

SCOTTISH RUGBY LIMITED
SC132061

MINUTE OF MEETING OF THE BOARD OF SCOTTISH RUGBY LIMITED
HELD ON FRIDAY 12 JULY 2023 AT 10AM

CENTENARY SUITE, SCOTTISH GAS MURRAYFIELD AND BY TEAMS AUDIOVISUAL PLATFORM

Present:

John McGuigan	(JMcG)	Chair & Independent Non-Executive Director
Mark Dodson	(MD)	Chief Executive
Bob Richmond	(BR)	Non-Executive Director
Mike Soutar	(MS)	Independent Non-Executive Director
Hilary Spence	(HSp)	Chief Financial Officer
Hazel Swankie	(HSw)	Non-Executive Director
Alex Whelan (by Teams)	(AW)	Independent Non-Executive Director

In Attendance:

Robert Howat	(RH)	General Counsel & Company Secretary
Laura Mahadea	(LM)	Note-taker
Angela McCracken	(AMcC)	Head of Legal & Governance

Apologies:

Shona Bell	(SB)	Chief People & Engagement Officer
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ACTION

1. INTRODUCTION

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

AW attended by Teams AV platform. Apologies were received on behalf of S Bell (on leave).

With the Board now largely reconstituted suggestions were made by the Chair and from Board members on various Board practices in future, with the following steps to be progressed:

- *Board member accountabilities* – the Company Secretary was requested to provide a briefing note on reserved matters and allocation of decision-making, taking account of the organisation's structures. A general note on director duties had been included in the papers. **RH**
- *Papers* – were considered to contain too much information of an operational nature. In future papers should be more concise, with an explanatory summary sheet on why they were being presented to the Board, the request being made of the Board, key risks, any options considered, and the preferred option. **RH**

The CEO Report should be a form of running commentary on the key matters affecting the organisation, updated regularly and then highlighting any particular issues that needed to be discussed with the Board. **MD**

REDACTED FOR PUBLICATION

- *Agenda & Future Business* – the agenda to identify each person presenting a paper, those presenting should include relevant people from across the business. An item for any Committee Chair reports into the Board should be included. **JMcG, RH**
- *Board dates* – 2024 dates to be prepared and circulated **RH**
- *Forward workplan* – Various topics had already been identified for the next 2 meetings – a forward workplan for 2024, identifying timing for required approvals should also be prepared. **RH**
- *Minutes* – the current format and approach was explained and discussed. Concluded that the current approach should be maintained meantime, noting that content of the minutes may reduce in future as the reporting to the Board and contents of papers changed.
- *Action Lists* - all Board actions to be noted and captured in one place, and to include the date when the action had been first raised and when it was scheduled to be closed. **RH**
- *Board Sub-committees* – membership of Board Committees to be revisited, with new Chairs to be appointed. The Nominations Committee should meet in advance of the August meeting to make recommendations for approval. **JMcG, RH**

2. MINUTES OF PREVIOUS MEETING – 12 MAY 2023

The Minutes of the Meeting of 12 May 2023 were **APPROVED**.

3. ACTION LIST & MATTERS ARISING

- Safeguarding Champion* - to be appointed by ESG Committee – to be discussed at August Board Meeting.
- Stadium Development* – the CEO commented later in the Meeting.
- Reg 9* – the CEO commented later in the Meeting.
- Centrica/ Scottish Gas sponsorship contract* – signed.
- AEG Contract* – draft with the Promoter.
- Anti-Doping Update* – ongoing. Further information would be provided to the Board as it became available.

4. PEOPLE

4.1 Board Composition and Accountabilities

Reference was made to the circulated paper, noting (i) current Board membership; (ii) the broad responsibilities of the Board and relationship with Scottish Rugby Union, managed through the Relationship Management Agreement; and (iii) the general duties of directors owed to the Company.

4.2 Safeguarding

In the CPEO's absence, the CEO commented briefly on the Safeguarding Report, noting the enhanced number of matters reported by comparison to the prior year. These were monitored carefully, looking at data and trends. The CRB and Rugby Development

Department worked closely with the Safeguarding team (part of the People Team) and with the other Home Unions.

This was to remain a priority area, reporting through the ESG Committee, with the Committee to work quickly on creating a new reporting framework to enable issues to then be brought to the SRL Board as required.

SB

4.3 Health & Safety

The Chief Executive commented briefly on the Health & Safety Report, which was taken as read, with no questions posed.

All significant matters on Health & Safety matters should continue to be highlighted to the Board.

MD/RH

5. CEO BRIEFING – BUSINESS OVERVIEW

A Scotland National Men’s team video was played.

