

**REDACTED – FOR PUBLICATION
SCOTTISH RUGBY LIMITED**

**MINUTE OF MEETING OF THE BOARD OF SCOTTISH RUGBY LIMITED
HELD ON THURSDAY 16 MARCH 2023 AT 11:30AM**

BOARDROOM AND BY TEAMS AUDIOVISUAL PLATFORM

Present:

John Jeffrey	(JJ)	Chairman
Mark Dodson	(MD)	Chief Executive
Shona Bell	(SB)	Chief People and Engagement Officer
Bob Richmond	(BR)	Council Nominated Non-Executive Director
Hilary Spence	(HSp)	Chief Financial Officer
Hazel Swankie	(HSw)	Council Nominated Non-Executive Director
Lesley Thomson	(LT)	Senior Independent Non-Executive Director

In Attendance:

Robert Howat	(RH)	General Counsel & Company Secretary
Laura Mahadea	(LM)	Minute Taker

Apologies: None

ACTION

1. INTRODUCTION

The Chairman noted that a quorum was present and opened the Meeting.

LT and HSp attended online.

There were no apologies.

The Chairman acknowledged the contribution made by David McMillan, who had retired from the SRL Board as an independent Non-Executive Director at the end of February 2023, after 6 years' service. It was noted also that the SRL Board's gender balance was now majority female, for the first time.

2. MINUTES OF PREVIOUS MEETINGS

The Company Secretary advised that there had been several comments from Directors in connection with the draft Minutes previously circulated for the Board's meeting held on 2 February. An updated draft had been included in the papers for this Meeting, with some additional wording to address the comments made.

Following a brief discussion, the full and redacted Minutes from the Board's Meeting of 2 February 2023 were then **APPROVED** by the Board in the form included in the papers.

3. ACTION LIST

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All actions from the Board Meeting of 2 February 2023 had been completed.

4. PEOPLE**4.1 People Matters****4.1.1 People Report**

The CPEO referred to the People Report which was taken as read.

The Board were updated on progress with the Voluntary Redundancy Scheme.

Applications for the Scheme had now closed. 11 applications had been received. All applications were now being reviewed, with acceptance into the Scheme to be decided by the end of March.

The CFO confirmed that the one-off costs for the VR Scheme would require to be processed in the current year. The People Department were also reviewing this, taking into account the different notice periods of those who had applied.

It was noted that the Company's regular Gender Reporting paper would be submitted by early April and would be put to the Audit & Risk and ESG Committees.

SB**4.1.2 NED Recruitment**

The CPEO advised that she continued to support the process for recruitment of the 2 remaining Custodian Director positions on the SRU Board. Recruitment was well underway and the application process would be open until mid-April 2023. It was noted that the demographic of potential candidates to date was well spread in terms of age, gender and background.

Recruitment in connection with non-executive director positions for the SRL Board was covered under Item 5.6.2 (*Nominations Committee*).

4.2 Safeguarding

The Chief People and Engagement Officer referred to the Safeguarding Report, which was taken as read, with no questions posed.

It was noted that the Senior Independent Director had recently attended a cross-sport meeting of the new Child Wellbeing and Protection Board Leads Group set up by Children 1st. Further details were included in the Report.

Ongoing safeguarding cases involving clubs had been listed in the Report.

5. BUSINESS**5.1 CEO Update****5.1.1 Six Nations Update**

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The Chief Executive commented on recent Six Nations on-field performance, with an anticipation of a third place finish after the defeats to France and Ireland. The team for the match against Italy was due to be announced later that day.

On the management front, Tom Harrison was shortly due to take up his post fully as 6 Nations Chief Executive, in succession to Ben Morel. Mr Harrison was formerly Chief Executive of the ECB and also had senior management experience in the media and broadcast field. The CEO had participated in the interview and selection process.

5.1.2 Coaching Update

[REDACTED – EMPLOYMENT – RELATED – PERSONAL DATA / DATA PROTECTION]

- Steve Diamond, formerly of Sale Sharks and Worcester Warriors, had been appointed as Lead Rugby Consultant for Edinburgh Rugby following Mike Blair’s decision not to continue as the club’s Head Coach beyond the end of the current season. Mr Diamond’s appointment would provide additional support and expertise for the remainder of the 22/23 season and for the pre-season preparations for 23/24, pending the appointment of a new Head Coach.

Mr Diamond’s appointment was due to run until August but could be extended, depending on the time needed taken to appoint the new Head Coach.

At the Board’s request the Chief Executive then provided further details on Mr Diamond’s previous experience and background in professional rugby.

