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.SCOTTISH RUGBY LIMITED
SC132061MINUTE OF MEETING OF THE BOARD OF SCOTTISH RUGBY LIMITED
HELD ON FRIDAY 12 MAY 2023 AT 2PM

BOARDROOM AND BY TEAMS AUDIOVISUAL PLATFORM

Present:

Cheryl Black	(CB)	Interim Chair and Interim Non-Executive Director
Shona Bell	(SB)	Chief People and Engagement Officer
Mark Dodson	(MD)	Chief Executive
Bob Richmond	(BR)	Non-Executive Director
Hilary Spence	(HSp)	Chief Financial Officer
Hazel Swankie	(HSw)	Non-Executive Director

In Attendance:

Robert Howat	(RH)	General Counsel & Company Secretary
Laura Mahadea	(LM)	Note-taker

Apologies:

Jim Mallinder	(JM)	Director of Performance Rugby
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ACTION**1. INTRODUCTION**

The Interim Chair noted that a quorum was present and welcomed everyone to the Meeting.

SB, HSw and BR attended online.

Apologies were received on behalf of JM (on leave).

2. BOARD COMPOSITION

The Company Secretary confirmed that CB had been appointed by the SRL Board as an interim Non-Executive Director and Interim Chair following the departure of John Jeffrey, and pending the appointment of a permanent Chair. The SRU Board had also approved the appointment.

The SRL Nominations Committee had identified a suitable candidate for one of the Independent Non-Executive Director vacancies on the SRL Board, and a preferred candidate as an Independent NED and Independent Chair of the SRL Board.

BR, as Interim Chair of the Nominations Committee, then recommended that Alexandra Whelan be invited to join the SRL Board as an Independent NED and that John McGuigan be invited to join as an Independent NED and as the SRL Board's Independent Chair.

It was confirmed that CB and Professor Lorne Crerar, as Chair of the SRU Board, had been involved in the process and the Custodian Directors had provided their approval of Mr

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McGuigan's appointment, subject to SRL Board approval. The Chief Executive had also met separately with Mr McGuigan.

Following a brief update on the skills and experience of these two candidates, the SRL Board accepted both recommendations and accordingly **RESOLVED THAT:**

- (i) **Alexandra Whelan** be invited to become an Independent Non-Executive Director of Scottish Rugby Limited, and subject to acceptance, for that to be for a term of 3 years from a date to be agreed with her; and
- (ii) **John McGuigan** be invited to become an Independent Non-Executive Director of Scottish Rugby Limited and Independent Chair of the Company's Board, and subject to acceptance, for that to be for a term of 3 years from such date as may be agreed with him.

The CPEO confirmed that both candidates were expected to be available to start shortly. The Company Secretary would be kept informed for the purposes of preparing appointment letters.

SB,RH

Thanks were expressed to CB, BR, HS and the CPEO for the time and effort committed to the search and interview processes.

An update on the continuing recruitment progress for the SRL and SRU Boards was provided later in the Meeting.

3. MINUTES OF PREVIOUS MEETINGS

The Minutes of the SRL Board's Meetings of 27 March 2023 and 24 April 2023 were **APPROVED**.

4. ACTION LIST & MATTERS ARISING

- (i) *Gender Pay Gap Report* – this had been made available to the SRL Board in April and circulated to the Audit & Risk Committee. A copy would also be provided to the ESG Committee in advance of its next meeting. The key findings of the Report had been mentioned in the People Report and were commented on later in the Meeting.
- (ii) *[TEXT REDACTED - COMMERCIALY CONFIDENTIAL]*
- (iii) *Stadium upgrade proposals* – the Chief Executive commented later in the Meeting.
- (iv) *Board Evaluation – International Representatives* – this had been postponed in order for it to be discussed with the new Chair of the SRL Board.
- (v) *Update Board Committee Terms of Reference to reflect minimum membership number change* – completed.
- (vi) *Nominations Committee actions* – completed. See Item 2 above (Board Composition)

5. PEOPLE

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

FOR PUBLICATION**5.1 NED & Custodian Recruitment**

The Board were updated on the progress of the further NED recruitment activity which had taken place over the last few weeks. There had been several candidates who showed potential, and dialogue would continue with them. The new Chair would be involved in second stage interviews.

