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SCOTTISH RUGBY UNION LIMITED

MINUTE OF A MEETING OF THE BOARD OF SCOTTISH RUGBY UNION LIMITED
HELD AT 11AM ON THURSDAY 21 JULY 2022

MEETING HELD VIA ‘TEAMS’ VIDEOCONFERENCING

Present:

John Jeffrey	(JJ)	Chairman
Ian Barr	(IB)	President
Shona Bell	(SB)	Chief People and Engagement Officer
Julia Bracewell	(JB)	Independent Non-Executive Director
Mark Dodson	(MD)	Chief Executive
Bob Richmond	(BR)	Council Nominated Non-Executive Director
Colin Rigby	(CR)	Vice-President and 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
[NAME REDACTED]	[]	[] (<i>Minute Taker</i>)

Apologies:

David McMillan	(DM)	Independent Non-Executive Director
Julian Momen	(JM)	Chief Commercial Officer

ACTION**1. INTRODUCTION**

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

Apologies were noted from DM and JM.

The Chairman explained that due to the volume of business all papers would be taken as read.

2. MINUTES OF PREVIOUS MEETINGS

The Minutes from the Board’s Meeting of 26 May 2022 had previously been approved by the Board by separate resolution, electronically. These had since been published on the Scottish Rugby website.

3. ACTION LIST**3.1 From Previous Actions/Meetings**

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Old Glory Review – carried forward request from Investment Committee for agenda item – this was discussed later in the Meeting. (Item 5)

3.2 *From Commercial*

Dam Health Stadium payback – the Chief Commercial Officer was preparing a detailed review paper based on updated budgets and forecasts to provide to the Board at a future meeting. JM

3.3 *From Company Secretary's Report*

- i) President to discuss governance timetable with SCOG – the accounts timetable had been updated after the last Board meeting and subsequently approved by the Board. A copy had been provided to the Chair and Secretary of SCOG, who were understood to be considering an effective date for the proposals.*
- ii) CFO to discuss potential timelines with Auditors for finalisation of annual accounts – completed. 28th September had also been identified as a potential date for the second part of the AGM for the laying of the audited financial statements before the membership.*

3.4 *From Stakeholder*

External law firm to assist Board with governance proposals/director duties – an external law firm had been appointed and would produce an advice note in due course.

4. PEOPLE

4.1 *People Matters*

The Chief People and Engagement Officer referred to the People Report, which was taken as read.

Work on Scottish Rugby's Transgender Policy was highlighted, with the approach adopted being based on science and data and consideration being given to what other bodies were doing.

It was envisaged that a further update would be provided to the Board at its September meeting. Scottish Rugby would take the time it required to ensure thorough consultation with stakeholders and affected parties prior to finalising the policy.

4.2 *Safeguarding*

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

4.3 *Health and Safety*

The Chief Financial Officer referred to the Health and Safety Report, which was taken as read, with no questions posed.

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5. BUSINESS

5.1 CEO Update

The Chief Executive provided the following updates:

- i) [REDACTED - *COMMERCIALY CONFIDENTIAL *]
- ii) *Summer Tour* – disappointment was expressed at the recent tour series defeat in Argentina. It was hoped and expected that this would lead to a renewed focus on winning every game, ahead of the Rugby World Cup in 2023. The Chief Executive and the Chairman would consider inviting the coaching team to a future Board meeting so that the Board could be briefed on planning for the 2022 Autumn Nations Series and beyond. MD/JJ
- iii) *Under 18s and under 20s* – the under 18s programme in particular was now working well with some good recent results. It was hoped that recent changes to personnel would create a new and successful dynamic after a challenging period.
- iv) *Women’s Rugby* – recent Six Nations results had been close, and strong performances from the women’s team were anticipated going forward.
- v) *GB 7s* – having been discussed over a number of months, the four home nations would now participate in a joint GB 7s programme to field a team in the World Sevens Series, instead of individual home nations’ teams. Having fewer home nations teams should allow new and emerging nations to get involved in the series. Scottish Rugby’s academy structure and under 20s programme would continue to provide pathways to the Pro Teams and National Team.
- vi) *Glasgow Warriors Head Coach* – an offer would be made shortly to a prospective new head coach. Full details would be provided to the Remuneration Committee for its consideration ahead of any formal appointment.