Potential candidates for Edinburgh Head Coach were being considered. These included [REDACTED – CONFIDENTIAL - PERSONAL DATA]

5.1.4 Commercial

- The CEO commented briefly on commercial performance in the year to date, with financial ranges dependent on out-turn performance in the 6Ns, URC and EPCR. Overall, the current forecasts suggested a strong post-Covid recovery, with improved cost control. Further information was contained within the CFO’s Report.
- Various ongoing sponsorship and commercial discussions were then commented on.

[SECTION REDACTED – COMMERCIALLY CONFIDENTIAL]

5.1.4 Old Glory Update

Reference was made to the circulated paper. A new investor in Old Glory– [REDACTED - NAME OF INDIVIDUAL] had been identified. [REDACTED – NAME OF INDIVIDUAL] was prepared to invest \$ [REDACTED – COMMERCIALLY CONFIDENTIAL] in Old Glory, acquiring [REDACTED – COMMERCIALLY CONFIDENTIAL] Units priced at \$15,000 each. [REDACTED – COMMERCIALLY CONFIDENTIAL] each. Scottish Rugby had acquired its holding at a price of \$12,500 per unit.

Under the Old Glory constitutional documents, the Company’s consent was needed for the transaction, via its subsidiary Scottish Rugby (USA) LLC. The other investors in Old Glory had already confirmed their approval.

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Ordinarily the approval request would have been taken to the Investment Committee but due to recent departures from the Board that Committee's membership currently fell below its minimum number. Accordingly, the request for approval was being brought to the full Board.

Full details had been provided in the circulated paper.

The CEO highlighted that the Company's holding in Old Glory continued to be diluted as a result of capital calls and the conversion of loans from the other investors. These capital calls had arisen mainly due to cash calls from the MLR on its member clubs. Dilution had been anticipated to some extent at the time of making the original investment, although this had been pre-Covid and the extent of dilution was now greater as a result of the Covid impacts on Old Glory and the MLR. It had previously been decided by the Investment Committee and Board that the Company would not participate in the capital calls.

2 further new investors, both believed to be in the region of \$ [REDACTED – COMMERCIALY CONFIDENTIAL] each, were also being contemplated and it was likely that there would be further dilution of the Company's holding over time, to perhaps between [REDACTED – COMMERCIALY CONFIDENTIAL] and [REDACTED – COMMERCIALY CONFIDENTIAL]. The value of the Company's holding had been fully written down in the 21/22 accounts.

In response to several questions from Board members MD commented that

- i) previous investor interest had not come to fruition because of Covid, and this had been an issue across all of the clubs in the league and in the league itself for a period. However, the league had seen investment in new franchises more recently;
- ii) although the prospects of new investment in Old Glory, the new MLR franchises and the 2031 RWC being held in America indicated a more positive outlook than previously, it was considered premature to consider writing the holding in old Glory back up - a more secure cash flow and pathway to profitability needed to be demonstrated first of all;
- iii) in accordance with the approach previously decided by the Investment Committee and Board there was no intention to provide further funding to Old Glory to reduce potential dilution in future; and
- iv) while the original investors all had significant historic interest in rugby, the new investor was thought to be principally a financial investor. Of the 2 others currently being contemplated, 1 was believed to have a rugby background and the other from a finance background.

Following discussion, the Board supported the proposal and confirmed **THAT:**

- (a) Scottish Rugby (USA) LLC be and is authorised to consent to the subscription by [REDACTED – NAME OF INDIVIDUAL] or his nominated investment vehicle, for [REDACTED – COMMERCIALY CONFIDENTIAL] "A" units in the share capital of Washington DC Professional Rugby LLC at a price of \$15,000 per Unit, subject to the applicable joinder and subscription and other agreements being entered into by the relevant parties; and
- (b) the Chief Executive or Company Secretary be and are hereby authorized to execute such agreements, consents, resolutions and other documentation on behalf of Scottish

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Rugby (USA) LLC or Scottish Rugby Limited as may be necessary to give effect to the consent granted and the proposed investment.

5.2 Commercial Report

The CEO referred to his earlier comments and the Commercial Report, which was taken as read, with no further questions posed.

5.3 Stadium Operations and Health and Safety

The CEO referred to the Stadium Operations and Health & Safety Report, which was taken as read with no questions posed.

5.4 Finance Report

The CFO referred to the detailed Finance Report, which was taken as read.