The CEO gave a slide presentation, sharing some early thoughts on various topics which may be relevant to the next round of strategy planning and the discussions at the next Board meeting.

The CEO’s slides were to be circulated to the Directors for further consideration.

RH

The approach to strategy planning was discussed.

- The key issues identified by the CEO should be treated as one version of the future, recognising there may be other versions.
- A similar presentation from the CRB and Rugby Development Department in connection with the community game would be valuable as part of the strategy process.
- An early insight into the Netflix documentary about the 6 Nations would also be welcome, as an opportunity to promote the game to a new and wider audience.
- A 10-year strategic outlook was required, with work on this to start now, and include all aspects of the game from the amateur game to professional and international game.
- The importance of open and inclusive dialogue with stakeholders was highlighted.
- The next Strategy Plan was to be formally agreed by the SRL and SRU Boards by the end of FY 2023/24, with the strategy process running from August to December 2023. The plan itself should be formulated by the end of the 2023 calendar year, ready for the 24/25 operating plan and budget to then be prepared before the final approvals.
- Additional Board time would be needed to discuss the approach to strategy and issues, with an accompanying process on who should be consulted and how and when that was to be done. Additional time would be allocated at the Board’s meeting on 17 August for that.

CRB/
Gav
Scott

MD

MD,
HSp

MD

JMCG/
MD /
RH

6. 2023/24 BUDGET & STRATEGY

6.1 Strategy Update

The CEO referred to the circulated pack which included a detailed report on the first 2 years of the workstreams identified in the 2021-2024 strategy plan, together with a summary of that work and activity planned for 2023/24, to complete the last year of the current Strategy Plan. The cost of those workstreams had been included within the proposed 2023/24 budget, running to 30 June 2024.

6.2 Budget FY23/24

The CFO referred to the circulated papers, which were taken as read. The following points were highlighted:

- The virtuous circle in the game and the approach adopted to creating a sustainable business model for the long term, with a standalone self-funding core business separate from strategic investments to drive long term business growth, and using EBITDA as a measure of financial performance. Positive EBITDA in future would assist in supporting investment propositions.
- The effect of the four-year financial cycle and 6Ns home match cycle in particular – FY23/24 would see 2 Home 6Ns games as opposed to 3 in the prior year, with a resultant negative impact on revenue in the year – each 6Ns match generated around [FIGURE REDACTED – COMMERCIALY CONFIDENTIAL] of profit.
- Revenues and costs - fluctuating revenues combined with a static cost base drove fluctuating profitability over the 4 year cycle.
- Savings on utilities had been made, with additional savings coming from the new arrangements with Centrica.
- The earlier voluntary redundancy scheme had involved around 10 people, with savings from that and other restructuring of around £700k per year, and a benefit in connection with changes in behaviours and attitudes to cost management.
- The assumptions made as part of the budget process. This included a cost-of living salary increase for eligible employees of 5%, at a cost of around £750k per year, and to be discussed with RemCom.
- Club Rugby budget of 15% of average of last 4 years' statutory revenues, with no apportionment of central costs.
- Capex included at a total [FIGURE REDACTED – COMMERCIALY CONFIDENTIAL], with the intended high-level allocation set out in the papers and a place holder of [FIGURE REDACTED – COMMERCIALY CONFIDENTIAL] in relation to data and digital projects and IT infrastructure works. The remaining [FIGURE REDACTED – COMMERCIALY CONFIDENTIAL] was earmarked against stadium works and included allowance for the cost of a detailed feasibility study which would also include a financial/funding model. The Stadium Operations Director and selected consultant were due to present at the August SRL Board Meeting on the scope of the feasibility study.

- Stadium development was the biggest opportunity for revenue growth. Without further investment the costs of maintaining the stadium would become an increasing burden. Potential seed funding for future development of the stadium may be available through use of some of the private equity transaction proceeds.

The budget proposals were discussed, with the CFO available to spend further time with Board members if a more detailed understanding was needed. It was confirmed that the advance loan of Rugby World Cup funding made by World Rugby in FY20/21 (during the Covid period) was recognised in the proposals and cash position presented.

The Chair also encouraged the non-executive directors new to the organisation to spend time with the finance team to go through the financial models used in the business.

Following discussions, the budget proposal for the financial year 23/24 was **APPROVED**, and was to be submitted to the SRU Custodian Directors for their approval. **HSp**

Several actions were also identified:

- The impact of the VR scheme was to be shared with the SRU Board. **HSp**
- The approach to the 15% of turnover allocated to the club game should be highlighted for the SRU Board. **HSp**
- The business operating model should be considered as part of the strategic planning process. **All**

6.3 Treasury Matters

The CFO referred to the circulated paper.

