term success of the Group relies on our customers and employees. Engaging with these key stakeholders strengthens our relationships and helps us make better business decisions to deliver our commitments. The Board received regular updates on wider stakeholder engagement feedback and closely monitors and reviews the results of the annual Best Company's Employee Engagement survey.

Employees

Without our dedicated and skilled employees we would not be able to operate at the level that we do, and as a result we are committed to employee engagement and making changes based on the feedback received to make Sumo Group plc a great place to work.

Employees are given many opportunities to provide feedback through our employee engagement survey, the annual appraisal process and the twice-yearly roadshows carried out by the Operating Board.

Over the past year we have:

- Introduced share plans that allow our employees to become shareholders of the business
- Invested considerable resources in our working environments, taking on board staff feedback to introduce a canteen and shared social space in Sheffield
- Started a Diversity Steering Group aimed at increasing diversity within the Company and the wider industry
- Completed our annual employee engagement survey to keep informed on the major issues that our employees want us to change
- Hosted two company-wide road shows with our Operating Board giving employees the opportunity to ask questions and raise issues

Customers

The Group is in regular dialogue with existing and potential customers at all levels in order to understand and respond to their current and future requirements.

Principle 4: Embed effective risk management, considering both opportunities and threats, throughout the organisation

Risk

As described in the letter from the Chairman of the Audit Committee on pages 40 and 41 of the 2018 Annual Report, the Board is committed to ensuring that risk management is embedded within the business and is part of the way we work.

This year we have sought to further embed the risk management framework adopted last year by updating the risk register and changing the way that it is communicated to and reviewed by the Board.

Internal control

The Board has ultimate responsibility for the Group's system of internal control and reviewing its effectiveness. However, there are inherent limitations in any system of internal control and accordingly even the most effective system can provide only reasonable, and not absolute assurance against material misstatement or loss. The Board considers that the internal controls in place are appropriate for the size, complexity and risk profile of the Group. The principle elements of the Group's internal control system include:

- Close management of the day-to-day activities of the group by the Executive Directors
- Preparation and approval of budgets and regular monitoring of actual performance against budget
- Detailed monthly reporting of performance against budget
- Continually updated profitability and cashflow forecasts to reflect actual performance and revised outlook as the year progresses
- The appointment of a Group Internal Auditor in June 2018 to establish an internal audit function within the Group focussing on risk-based audits
- Strengthened finance function that has implemented additional processes, policies and systems that enhance the financial and operational control environment
- Risks assessments on important areas such as the Criminal Finances Act
- A treasury policy that is reviewed annually by the Board
- The risk management framework referred to above.

Principle 5: Maintain the board as a well-functioning, balanced team led by the chair

The composition of our Board is detailed on pages 36 and 37 of the 2018 Annual Report.

Part of the role of the Board's Nomination Committee is to keep the composition of the Board under review as the Company's business evolves. In September 2018 we announced the appointment of Andrea Dunstan as an additional independent non-executive director. Andrea extends the breadth of experience on the Board with her considerable HR and remuneration experience and improves the Board's diversity.

The Board is satisfied that it has a suitable balance between independence and knowledge of the Company to enable it to discharge its duties and responsibilities effectively. All Directors are encouraged to use their independent judgement and to challenge all matters, whether strategic or operational. The Chairman holds regular update meetings with each Director to ensure they are performing as they are required.

During the year, the Board conducted an assessment of its performance and more detail is provided below.

Principle 6: Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities

Directors details and biographies are on pages 36 and 37 of the 2018 Annual Report. The Board considers that they have sufficient skills and experience to execute their duties and responsibilities effectively. As discussed above, the appointment of Andrea Dunstan to the Board has enhanced our capabilities, particularly through her extensive HR and remuneration experience.

As part of the Board performance assessment, each Board member provided information on their individual skills and experience in areas relevant to the Group's business. This exercise indicated a high level of capability and also provided insight on additional areas that could form part of the specification for any future appointees to the Board.

The Board receives regular and timely information on the Group's operational and financial performance. Relevant information is circulated to the Directors in advance of meetings. All Directors have access to the advice and services of the Company Secretary who is responsible for ensuring that the Board procedures are followed, and that applicable rules and regulations are complied with. All Directors are allowed to obtain independent advice in furtherance of their duties, if necessary, at the Company's expense.

On appointment, Directors new to the Group will receive a full and tailored induction.