The following summary points were highlighted from the Report:

- 6Ns performance, URC, Women's and U20s 6Ns ticket sales and hospitality had buoyed revenues.
- Year – end forecast income was currently expected to be in a range between [REDACTED - COMMERCIALY CONFIDENTIAL] and [REDACTED – COMMERCIALY CONFIDENTIAL] but this involved some judgment due to differing year ends for 6Ns, URC, EPCR and SRH from that of the Company. This revenue includes £2.3m Pentagon funds.
- Ticketing performance was expected to be better than budget but partially offset by a shortfall against budget on sponsorship income.
- Current cost estimates were in a range of £ [REDACTED – COMMERCIALY CONFIDENTIAL], with tighter cost control having been applied in the year. Some cost “push” was expected towards the end of the financial year. These costs are excluding strategic spend.
- Out-turn Base business performance excluding strategic spend was in a range of [REDACTED – COMMERCIALY CONFIDENTIAL], depending on actuals and included a number of one-off costs, for example costs attributable to the governance review.
- There was a potential £[REDACTED – COMMERCIALY CONFIDENTIAL] cost to be accounted for in connection with a historic Participation Agreement with 6 Nations.
- The Voluntary Redundancy Scheme / restructuring costs would be included in the year-end numbers.

[REDACTED – COMMERCIALY CONFIDENTIAL]

The CFO advised that quotations had been obtained from several external consultants for assistance in with a potential stadium upgrade programme, using strategic funds. Further information and any proposals would be brought back to the Board in due course. **HSp**

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An update on IT security had been provided to the Board with the papers as one of the follow-up actions from a previous SRL Board meeting. The CFO confirmed that the business was now in a better position with security around its IT infrastructure, but this would be strengthened when the previously approved full server upgrade was completed.

5.5 Communications, Media & External Affairs

The Chief People and Engagement Officer referred to the circulated Report, which was taken as read with no questions posed.

5.6 Company Secretary's Report

The Company Secretary referred to the circulated Report, which was taken as read.

He advised that as the organisation neared the end of the domestic season and began to look towards the 23/24 season, the Report contained less rugby regulatory information than previously, due to much of that responsibility now falling under the remit of the CRB.

However, the Super 6 Tournament Rules and associated Protocols continued to fall under the SRL Board's remit and would likely require to be updated in the coming weeks. Any changes to those would require SRL Board approval.

In keeping with the approach adopted in previous years, it was **AGREED** that a sub-committee of the Board be formed, consisting of 3 directors, at least 2 of whom should be non-executive, and have delegated power on behalf of the SRL Board to consider and if thought fit, approve alterations to the Super 6 Tournament Rules and Protocols.

It was noted that season 23/24 would be the last season in the 5-year period of the Super 6 licence agreements and discussions on the future structure of the Tournament and participation in it were due to take place. It was recognised that consultation with Premiership clubs would be an important part of that process.

5.6.1 Board Committees – Terms of Reference

The Company Secretary advised that the Terms of Reference of the Investment Committee had still to be updated following on from the governance changes implemented in November 2022. As the Committee had been unable to sit and recommend changes, a copy of proposed changes had been included in the Board papers for review and if thought fit, approval by the SRL Board.

The changes proposed were consistent with those made to date for other SRL Board committees and reflected the new governance structures and responsibilities in place. In addition to the changes identified, the Company Secretary also suggested that due to the infrequency of and limited need for Investment Committee meetings at present and to avoid the Committee having to meet even if there was no business to consider, the Terms of Reference state that the Committee should meet as required, rather than requiring it to meet 3 times a year, as had been the case previously.

Following consideration, the amended Terms of Reference of the Investment Committee were **APPROVED** as tabled, together with the further amendment suggested.

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It was noted that the ESG Committee were undertaking their own review of the scope of their activities and any adjustment to that Committee's Terms of Reference would then follow.

5.6.2 *Board Committees – Recent Business – Nominations Committee*

The Agenda order was altered, with this item brought forward.

The Chairman updated the Board on the business covered at the Nominations Committee meeting that morning.

The departure of David McMillan from the Board on the expiry of his term of office at the end of February had created vacancies on two Board Committees (Investment and Remuneration).

The Nominations Committee had considered these and was making the following recommendations to repopulate the Committees to ensure minimum membership was maintained, and to share workload among the remaining Non-Executive Directors pending new Non-Executive Directors being appointed:

- (a) **THAT** Bob Richmond becomes Interim Chair of the Investment Committee;
- (b) **THAT** Hazel Swankie and John Jeffrey join the Investment Committee;
- (c) **THAT** Lesley Thomson becomes Interim Chair of the Remuneration Committee; and
- (d) **THAT** John Jeffrey joins the Remuneration Committee.

The Board **APPROVED** the membership changes to both Committees.

The Chairman had advised the Committee that a Non-Executive Director and Board Evaluation would be conducted in the next few months in preparation for a new SRL Board Chair arriving, and that there would also be a review of the International Representatives. The Chairman would discuss procedures further with the Company Secretary.

JJ, RH

New NED recruitment was progressing, with interviews of several potential candidates by the Nominations Committee to take place shortly. The CPEO would update the Board at its next meeting.