Money from the Project Light transactions was being received in 5 tranches, from 2021. The most recent (third) tranche of £7.44m had been received earlier in the month. The CFO referenced the current cash position and cash burn for the year.

Approval was sought from the Board to move up to £7.44m into a higher interest-bearing bank account for 12 months, on the terms set out in the paper.

It was acknowledged that the Scottish Government loan remained outstanding.

This was considered by the Directors to be a prudent and sensible approach, and in the Company's best interests and accordingly the proposal was **APPROVED**. The CFO was also to discuss this with the Chair of the SRU Board. **HSp**

7 OTHER APPROVALS & RISK REGISTER

7.1 National Team Shirt Design

The Chief Executive displayed the proposed national team kit designs for Season 2024/25. After a short discussion, the designs were **APPROVED**.

7.2 Significant Contract - Sponsorship – [NAME REDACTED – COMMERCIALY CONFIDENTIAL]

The contents of the Heads of Terms and explanatory paper were noted. Due to the size of the proposed sponsorship, SRL Board approval was required to progress to contract.

Following discussion, **APPROVAL** was granted:

- (i) for the Company to enter into an agreement with [NAME REDACTED – COMMERCIALY CONFIDENTIAL] based on the terms set out in the paper; and
- (ii) for any 2 Directors, or any Director in the presence of a witness, or any Director and the Company Secretary to sign the agreement on behalf of the Company.

7.3 Season 23/24 Discipline Rules - Amendments

The Company Secretary confirmed that the approval of the Scottish Rugby Disciplinary Rules was a matter reserved to the SRL Board due to their application across the game and link with other Domestic Regulations/Policies falling under the SRL Board's remit under the Relationship Management Agreement with SRU.

A consultation had been conducted, with alterations being minor and largely reflecting changes to the World Rugby sanctions table.

In exercise of the powers delegated to the SRL Board, the SRL Board **APPROVED** the Season 23/24 Disciplinary Rules, as amended.

7.4 Amendments to Domestic Regulations

The Company Secretary confirmed that the approval of various Scottish Rugby Domestic Regulations was a matter reserved to the SRL Board due to their application across the game as a whole and link with World Rugby regulations. A consultation had been conducted on 3 regulations which were due for review, with changes being minor and reflecting altered governance structures and entities.

Following a brief discussion, in exercise of the powers delegated to the SRL Board, the SRL Board **APPROVED**:

- SDR 4.2: International Clearance;
- SDR 6: Betting & Anti-Corruption; and
- SDR 16 : Tours and Match Approvals.

7.5 Risk Register Update

The Company Secretary provided a brief overview of the Risk Register. There had been an increase in the number of risks on the Register in the course of the year due to the inclusion of risks for the SRU Board but the number of Red risks had reduced since the last review, with the overall risk profile reducing.

It was decided that:

- Each Board Committee should consider risks and risk actions relevant to their remit as part of their regular workload **RH/
C'ttees**
- An annual risk session should be conducted with the full Board, with particular areas of risk being highlighted for discussion and relevant documents, such as policies, circulated as part of that. **RH**

- A briefing session should be arranged with the new Non-Executive Directors to give a more in-depth view of the risks across the business and including external factors that drive risk in the business.

RH

8. Scottish Rugby Union Matters

The following points were discussed for reporting at the SRU Meeting on 28 July 2023, noting the primary purpose of seeking budget approval:-

- Walk through of Budget/ Operating Plan.
- CFO to present on financials, treasury matters and update on current status of the audit.
- CEO report to be included and comment on material issues, sponsorship and stadium development.

9. Board Dates and Future Business

The list of intended forward business for the August and October SRL Board meetings was considered and agreed, with the following additional points:-

- Full year business calendar to be prepared. RH
- Strategy Plan status update and KPIs to be included on future Agendas. RH
- Extended SRL August Board Meeting to be held at Oriam. RH
- An update from external communications advisers at the October meeting to provide their view on how the business could present itself better externally. MD/RH
- The Board /Board members should be seen and engage more externally. Consider holding more Board Meetings off-site. All RH
- At end of each meeting, Directors to briefly discuss performance of the Board and reflect with a view to ensuring Board effectiveness and alignment with business goals. JMcG
- Briefing Session(s) by CFO for clubs on financial statements ahead of the AGM. HSp

10. AOB & Close

The CFO updated briefly on the status of the audit process - numbers were with the audit partner for review with the main item for discussion being revenue treatment at year end.

Meeting closed at 12:59.

**APPROVED BY THE BOARD
17 AUGUST 2023**