

SONY INTERACTIVE ENTERTAINMENT NETWORK EUROPE LIMITED DIRECTORS' REPORT for the year ended 31 March 2020

CORPORATE GOVERNANCE STATEMENT

We have considered the Companies (Miscellaneous Reporting) Regulations 2018 and recognise that Sony Interactive Entertainment Network Europe Limited (the "**Company**") is required to report on its corporate governance arrangements in this directors report. For the year ended 31 March 2020, the Company has applied the Wates Corporate Governance Principles for Large Private Companies (published by the Financial Reporting Council in December 2018).

The application of the Wates Principles is set out below and can also be found on the Company website: <https://www.playstation.com/en-gb/>.

The Company a wholly owned subsidiary of Sony Interactive Entertainment Europe Limited and has no directly employed workforce of its own.

Principle 1 – Purpose and leadership

Our corporate governance principles (the "**Governance Principles**") set out the principles by which the Company operates as a business whilst adhering to our primary purpose and core values.

The Company is responsible for the marketing and digital distribution of entertainment content and services accessible from the family of PlayStation platforms and other internet connected devices.

The Company holds itself, and conducts its business, to high standards of fairness, honesty, and integrity. Every member of the Company is individually accountable and collectively responsible. The Board aims to grow the business profitably - the entire Sony Group¹ works collectively to provide sustained profitable growth for shareholders and other stakeholders. The Company is continually striving to improve – it is a learning organisation that aims to anticipate and respond to changing consumer and stakeholder needs through constant evolution and innovation.

The Governance Principles will evolve as the business responds to the ever-changing economic and environmental landscape, and the complex challenges that demand innovative solutions and collective action whilst maintaining a focus on our growth and core values.

Principle 2 – Board Composition

The board of directors (the "**Board**") comprises of the President and CEO of Sony Interactive Entertainment ("**SIE**"), a Deputy President of SIE and the Executive Vice President and Head of European Business Operations. Through these individuals, the Board is equipped with the appropriate balance of skills, experience, and knowledge of the company to enable it to discharge its duties and responsibilities effectively. The size and composition are appropriate for a subsidiary company whose ultimate parent is a quoted corporation.

Principle 3 – Director Responsibilities

The Board

Responsibility for good governance ultimately lies with the Board. The Board is collectively responsible for the long-term success of the UK business and achieves this through its oversight of its role as being responsible for the marketing and digital distribution of entertainment content and services accessible from the family of PlayStation platforms and other internet connected devices (the "**SIENE Activities**").

In exercising its duty to promote the success of the Company, the Board is responsible for overseeing the management of the SIENE Activities in the UK and, in so doing, may exercise its powers, subject to any relevant laws, regulations and the Company's Articles of Association. The Board bears legal responsibility for the acts carried out on its behalf and enforces standards of accountability – all with a

¹ Sony Group company is any company where 50% or more of the voting rights are directly or indirectly controlled by Sony Corporation.

view to enable senior management to execute their responsibilities fully and in the interests of the Company's stakeholders.

Day-to-day management

The Board delegates responsibility for day-to-day management of the Company's business to various leadership teams and further committees, some of which are directly situated within its parent company, Sony Interactive Entertainment Europe Limited.

The financial risk policies set by the Board and the ultimate parent company Sony Corporation are implemented by the Company's finance department.

The following matters require the approval of the Board:

1. reviewing the Company's accounting and financial reporting practices and reviewing the Company's financial and other controls;
2. significant transactions or other material business decisions including any acquisition, disposal, investment, capital expenditure or realisation or creation of a new venture;
3. matters that the Board is required by statute to do; and
4. such other matters as the Board may from time to time determine.

In performing its oversight function, the Board is entitled to rely on the advice, reports and opinions of management, counsel, auditors, and outside experts.

Operation of the Board

The Board aims to ensure that its directors focus sufficient time on key areas and that the Board's time together is used effectively.

The success of the Company for the benefit of all stakeholders is the driving factor behind all decisions made by the Board.

The Board carefully considers the impact of the business on communities and the environments in which the Company operates. In all of its activities the Board requires that those engaged in the activity of the Company and its suppliers conduct business with the highest ethical and professional standards by adhering to the "**Sony Group Code of Conduct**" set by the Sony Corporation (the "**Code**").

In the financial year 2019 – 2020 the Board approved, inter alia:

1. all regulatory reporting and accounts; and
2. a dividend payment;

Principle 4 – Opportunity and Risk

Risk Management Structure

The Company seeks to maintain the high standards set by the Sony Corporation whilst balancing the risks of the business. By carefully aligning the Company's risk appetite to the global strategy, the Board aims to deliver sustainable long-term shareholder returns for the Company, as well as profitability.