5.1.1 Old Glory Update

The Chief Executive referred to a recent visit with the Chief Financial Officer and the High Performance Director to Old Glory DC in Washington.

The Chief Executive referred to the proposal, which had been discussed at an Audit and Risk Committee meeting earlier that week, to write down Scottish Rugby’s interest in Old Glory in the annual accounts for financial year 2021/22. The Chief Executive talked the Board through a short presentation, noting the following points:

- i) The Old Glory investment had always been viewed as a high risk/high reward strategy, anticipating that a Rugby World Cup would be awarded to the USA in the future. That had now come to pass (in 2031 for the men’s game and 2033 for the female game). This meant that there was now a clear pathway to profitability and global competitiveness for the sport in the US market.
- ii) There was, however, a short term volatility in the market and a strategy was yet to be fully developed for the game in the US in the short and medium terms.

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- iii) New investors had been challenging to find during the Covid-19 pandemic, and a number of cash calls had been made. These had been met by the other shareholders. The Company had decided not to participate, which had led to a dilution in the Company's equity position in Old Glory.
- iv) It was felt that it would be appropriate to write the asset down meantime, with the potential for it to be written back in the future should circumstances improve.
- v) There would be new appointments within Old Glory, including a new head coach and a new General Manager .
- vi) The CEO anticipated that there would be significant investment into growing the game in the USA ahead of the Rugby World Cup, which would then add value to the MLR and its franchises.
- vii) Writing down the asset was an indication that there may be future potential value for it - it was not being written off. This reflected a prudent approach to accounting in light of the short-term uncertainties highlighted and applicable accounting rules.

There followed a period of discussion, with support being expressed for the proposal. It was believed that Old Glory remained a good long-term investment for Scottish Rugby. How the information was communicated and explained to members was important. The Chief Executive would address this in his AGM speech.

MD

Approval was sought formally from the Board to write down the Company's investment in Old Glory DC in full in the Company's financial statements for financial year 2021/22, on the basis of the proposals highlighted by the Chief Financial Officer. This was **APPROVED**.

5.2 *Commercial Report*

In the absence of the Chief Commercial Officer, the Commercial Report was taken as read, with no questions posed.

5.3 *Stadium Operations*

The Chief Financial Officer referred to the Stadium Operations Report, which was taken as read with no questions posed.

5.4 *Finance*

5.4.1 *Finance Report*

The Chief Financial Officer referred to the Finance Report, which was taken as read. This included management account information for May and June 2022, anticipated year end outcomes, progress on budgets and the audit, commentary on going concern and the write down of the Old Glory investment already discussed.

Overall, the business had bounced back well from Covid, and a further month would be taken to finalise the full detailed budgets for the 2022/23 financial year. Taking account of the approach adopted of splitting the business between the Core Business and Strategic Investment, it was proposed that the Chief Financial Officer return to the Board in

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September with the finalised budget for the full financial year. In the meantime, budget holders would be required to adhere to levels of expenditure in line with the same period in the previous financial year. This was **AGREED**.

Draft unaudited summary Financial Statements, consisting of a Balance Sheet and a Profit & Loss account covering the year to 31 May 2022 had been prepared for Scottish Rugby Union. Various adjustments had been agreed by the Audit and Risk Committee earlier that week which would flow through to the final audited numbers. There were no issues over going concern. The Chief Financial Officer would return to the Board at the later meeting when seeking approval of the full audited Financial Statements and cover the accounting treatment of Project Light and Project Pentagon monies, including the approach to a discount rate on deferred payments, in more detail but noted that the balance sheet had been buoyed by those transactions. As some changes may be needed following completion of the full audit process, it was possible that some of the numbers contained in the draft unaudited Financial Statements might change, prior to the second part of the AGM in September.