Principle 7: Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

The Board carried out its first performance assessment towards the end of the year. This process, and the tools used, were designed by a third party consultant with considerable experience of Board reviews and tailored to the Group's specific circumstances. It comprised four elements:

- A questionnaire completed by every Board member and the Company Secretary covering Board and Board Committee structure, processes, agendas and priorities. The questions also sought each Board member's assessment of their individual performance and allowed members to give feedback on each other. The questionnaire was based on input provided by an external consultant with considerable experience of Board reviews, but tailored to meet the specific circumstances of the Company
- The compilation of the skills information referred to above under Principle 6
- A Board discussion facilitated by the Company Secretary of the outputs of the questionnaire and skills matrix
- Individual conversations between the Chairman and each other Director and between the Senior Independent Director and the Chairman regarding the feedback related to them individually in the questionnaire

The process identified a number of actions that the Board believes will contribute to improving performance, and these will be implemented during 2019 (to the extent not already in place by the end of 2018), including:

- Creating more time in Board discussions to cover strategy and industry developments
- Adding to the level of specific video games experience on the Board
- Ensuring that there is robust succession planning in place for senior roles
- A more proactive approach on the part of the Remuneration Committee to the structuring of incentives.

Principle 8: Promote a culture that is based on ethical values and behaviours

The Board aims to lead by example in this area and do what is in the best interests of the Group. The processes in place by which it makes decisions and that are documented in the terms of reference for its committees; the requirement for regular disclosure of other interests and the Company's share dealing code all require high standards of behaviour.

The Company's employment policies, such as those applying to Whistleblowing and Anti-bribery and Corruption, assist in embedding a culture of ethical behaviour. The Board is also supportive of the charitable projects undertaken by the business.

Over the past year Sumo Group are proud to have:

- Partnered with Special Effect to raise money through a variety of events including their Karting Grand Prix, the TwinTown 2018 Charity Rally Event and running our own Snake Pass auction
- Helped to plant over 1,000 trees in Malawi via Fruitful Office who provide fruit baskets for our employees twice a week. A tree is planted for each fruit basket purchased
- Raised over £1,200 for The Sheffield Children's Hospice and Games Aid with a charity auction at our annual Big Day Out
- Collected donations of food and Christmas presents for Sheffield-based food bank, Jubilee and a local homeless charity

Principle 9: Maintain governance structures and processes that are fit for purpose and support good decision-making by the board

The Board meets at least 8 times each year in accordance with its scheduled meeting calendar. This schedule may be supplemented by additional meetings as and when required. The attendance by each Board member at scheduled meetings is shown in the Board biographies on pages 36 and 37 of the 2018 Annual Report.

The Board and its committees receive appropriate and timely information prior to each meeting; a formal agenda is produced for each meeting, and Board and Committee papers are distributed several days before meetings take place.

The Board makes decisions for the Group through a formal schedule of matters reserved for its decision. Any specific actions arising are agreed by the Board or relevant Committee and then followed up by the Company's management.

Board Committees

The Board is supported by the Audit, Nominations and Remuneration committees. Each committee has access to such resources, information and advice as it deems necessary, at the cost of the Company, to enable the committee to discharge its duties.

A detailed report of the composition, responsibilities and key activities of the Audit Committee are set in the Audit Committee Report and for the Remuneration Committee on the Directors' Remuneration Report.

The Nomination Committee is chaired by Ken Beaty, and its primary purpose is to identify and nominate, for the approval of the Board, candidates to fill board vacancies as and when they arise. The Nomination Committee meets as required, and at least once a year. Michael Sherwin, Ian Livingstone and Andrea Dunstan are the other members of the Nomination Committee. The Committee has terms of reference in place which have been formally approved by the Board.

The Nomination Committee also reviews the structure, size, diversity and composition of the Board and makes recommendations concerning the annual re-appointment of any Non-Executive Director and the identification and nomination of new Directors. The Committee will retain external search and selection consultants as appropriate.

During the year the Nominations Committee was involved in the appointment and induction of Andrea Dunstan as an Independent Non-Executive Director in September. Andrea brings a wealth of experience in organisational development and HR strategy.

Operating Board

To monitor operational performance across the group and ensure effective decision-making, an Operating Board has been established. Details of membership of this board is set out in this Annual Report. The Operating Board typically meets shortly before each PLC Board meeting to ensure that executives are able to provide the most up to date information to the PLC Board.

Principle 10: Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

Communicating to stakeholders

The Board communicates with shareholders through the Annual Report and Accounts, full-year and half-year announcements, the Annual General Meeting (AGM) and one-to-one meetings with large existing or potential new shareholders. A range of corporate information (including all the Company announcements and presentations) is also available to shareholders, investors and the public on our corporate website, www.sumogroupplc.com.

Company performance information is communicated with employees through the internal newsletter and the Operating Board roadshows, within the limitations imposed by adherence to the Company's public company disclosure obligations.