SB

The Committee had also noted the increasing workload on the remaining non-Executive directors as a result of recent NED departures and the extended time needed to recruit new Non-Executive Directors to replace them, and the increased demands that the recruitment processes for the SRL Board and SRU Board were placing on the time of some members of the Executive at the moment.

5.6.3 *Union Board Meetings/ Liaison*

It was **AGREED** that the SRL Board agenda should have standing item covering SRL/ SRU Board dialogue, similar to the approach adopted with the previous Council. This would enable the SRL Board to be kept up to date with issues and ongoing business of the SRU Board and outcomes from the reporting meetings that were relevant to the SRL Board's activity, and support communications between the two bodies. The update should be provided by the SRL Chairman or Chief Executive.

Several matters were then commented on for awareness:

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- (i) The first formal reporting meeting had taken place in February, around 3 weeks previously.

Discussions at that meeting had focussed on nominations matters and activity, and consideration of financial reports, with particular interest expressed in the overall costs of the governance review and cost allocations between the respective bodies.

- (ii) The next reporting meeting would be in around 3 weeks' time. This was earlier than originally diarised (quarterly). It had been intended that the Chair of the Remuneration Committee would attend but due to David McMillan's retirement and the decisions earlier in the Meeting, the relevant attendee would now be Lesley Thomson. Ms Thomson advised that her availability during March was very restricted. Consequently, that aspect of reporting might require to be postponed.

It was noted that the SRU Board had not completed its discussions on nominations matters at the February reporting meeting and so completion of that topic first appeared to be sensible, and would be suggested instead.

Remuneration Committee papers and minutes from the last 2 years had been requested and would be provided in any event to enable the Custodian Directors to progress with background reading.

- (iii) Some concern was expressed that Union Board meetings and communications had been called or were taking place more frequently than originally intended, and at relatively short notice, which would place additional burdens on various individuals and may create some difficulties fitting meetings into already busy schedules.

- (iv) On financial matters the CFO highlighted several points arising from the initial reporting meeting:

- the costs being apportioned between SRL and SRU for the Governance Review would require further discussion.
- the Group's year-end was approaching, with accompanying responsibility on the part of the SRU Board, rather than the SRL Board, for approving and for signing Group financial accounts. This would also involve various assurances being given by the SRU Custodian Directors to the auditors, and letters of representation. It was important to ensure that all those involved were aware of the process and responsibilities that arose. The CFO remained concerned that this might not yet be fully understood.
- Thought would also need to be given to preparations for the AGM as the first Group AGM under the new structures was an SRU responsibility, rather than it falling to the SRL Board as had been the case in the past. This then raised the question of who would be presenting information and what information would be presented.
- The CFO stressed the importance in the formal parent/ subsidiary corporate structure of good communications and collaborative working on these matters. The extent of the formal separation between SRU and SRL arising from the new governance structures and implications of that in the work that need to be done for year- end purposes had not been fully recognised yet.

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Consequently, a meeting was being arranged with the SRU Board Chair and the auditors to walk through the process. The cost of the SRU element of the audit was expected to be around £16k, and substantial work would be required to ensure costs were allocated in the right place.

It was observed that many of these points on financial matters had been highlighted by the SRL Board during the governance review process and that it may be helpful for any specific queries to be set out in writing to ensure that these were all addressed in the meetings to follow.

5.6.3 *Litigation and Disputes - CONFIDENTIAL AND / OR LEGALLY PRIVILEGED*

(i) [SECTION REDACTED – CONFIDENTIAL AND/ OR LEGALLY PRIVILEGED]

(ii) [SECTION REDACTED CONFIDENTIAL AND/OR LEGALLY PRIVILEGED]

(iii) [SECTION REDACTED – CONFIDENTIAL AND/OR LEGALLY PRIVILEGED]

(iv) *Data Protection – Data Breach*

The Company Secretary referred to the circulated Report, which provided details of a minor data breach (a system error at a third party CRM services provider). This had been investigated and had been found to be minor, with low risk to any individuals and therefore with no requirement to report the matter to the Information Commissioner. The affected parties had been informed and additional safeguards put into place by the contractor.

6. **RUGBY**

6.1 *Rugby Development*

The Chief Executive referred to the circulated Report, which was taken as read with no questions posed.

6.2 *Performance Rugby*

The Chief Executive referred to the circulated Report, which was taken as read with no questions posed.

7. **BOARD COMMITTEE BUSINESS**

This had been discussed earlier in the Meeting (Item 5.6.1 and 5.6.2).

8. **AOB**

There was no other business and the Meeting closed.

APPROVED BY THE BOARD
13 April 2023