

## Statement of Compliance with the QCA Corporate Governance Code

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### Chairman's Introduction

*Our values are based on science, innovation and quality, and translate into everything we do for our customers, people, suppliers and shareholders. Our culture supports the Company's objectives to grow the business through athlete customer acquisition and retention in key strategic markets globally.*

*It is the Board's job to ensure that Science in Sport is managed for the long-term benefit of all shareholders, with effective and efficient decision-making. Corporate governance is an important part of that role, reducing risk and adding value to our business.*

#### **John Clarke**

Chairman

### Science in Sport's Corporate Governance Regime

The Board adopted the Quoted Companies Alliance (QCA) Corporate Governance Code on 18 September 2018 in line with the London Stock Exchange's changes to the AIM Rules requiring all AIM-listed companies to adopt and comply with a recognised corporate governance code. This report sets out in broad terms how we comply at this point in time. We will continue to provide annual updates on our compliance with the code.

The information below was last updated on 26 September 2019.

Recent governance changes include the resignation of Elizabeth Lake, Chief Financial Officer, who left the Company on 10 September 2019, and the appointment of James Simpson, who joined the Company as Chief Financial Officer on 26 September 2019.

### Principle 1

#### **Establish a strategy and business model which promote long-term value for shareholders**

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The Company is a leading premium performance nutrition company that develops, manufactures and markets nutrition products for elite athletes and sports and gym lifestyle enthusiasts in over 80 international markets under two market leading brands, PhD and SiS. Our vision is to be the world's #1 premium performance nutrition business, which we hope to achieve through further international expansion and targeting of new sports such as football.

We will deliver long-term value through:

- Consistent investment in science and innovation to maintain our relevance to athletes
- Continuing to develop brand awareness
- Continuing to build on our e-commerce capability and reach through scienceinsport.com and phd.com
- Developing new International markets

## **Principle 2**

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### **Seek to understand and meet shareholder needs and expectations**

The Company remains committed to listening and communicating openly with its shareholders to ensure that its strategy, business model and performance are clearly understood. Understanding what analysts and investors think about us, and, in turn, helping these audiences understand our business, is a key part of driving our business forward and we actively seek dialogue with the market. We do so via investor roadshows and our regular reporting.

#### *Private shareholders*

The Annual General Meeting (“AGM”) is the main forum for dialogue with retail shareholders and the Board. The Notice of Meeting is sent to shareholders at least 21 days before the meeting. The chairs of the Board and all committees, together with all other Directors, routinely attend the AGM and are available to answer questions raised by shareholders. For each vote, the number of proxy votes received for, against and withheld is announced at the meeting.

Private shareholders can contact the Company at: [IR@scienceinsport.com](mailto:IR@scienceinsport.com)

#### *Institutional shareholders*

The Directors actively seek to build a relationship with institutional shareholders. Shareholder relations are managed primarily by the Chief Executive Officer and Chief Financial Officer. The Chief Executive Officer and Chief Financial Officer make presentations to institutional shareholders and analysts each year immediately following the release of the full-year and half-year results. The Board as a whole is kept informed of the views and concerns of major shareholders by briefings from the Chief Executive Officer. Any significant investment reports from analysts are also circulated to the Board. The Non-Executive Chairman is available to meet with major shareholders if required to discuss issues of importance to them.

To request any meetings please contact: [IR@scienceinsport.com](mailto:IR@scienceinsport.com)

## **Principle 3**

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### **Take into account wider stakeholder and social responsibilities and their implications for long-term success**

Engaging with our stakeholders strengthens our relationships and helps us make better business decisions to deliver on our commitments. The Board is regularly updated on wider stakeholder engagement feedback to stay abreast of stakeholder insights into the issues that matter most to them and our business, and to enable the Board to understand and consider these issues in decision making. Aside from shareholders, our suppliers, customers, and employees are the most important stakeholder groups and the Board therefore closely monitors and reviews the results of the Company’s Employee Engagement surveys as well as any other feedback it receives to ensure alignment of interests.

