

## **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 Investor Relations section of the Sumo Group plc website.

Additional information is contained in the Directors' statement in respect of Section 172 of the Companies Act on pages 32 to 36 of the 2019 Annual Report and Accounts.

**Ian Livingstone**  
**Chairman**  
**20 April 2020**

### **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 22 to 27 of the 2019 Annual Report and Accounts.

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 in 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 2019 we held investor roadshows and briefings, hosted investor days at our Sheffield Studios and held frequent one to one meetings and calls 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 the right for an 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](mailto: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 joint 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 also an opportunity for dialogue between the directors and our shareholders. At the 2019 AGM, all resolutions proposed by the Board were passed by shareholders.

The business to be conducted at the 2020 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 Companies Employee Engagement survey.

The Directors' statement under Section 172 of the Companies Act on pages 32 to 36 of the 2019 Annual Report and Accounts contains information about engagement with stakeholders in addition to investors, clients and employees.

#### *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 continue to develop Sumo Group as 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:

- Continued to promote share plans that allow our employees to become shareholders of the business
- Invested considerable resources in a number of our studios to improve the working environment
- Continued the work of our 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

#### *Clients*

The Group is in regular dialogue with existing and potential clients 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 and Risk Committee on pages 52 to 53 of the 2019 Annual Report and Accounts, the Board is committed to ensuring that risk management is embedded within the business and is part of the way we work.

##### *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
- A Group Internal Auditor focussing on risk-based audits and with a direct reporting line to the Chairman of the Audit and Risk Committee
- 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 risk register that is maintained by the Group Internal Auditor and reviewed quarterly by the Operating Board and twice yearly by the Audit and Risk Committee
- A treasury policy that is reviewed annually by the Board.

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

The composition of our Board is detailed on pages 48 to 49 of the 2019 Annual Report and Accounts.

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. 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.

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 48 to 49 of the 2019 Annual Report and Accounts . The Board considers that they have sufficient skills and experience to execute their duties and responsibilities effectively.

As part of the 2018 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 assessment identified the desirability for additional industry and operational experience on the Board. As a result of this, Paul Porter joined the board as Chief Operating Officer in April 2019.

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 second performance assessment towards the end of the year. This process was similar to that used in 2018, which was designed by a third-party consultant with considerable experience of Board reviews and tailored to the Group's specific circumstances. It comprised:

- 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.
- A Board discussion facilitated by the Company Secretary of the outputs of the questionnaire and skills matrix

The process identified a number of actions that the Board believes will contribute to improving performance, and these will be implemented during 2020 (to the extent not already in place by the end of 2019), including:

- Ensuring greater focus in Board meetings on developments within the video games industry and on the games created by the business
- Facilitate more contact between the Board and the members of the Operating Board
- Continue the work of the Nomination Committee in ensuring that there is robust succession planning in place for senior roles
- Consider whether the number of Board meetings held each year creates the right balance between governance and strategy setting an operation execution.

#### **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 community and charitable projects undertaken by the business that are described in the Section 172 statement on pages 32 to 36 of the 2019 Annual Report and Accounts.

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

The Board currently 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 48 to 49 of the 2019 Annual Report and Accounts.

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 and Risk, Nomination 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 and Risk Committee is set out in the Audit and Risk Committee Report and for the Remuneration Committee in the Directors' Remuneration Report in the 2019 Annual Report and Accounts.

The Nomination Committee is chaired by Ian Livingstone, 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 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 of Ian Livingstone as Chairman of the Board in September 2019 and Paul Porter, co-founder of Sumo Digital, as a Director in April 2019.

#### *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](http://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.