By way of update on Custodian recruitment, the CPEO, the President and Vice-President would shortly be interviewing 10 candidates for the Custodian Director positions following a successful recruitment campaign through "Join Our Huddle". It was confirmed in response to a question that of the 10 being interviewed some had come from the earlier Custodian recruitment processes, as well as through the "Join Our Huddle" initiative.

In accordance with the governance review outcomes an understanding of club rugby was an important factor, as was a clear connection to rugby or member rugby clubs. Around 50 applications had been received.

The Chair of the SRU Board had also requested that a representative from Carlyle Associates, who had also been part of the earlier Custodian recruitment activity, join the first stage interviews as an observer to provide an independent expert view.

The Chair of the SRU Board would then attend final stage interviews for the Custodian positions.

5.2 People

The CPEO commented briefly on the contents of the Gender Pay Gap Report, in particular noting that the bonus element of remuneration skewed the reporting due to the contractual bonus for male players. The ESG Committee would be involved in any detailed actions taken. The Report had been published internally and externally and there had been no negative feedback.

Employee wellbeing had previously been raised by the SRL Board and the Custodians. Employees were being encouraged to take TOIL and outstanding annual leave. Take-up levels were improving, with absence rates of 1.4% being below the national average.

Employee wellbeing overall seemed positive following initial impressions from the feedback from the Listening Groups. Further information would follow, although resourcing would be an important factor.

The Interim Chair observed that employees of Scottish Rugby appeared very passionate about what they do, and many went above and beyond the call of duty. It was important to ensure that people looked after their wellbeing. This featured on the Risk Register and should be re-visited regularly.

5.3 Safeguarding

The CPEO referred to the Safeguarding Report, which was taken as read, with no questions posed.

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It was noted that a new safeguarding champion should be appointed in succession to Lesley Thomson, once the new INEDs and Chair were in place. **SB/All**

6. BUSINESS**6.1 CEO Update**

The Chief Executive referred to the circulated paper, highlighting the following:

6.1.1 Board Composition

The efforts made in recruiting and appointing new independent non-executive directors were welcome. Both of the new appointees were excellent candidates, with further talented candidates in the pipeline.

6.1.2 Finance and Budget

The Chief Financial Officer would comment in more detail later in the meeting but strong ticketing performance, the good 6 Nations finish and concert programme were all contributing to revenues being better than budgetted. However, costs were adverse to budget, affected by weaker than expected external income and offsetting the strong local performance.

The year ahead presented challenges to the sustainable business model due to FY23/24 being a Rugby World Cup year and having only 2 Home 6 Nations games rather than 3, creating the prospect of a loss in that year of around [FIGURE REDACTED -COMMERCIALY CONFIDENTIAL] before returning to profitability in the following 3 years. Being vigilant on costs was important, as well as seeking to enhance revenues from external partners, where cycle 2 revenues were expected to improve.

6.1.3 KPI Tracking

A conservative approach was being adopted to assessing progress on KPIs, resulting in more Amber flags at this stage of the year than normal but with an expectation that many of these would move into a Green category over the coming weeks. 2 were marked as Red - the first in connection with Edinburgh Rugby performance and the second in connection with the prospect of attracting external investment into the professional teams. The problems experienced recently in several clubs in the English Premiership had disrupted that marketplace.

Progress on KPIs would also be reported to the Remuneration Committee, who would then decide whether targets had been achieved.

The Interim Chair highlighted the importance of ensuring that the tracking of and progress on KPIs was communicated in a way that was clear and easy to understand for Scottish Rugby's people.

6.1.4 Stadium Development

Presentations had taken place earlier in the week from 2 leading consulting companies, with 2 further presentations to come. These were a pre-cursor to selecting consultants to assess the feasibility and potential for future development of the stadium in order to improve the

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facilities and generate more revenue, and how that could be funded. A further update would be provided to the Board once these discussions had been completed. Thanks were given to the Director of Stadium Development and Operations for his work so far. **MD**

6.1.5 *Global Calendar/ Regulation 9*

Negotiations on a new approach to the global calendar continued [TEXT REDACTED-COMMERCIALY CONFIDENTIAL]. The CEO then provided a brief explanation of Regulation 9 and its importance to the calendar.