The Audit and Risk Committee had been talked through the draft unaudited Financial Statements at its previous meeting and was comfortable with the contents and approach. The Chair of the Audit & Risk Committee confirmed this to be the case. The Finance team was congratulated for providing improved clarity as to the overall financial position of the organisation and approach to financial reporting.

Having considered the draft Financial Statements and noting the recommendations of the Audit & Risk Committee, and in exercise of the powers delegated to the Board under the Scottish Rugby Union Bye-Laws in respect of Scottish Rugby Union and separately the powers of the Directors in respect of the Company, it was **AGREED THAT** the draft summary unaudited Financial Statements of Scottish Rugby Union for the financial year ending 31 May 2022 be and are approved for circulation to the membership ahead of Part 1 of the AGM scheduled for 13 August 2022.

5.5 *Communications, Media and External Affairs*

The Chief People and Engagement Officer referred to the circulated Report, which was taken as read.

The front section of the Annual Report was nearing completion. An advance draft would be circulated to the Board the following week.

5.6 *Company Secretary's Report*

5.6.1 *Approvals*

The Company Secretary referred to his Report, which was taken as read. A number of approvals were sought.

i) Application for Associate Membership/Change of Team Name

- a) An Associate Membership application had been received from the Grampian Clan team. The club played the 'unified rugby' form of the game, a format whereby able-

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bodied players play alongside players with learning disabilities. If approved, Grampian Clan would become an Associate Member in the Edinburgh Area.

- b) Shetland RFC had requested that the playing name of its women's team be changed from "Shetland Ladies" to "Shetland Valkyries".

APPROVAL SOUGHT: That the changes to the Membership Roll noted above be approved and the Membership Roll be adjusted accordingly. This was **APPROVED** in each instance by the Board, in exercise of the powers delegated to it as the Scottish Rugby Board, under the Scottish Rugby Union Bye-Laws.

The Company Secretary advised that an intimation had just been received that Edinburgh Borderers RFC would be leaving the Membership Roll from 31 August 2022.

ii) Schools and Competition Rules

The annual review / consultation process in relation of the S&Y NCRs had recently been completed. Due to the level of engagement in the process this year, particularly around the ability (or otherwise) of players to participate in both schools and youth competitions, four rounds of consultation had been undertaken rather than the usual three. The final version of the proposed S&Y NCRs was available on the website.

APPROVAL SOUGHT: That, in exercise of the powers delegated to the Board under the Bye-Laws of Scottish Rugby Union, the Schools & Youth National Competition Rules 2022/23 be approved, with authority provided to the Company Secretary to make any minor changes required for the purpose of numbering, formatting and correcting typographical or grammatical errors. This was **APPROVED**.

iii) Super6 Tournament Rules: Water Carriers

At its meeting in May 2022 the World Rugby Council had agreed a Global Law Trial in respect of technical zones/water carriers. This became effective on 1 July 2022. Appendix 5 to the Super6 Tournament Rules 2022 (being the competition's Technical Zone Protocol) included provisions in relation to water carriers entering the field of play in Super6 matches. It was therefore proposed to amend the Super6 Technical Zone Protocol to ensure that it complied with the terms of the new Global Law Trial.

APPROVAL SOUGHT: That, in exercise of the powers delegated to the Board under the Bye-Laws of Scottish Rugby Union and in the Super 6 Tournament Rules, Appendix 5 to the Super6 Tournament Rules 2022 be amended to comply with the terms of the Global Law Trial, with authority provided to the Company Secretary to make any minor changes required for the purpose of numbering, formatting and correcting typographical or grammatical errors. This was **APPROVED**.

5.6.2 Other matters

- i) *Adult Men's NCRs* – a Board sub-committee was awaiting the outcome of the AGM motion and amendment in relation to structures for the men's adult

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season 23/24, which would affect the promotion and relegation element of the rules for the 2022/23 season needed to achieve the outcome approved at AGM (Part 1). The rules would then be amended accordingly depending on the outcome of the discussion and vote on the motion and amendment.