SIS has the following policies:

#### *Employees*

- Implemented a monthly 'huddle' on a Friday providing an informal forum for employee engagement across the two UK locations
- Group bike rides and events for staff participation in sport
- Project management training and framework rolled out across the Group
- Completed regular engagement surveys to keep informed on the major issues our staff want us to change
- Investor in People accredited
- Supporting employees who are completing further education in their areas of expertise, i.e. MBA, finance and supply chain qualifications

#### *Suppliers*

- Organise regular factory visits to foster understanding and collaboration
- Pay our suppliers on time
- Open and two-way conversations with our biggest suppliers about our business and strategy

#### *Customers and communities*

- Improved our customer helplines with increased multi-lingual resource
- Updated and invested in our website to enhance the customer experience
- Updated our websites to make it easier to leave customer feedback
- Broadened the contact with key trade and retail partners
- Organised regular factory visits for all key stakeholders

### **Principle 4**

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#### **Embed effective risk management, considering both opportunities and threats, throughout the organisation**

##### *Audit, risk and internal control*

##### *Financial controls*

The Company has an established framework of internal financial controls, the effectiveness of which is regularly reviewed by the Executive Management, the Audit Committee and the Board in light of an ongoing assessment of significant risks facing the Company.

- The Board is responsible for reviewing and approving overall Company strategy, approving revenue and capital budgets and plans, and for determining the financial structure of the Company. Quarterly results and variances from plans and forecasts are reported to the Board
- The Audit Committee assists the Board in discharging its duties regarding the financial statements, accounting policies and the maintenance of proper internal business, and operational and financial controls
- There are comprehensive procedures for budgeting and planning, for monitoring and reporting to the Board business performance against those budgets and plans, and for forecasting expected performance over the remainder of the financial period. These cover profits, cash flows, capital

expenditure and balance sheets. Monthly results are reported against budget and compared with the prior year, and forecasts for the current financial year are regularly revised in light of actual performance

- The Company has a consistent system of prior appraisal for investments, overseen by the Chief Financial Officer and Chief Executive Officer, with defined financial controls and procedures with which each business area is required to comply in order to be granted investment funds for development

#### *Non-financial controls*

The Board recognises that maintaining sound controls and discipline is critical to managing the risks to our plan. The Board has ultimate responsibility for the Group's system of internal control and for reviewing its effectiveness. However, any such system of internal control can provide only reasonable, but 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 principal elements of the Group's internal control system include:

- Close management of the day-to-day activities of the Group by the Executive Directors
- An organisational structure with defined levels of responsibility, which promotes entrepreneurial decision-making and rapid implementation while minimising risks
- A comprehensive annual budgeting process producing a detailed integrated profit and loss, balance sheet and cash flow, which is approved by the Board
- Detailed monthly reporting of performance against budget
- Central control over key areas such as capital expenditure authorisation and banking facilities

The Group continues to review its system of internal control to ensure compliance with best practice, while also having regard to its size and the resources available. Due to the size of the business there is no internal audit. As part of the Group's review, a number of non-financial controls covering areas such as regulatory compliance, business integrity, health and safety, risk management and business continuity have been assessed. The key elements of those non-financial controls are set out below.

#### *Standards and policies*

The Board is committed to maintaining appropriate standards for all the Company's business activities and ensuring that these standards are set out in written policies. Key examples of such standards and policies include the 'Anti Bribery Policy'. All policies are underpinned by our culture of creating a positive work environment for our employees which in turn promotes positive relations with our customers and suppliers.

#### *Approval process*

All material contracts are required to be reviewed and signed by a Director of the Company.

#### *Re-assessment*

The Company has a Business Risk Register with business continuity plans to address key risks that have an immediate impact. Risks facing the business are re-assessed, and potential mitigating actions are considered and implemented to help protect against those risks. Each week key KPIs are reviewed to ensure alignment to the plan.

## *Code of Conduct*

Our Code of Conduct includes guidance on anything that could get our employees into trouble, (including business integrity, anti-bribery, gifts, intellectual property and design rights) they are sent to everyone in the Group.