A further update would be provided to the Board once those discussions had progressed. In the meantime, the match schedule would continue to follow the status quo and recorded in the San Francisco agreement several years previously. **MD**

6.1.6 *Coaching Update & High Performance*

The Chief Executive commented on the extension concluded with Gregor Townsend to remain as Senior Men's National Team Head Coach until 2025. The Board welcomed the outcome and expressed their thanks to Gregor Townsend and the Chief Executive.

Contract extensions had also been agreed with John Dalziel and Peter Horne. Negotiations continued with Peter de Villiers.

Edinburgh Rugby's performance in URC had been disappointing with them finishing 12th in the league with the core target having been 8th or better and an expectation of achieving a top 5 place. A shortlist for the new Head Coach was currently being worked on.

Glasgow Warriors had played well this season with Franco Smith having a positive impact on the team. A good result was hoped for in the pending Challenge Cup final.

6.1.7 *Super 6*

The review of the Super 6 franchises would begin towards the end of the month and be conducted over the Summer. The Rugby Development Department and clubs would be included, as well as the CRB. It was confirmed that Premiership clubs would also be included with the intention to also examine empirical evidence about performance, including playing results, commercial performance and medical / S & C aspects.

6.1.8 *Sponsorship*

[TEXT REDACTED – COMMERCIALY AND CONTRACTUALLY CONFIDENTIAL]

6.2 **Commercial Report**

The CEO referred to the Commercial Report, which was taken as read.

Comments were made on the marketing report and the digital figures quoted but also noted that there was little context for this. The Chief Executive agreed that more context was required, with meaningful metrics and a better understanding of how this converted to revenue.

6.3 **Stadium Operations & Health & Safety**

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

It was noted that the stadium set-up for events had been reconfigured which now allowed it to hold a crowd of 70,000 people.

[TEXT REDACTED – COMMERCIALY CONFIDENTIAL]

6.4 Finance

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

The following points were highlighted from the Report.

- The outlook at the moment was for revenues of around [FIGURE REDACTED] for the year, against a budget of [FIGURE REDACTED]. On-field performance and ticket sales had helped to drive the increase in revenue. This would be the highest revenue ever posted by the organisation.
- Revenues for the year would otherwise be closer to around [FIGURE REDACTED] if it was not for the potential need to account for some revenues - potentially [FIGURE REDACTED] in the next financial year due to the non-alignment of the Company's year-end with those of URC, EPCR and 6 Nations.
- Forecast costs were currently around [FIGURE REDACTED] higher than budget and included around [FIGURE REDACTED] of exceptional costs of various kinds, including from restructuring activity and governance changes. This position might improve, with the possibility of flat EBITDA but this would depend on the final year-end outcomes. Flat EBITDA would be a significant achievement in the recovery from the impacts of the Covid pandemic and might enable a discussion about a one-off cost-of-living pay award. However, this could only be ascertained once the books were closed.

The CPEO confirmed that the Remuneration Committee had considered that possibility briefly earlier in the financial year but had postponed any decision until it was clear whether that was achievable from a financial perspective.

- Budgeting for FY 23/24 was progressing. The CFO noted that each home Six Nations match generated around [REDACTED – COMMERCIALY CONFIDENTIAL] of profit. Consequently having two home Six Nations matches in 2023/24 rather than three had a negative effect on overall performance. As a result, a loss of around [FIGURE REDACTED] was estimated for the year ahead, with the business then returning to profitability in the next 3 years of the 4-year cycle. Against this backdrop the approach suggested in the budget would be in the context of a four-year sustainable business model.
- The CFO suggested that the year-end for FY23/24 be moved from 31 May to 30 June. This would bring the financial year into alignment with main partners at URC, 6 Nations and EPCR in relation to revenue recognition, and with the end dates of player contracts (30 June), which were a substantial element of costs. This would enable more accurate reporting and reduce the reliance on estimation at year end. This would also need to

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be discussed with the SRU Board at their May Board meeting for the purpose of alignment between the 2 companies.

It was noted that this point had been discussed at the most recent Audit & Risk Committee meeting, with the Committee being supportive in principle, for the reasons outlined.