- ii) *AGM business* – the proposed Order of Business for both parts of the 2022 AGM had been included in the Board papers and was **APPROVED** by the Board. The Company Secretary would circulate the first part of this to the membership. It was noted that consideration would need to be given by the Board to a recommendation on whether the September meeting (Part 2 of the AGM) should be a hybrid meeting or online only. This would depend on whether there was also intended to be an SGM on governance matters at the same time. The final decisions would fall to the Council and would be made once SCOG were in a position to update on final timeframes. RH
- iii) *Risk Register* – the Audit and Risk Committee had considered the Risk Register at its latest meeting, and specific Board risks and those risks identified as Red or as a high Amber had been included within the Board papers. In particular, Covid rates in the community were still high and remained a risk to business operations and other activities. It was hoped that red level risks relating to uncertainty generated by aspects of the governance review would lessen once further information and documentation was provided by SCOG and the process was completed.

The Chair of the Audit and Risk Committee referred to the circulated Committee meeting minutes and highlighted a number of risks relating to governance structures and various unanswered questions regarding the same. The risk relating to clarity around roles and responsibilities of the respective boards of directors, particularly in connection with financial matters was noted as important. A lack of clarity around these issues and how they would be addressed in future could create risks to the financial stability of the organisation. It was important that the new structures provisionally approved at the Union's SGM in June were not only legally compliant but also capable of working properly and should therefore be assessed both for legal compliance and in the context of any negative unintended consequences to the business. The Board would need adequate time to assess all documentation relating to new governance structures, once it was available.

- iv) **[REDACTED - CONFIDENTIAL AND LEGALLY PRIVILEGED]**

6 RUGBY

6.1 *Rugby Development*

The Rugby Development Report was taken as read, with no questions posed.

6.2 *Performance Rugby*

The Performance Rugby Report was taken as read, with no questions posed.

7. STAKEHOLDERS

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7.1 *Governance/SCOG Update/ Council*

The President noted a number of developments since the last Board meeting.

At the SGM held on 6 June 2022 member clubs had voted to proceed with SCOG's proposals on governance. A Council briefing session had taken place immediately afterwards and a Council nominations committee had been formed, the remit of which included identifying a Chair for the Company Limited by Guarantee. This Committee met in July with the Chief People and Engagement Officer and had recommended that Lorne Crerar be appointed as interim Chair for a twelve month period. This had been approved by the Council at a later meeting.

SCOG members had had two very positive meetings with the Council Secretary and the Chief People and Engagement Officer to discuss the process for recruitment of the other new members (elected and selected) for the Company Limited by Guarantee, and were confident of putting robust and transparent recruitment processes in place.

SCOG were still aiming to have the second SGM on governance on 28th September, subject to paperwork being available for circulation and comment internally well in advance of that. It was intended that SCOG would continue in place with its existing members beyond the AGM.

The Chairman requested that the Board be given a period of at least 2 weeks to consider the paperwork, with the Chair of the Audit and Risk Committee also requesting a period of time for the Committee to consider this on a confidential basis, with the wider Board also then having time to review and provide its own feedback. The President would contact the Chair of SCOG and ask him to pick up with LT, as Chair of the Audit and Risk Committee, to try and facilitate the Committee having access to all relevant paperwork as soon as possible. IB

The Chief Financial Officer noted that Scottish Rugby's relationship manager at the Bank of Scotland had requested a meeting to discuss the potential impact of the current governance proposals. She and the Company Secretary would meet with them in the first instance.

The President confirmed that the Council had also put forward a motion at the AGM for the adult male season, a copy of which had been included in the Board papers. It was noted that the Council had adopted a neutral stance on the motion and felt that the decision should be left to the member clubs.

7.2 *SWDI Committee – 5 July 2022*

LT, as Chair of the Committee, noted that all updates had been provided during the Chief People and Engagement Officer's reporting and circulated Report earlier in the Meeting.

7.3 *Audit and Risk Committee – 19 July 2022*

LT, as Chair of the Committee, noted that all updates had been provided earlier in the Meeting.

8. AOB

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With no further business being raised, the Chairman thanked everyone for their input and closed the Meeting. The next meeting would be in September.

**APPROVED BY THE BOARD
18 AUGUST 2022**