## *Legal controls*

The Group also has access to an independent Company Secretarial support function. ONE Advisory Limited provide Board support through assistance with Board and shareholder meetings, corporate governance compliance, and MAR compliance. Legal advice is sought from the Company's legal advisors on all legal and regulatory matters.

## **Principle 5**

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### **Maintaining the Board as a well-functioning, balanced team led by the Chair**

The Board comprises the Non-Executive Chairman, two Executive Directors and two Non-Executive Directors, one of whom also acts as Senior Independent Director. The Board considers, after careful review, that the Non-Executive Directors use their independent judgement in discussing Board matters. The Board considers that John Clarke is Independent, as his shareholding is not significant.

The Board is satisfied that it has a suitable balance between independence on the one hand, and knowledge of the Company on the other, 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. In the last year four Board meetings took place. Board meeting attendance will be disclosed in the Annual Report. Key Board activities this year included:

- Input into the accelerating growth plan
- Continued an open dialogue with the investment community
- Considered our financial and non-financial policies
- Discussed strategic priorities
- Discussed the Group's capital structure and financial strategy, including capital investments
- Discussed internal governance processes
- Reviewed the Group risk register
- Reviewed feedback from shareholders post full and half year results

## *Directors' conflict of interest*

The Company has effective procedures in place to monitor and deal with conflicts of interest. The Board is aware of the other commitments and interests of its Directors, and changes to these commitments and interests are reported to and, where appropriate, agreed with the rest of the Board.

## **Principle 6**

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### **Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities**

The Board is satisfied that, between the Directors, it has an effective and appropriate balance of skills and experience, including in the areas of FMCG, finance, corporate finance, international trading, and marketing. In addition to their general Board responsibilities, Non-Executive Directors are encouraged to be involved in specific workshops, meetings or seminars in line with their individual areas of expertise. All Directors receive regular and timely information on the Group's operational and financial performance. Relevant information is circulated to the Directors in advance of meetings. The business reports quarterly on its headline performance against its agreed budget, and the Board reviews the quarterly update on performance and any significant variances are reviewed at each meeting. Contracts are available for inspection at the Company's registered office and at the AGM. All Directors retire by rotation at regular intervals in accordance with the Company's Articles of Association.

#### *Appointment, removal and re-election of Directors*

The Board makes decisions regarding the appointment and removal of Directors, and there is a formal, rigorous and transparent procedure for appointments. The Company's Articles of Association require that one-third of the Directors must stand for re-election by shareholders annually in rotation; that all Directors must stand for re-election at least once every three years; and that any new Directors appointed during the year must stand for election at the AGM immediately following their appointment.

#### *Independent advice*

All Directors are able to take independent professional advice in the furtherance of their duties, if necessary, at the Company's expense. In addition, the Directors have direct access to the advice and services of the Company Secretary and Chief Financial Officer.

## **Principle 7**

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### **Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement**

The Chairman has been assessing the individual contributions of each of the members of the team to ensure that:

- Their contribution is relevant and effective
- That they are committed
- Where relevant, they have maintained their independence

The Company recognises that it will be beneficial to have a performance review of the team as a unit, to ensure that the members of the Board collectively function in an efficient and productive manner, and will examine the ways in which this could be implemented over the coming years.

## **Principle 8**

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### **Promote a culture that is based on ethical values and behaviours**

The Board aims to lead by example and do what is in the best interests of the Company. The culture of the Group is to be entrepreneurial and innovative, always committed and striving for excellence, as our customers do. Acting responsibly is critical to our business performance and the Group takes its obligations to act very seriously. Examples of actions taken that support our ethical values this year are:

- Market leading banned substance testing programme
- Significant investment in innovation
- Support our employees to excel in their chosen sports

For more information, please see the corporate social responsibility section of the Company's Annual Report.