All the Company's activities involve the measurement, evaluation, acceptance and management of risk or combinations of risks.

All those engaged in the activity of the Company are responsible for the management of risk, proportionate to the relevant individual's role and level of experience, with the ultimate accountability residing with the Board. The Company has a strong risk culture, which is embedded through clear and consistent communication and appropriate training, alongside corresponding risk and compliance management tools.

The Company also has a Risk Management Committee that aims to meet at least twice yearly to:

- Establish and maintain a fit for purpose risk management framework appropriate for the Company and the expectations of its stakeholders.
- Oversee the effective application of the risk management framework across the Company, covering financial and non-financial risks, including reputational risk.

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- Be the focal point for the deliberation of principal risks faced by the Company in pursuit of its business objectives and priorities including those associated with material environmental, social and governance matters, such as climate change, workforce relationships, supply chains, and ethical considerations
 - Oversee the implementation of appropriate internal controls / governance activities in accordance with the Company's appetite for risk, agreeing how the principal risks should be managed or mitigated and over what timeframe to reduce the likelihood of their incidence or the magnitude of their impact
 - Sponsor improved risk awareness and the consideration of risk in key decision making at all levels, establishing clear internal and external communication channels on the identification of risk factors, both internally and externally.

This risk framework underpins the Company's strategic priorities, reinforced by its Values, and helps the Company to identify current and future risks so that it can take decisions to prevent and limit risk while managing any material impact on finances, reputation or business model.

The Company also has an Internal Audit Management Committee that reports to the Board and authorises investigations (as necessary) to ensure the Company fulfils its corporate governance responsibilities relating to the effectiveness of the Company's group operations & control environment. Audit investigations are completed by the Sony Interactive Entertainment Europe Limited Risk & Control team and reported to the Internal Audit Management Committee and the Sony Corporation Risk & Control Department. The Internal Audit Management Committee reports to the Board and all minutes of Internal Audit Management Committee meetings are sent to Board members.

Our continual and thorough engagement with service providers, suppliers and employees gives us a unique insight into all aspects of our business as well as the wider market. This ensures we are able quickly to identify risks as well as opportunities for the Company.

Opportunity

The Company takes advantage of several multifunctional leadership teams to help formulate the Company's future business plans.

These are cross-functional teams made up of internal subject matter experts. Each team holds a series of meetings throughout the year to continue the prioritisation of ideas and plan development, where insight is shared and ideas debated.

Where relevant, additional research is conducted and business cases developed to support decisions taken. The teams regularly report progress to Board members.

Principle 5 – Remuneration

The Company has no employees. Directors are not compensated for their services as directors.

Principle 6 – Stakeholders

Customers

As an entity that is responsible for the marketing and digital distribution of entertainment content and services accessible from the family of PlayStation platforms and other internet connected devices, such as the PlayStation Network, the Company engages directly with users of the PlayStation Network. All users of the PlayStation Network are expected to adhere to the PlayStation Network terms of service.

Suppliers

All Sony Group¹ suppliers and contractors are expected to adhere to Sony's ethical values and comply with Sony policies concerning compliance with laws, respect for human rights and fair labour and employment practices, including but not limited to the Code. The Code prohibits any form of forced, involuntary or child labour in our operations. All Sony Group companies (sometimes collectively referred to as "**Sony**") have adopted the Sony Supply Chain Code of Conduct (the "**Supply Chain Code**") for electronics products suppliers. The Supply Chain Code, which incorporates the RBA Code of Conduct, establishes standards designed to, among other things, ensure that human rights of workers are upheld

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and that workers are treated with respect and dignity by suppliers. In particular, the Supply Chain Code prohibits forced, bonded or indentured labour, involuntary prison labour, slavery and human trafficking. The Supply Chain Code is available at http://www.sony.net/SonyInfo/csr_report/sourcing/supplychain/code.html.

The Supply Chain Code is aligned with the UN Guiding Principles on Business and Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work and the UN Declaration of Human Rights.

The Sony Group also publishes a group-wide annual statement on the steps being taken to ensure that slavery and human trafficking do not take place in its business or supply chains. This statement also satisfies the requirements from the UK Modern Slavery Act 2015.

The Company is committed to maintaining and improving systems and processes to help ensure that there are no human rights violations related to its business operations or supply chains. This commitment includes working with suppliers and other stakeholders to understand potential areas of risk and using the Company's influence to help mitigate any negative impacts identified within the Company's systems and processes.

Shareholders

The Company is a wholly owned subsidiary of Sony Interactive Entertainment Europe Limited. The ultimate parent undertaking is Sony Corporation and as such the Company is a member of the Sony Group. The Board aim to grow the business profitably and work collectively with the entire Sony Group to provide sustained profitable growth for shareholders and other stakeholders.