## **Principle 9**

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### **Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board**

#### *Board programme*

The Board meets at least four times each year in accordance with its scheduled meeting calendar. The Board sets direction for the Company through a formal schedule of matters reserved for its decision. Prior to the start of each financial year, a schedule of dates for that year's four Board meetings is compiled to align as far as reasonably practicable with the Company's financial calendar on the one hand, and its trading calendar on the other, while also ensuring an appropriate spread of meetings across the financial year. This may be supplemented by additional meetings as and when required. During the year to 31 December 2018, the Board met for its four scheduled meetings. 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. Any Director may challenge Company proposals and decisions are taken democratically after discussion. Any Director who feels that any concern remains unresolved after discussion may ask for that concern to be noted in the minutes of the meeting, which are then circulated to all Directors. Any specific actions arising from such meetings are agreed by the Board or relevant Committee and then followed up by the Company's management.

#### *Roles of the Board, Chairman and Chief Executive Officer*

The Board is responsible for the long-term success of the Company. There is a formal schedule of matters reserved to the Board. It is responsible for overall Group strategy; approval of major investments (whether Capex or Opex); approval of the annual and interim results; annual budgets; and Board structure. It monitors the exposure to key business risks and reviews the strategic direction of all trading subsidiaries, their annual budgets and their performance in relation to those budgets.

There is a clear division of responsibility at the head of the Company. The Chairman is responsible for running the business of the Board and for ensuring appropriate strategic focus and direction. The Chief Executive Officer is responsible for proposing the strategic focus to the Board, implementing it once it has been approved and overseeing the management of the Company through the Executive Team.

All Directors receive regular and timely information on the Group's operational and financial performance.

Relevant information is circulated to the Directors in advance of meetings. The business reports monthly on its headline performance against its agreed budget, and the Board reviews the quarterly update on performance and any significant variances are reviewed at each meeting. Senior executives below Board level attend Board meetings where appropriate to present business updates. Board meetings throughout the year are held at the Company's various location offices giving, in particular the Non-Executive Directors, access to the different divisions to gain a greater understanding of the Group's activities.

#### *Executive team*

Stephen Moon heads the Executive Team, and receives input from the functional directors and teams. The Executive Team is responsible for formulation of the proposed strategic focus for submission to the Board, the day-to-day management of the Group's businesses and its overall trading, operational and financial performance in fulfilment of that strategy, as well as plans and budgets approved by the Board of Directors. It also manages and oversees key risks, and management development. The Chief Executive Officer reports to the plc Board on issues, progress and recommendations for change. The controls applied by the Executive Team to financial and nonfinancial matters are set out earlier in this document, and the effectiveness of these controls is regularly reported to the Audit Committee and the Board.

#### *Board committees*

The Board is supported by the Audit, Remuneration and Nomination 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. The terms of reference of each committee are available at [www.scienceinsport.com](http://www.scienceinsport.com).

The Nomination Committee comprises not less than three members, the majority of whom are independent Non-Executive Directors. The Committee is chaired by the Chairman unless the matter under discussion is their own succession. Other Directors are invited to attend as appropriate and only if they do not have a conflict of interest. The Committee is also assisted by executive search consultants as and when required. The Committee's principal responsibility is to lead the process for Board appointments and to make recommendations for maintaining an appropriate balance of skills on the Board.

It is anticipated that the Committee will meet just once next year with the main topic being general succession planning for key senior executives.

### **Principle 10**

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#### **Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders**

The Company communicates with shareholders through the Annual Report and Accounts, full-year and half-year announcements, the AGM and one-to-one meetings with large existing or potential new shareholders. A range of corporate information (including all Company announcements and presentations) is also available to shareholders, investors and the public on the Company's corporate website, [www.scienceinsport.com](http://www.scienceinsport.com).



The Board receives regular updates on the views of shareholders through briefings and reports from the Chief Executive Officer, Chief Financial Officer and the Company's brokers. The Company communicates with institutional investors frequently through briefings with management. In addition, analysts' notes and brokers' briefings are reviewed to achieve a wide understanding of investors' views. The Company completes regular employee surveys to maintain an open dialogue with employees and uses Trustpilot on its websites to collate customer feedback and use this to improve service. Customer ratings remain a key KPI for the Group.

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