In answer to a question, it was confirmed that this could not be achieved for FY22/23 - partially due to resource and timing for the external audit and also for legal reasons. The Company Secretary explained that the parent company's Articles of Association contained a reference to 31 May which would need to be amended, if both year-ends were to align. The alteration would require a special resolution to be passed at the SRU AGM later in the year.

The Board confirmed its willingness to support the proposal, in principle. Formal approval would be subject to the views of the SRU Board and any shareholder approvals then needed.

- The CFO commented on the Scottish Government loan. [TEXT REDACTED – COMMERCIALY CONFIDENTIAL]

6.5 Communications, Media & External Affairs

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

Communications would be agreed over the next week in connection with the appointment of John McGuigan as the new Chair of the SRL Board and Alexandra Whelan as a new NED, with planning also needed in connection with [TEXT REDACTED – COMMERCIALY CONFIDENTIAL] **SB**

The CPEO highlighted that the Scottish Government had paused proposals on the ban of alcohol advertising for the time-being.

6.6 Company Secretary's Report

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

Some activity had been reported in relation to potential illicit drugs use in the domestic game. This was being investigated in conjunction with UKAD. The Company Secretary would keep the Board informed as more information became available. **RH**

Insurance renewals were underway for a number of policies. There was a continued risk associated with cost of public and employer liability insurance, which were both due to be renewed later in the year.

6.6.1 Board Committees

Reference was made to updated Terms of Reference for each of the Remuneration and Nominations Committees. These had previously been seen and recommended by each Committee for approval but had not yet been formally approved by the full SRL Board. Copies of the Terms of Reference showing the proposed amendments were included with

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the papers. The changes were consistent with those made for other SRL Board Committees and reflected the structural changes arising from the governance review, as well as the reduction of minimum committee membership to 2 members.

Following consideration, it was **RESOLVED THAT** the Amended Terms of Reference of the SRL Board’s Nominations Committee and Remuneration Committee be and are approved, in the form tabled.

6.6.2 *Joint Working Group Terms of Reference*

Terms of Reference for the new Joint Working Group on Inclusive Governance Practices and Grievance & Complaint Systems had been prepared by David Grevemberg of the SRU Board and had been included within the Board papers. These had also been reviewed by the Legal Department. A copy had also been provided to the SRU Board and were due to be considered at their meeting on 31 May. The members of the Group had asked Mr Grevemberg to act as the Group’s chair. The SRL Board was being asked to approve the Terms of Reference, for its part.

The interim Chair (a member of the Group) emphasised that the Terms of Reference were primarily to ensure that inclusion and diversity related practices and complaints were properly considered, although the remit was wider and was not limited to a single issue.

Following discussion, it was **RESOLVED THAT** the Terms of Reference of the Joint Working Group on Inclusive Governance Practices and Grievances and Complaint Management Systems be and are approved as tabled.

6.6.3 *Risk Register*

The Company Secretary referred to the Group Risk Register, which had been updated following a full cross-departmental review and had been discussed by the Audit & Risk Committee at their May meeting.

Overall, the risk profile had reduced, with fewer red risks but there were more risks in total due to the introduction of risks specifically falling to the SRU Board, now that the new governance structures had been implemented. A summary of the key movements had been included in the papers.

The SRU Board risks would be discussed in more detail at their May meeting. A copy of the full Risk Register was available to any Director who wished to see it.

6.6.4 *Litigation & Disputes – Confidential & Legally Privileged*

[TEXT REDACTED – CONFIDENTIAL AND SUBJECT TO LEGAL PRIVILEGE]

7. **RUGBY**

7.1 **Rugby Development**

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

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Thanks were expressed to the Rugby Development Department and the Head of Competitions and Compliance, who had been involved in organising the recent and successful Silver Saturday event. It was noted that some alcohol -related incidents had taken place however these would be investigated and discussed with the Club Rugby Board.

7.2 Performance Rugby

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

Particular mention was made of the performance of Glasgow Warriors during the season and their success in reaching their first ever European final, and for Hawick in winning both the men's Premiership and the men's Cup.

8. SRU LIAISON AND BOARD COMMITTEE BUSINESS

8.1 Audit & Risk Committee

BR had been appointed as Interim Chair of the Audit & Risk Committee following the departure of L Thomson and had chaired the Committee's most recent meeting held on 4th May. He reported on the business covered at the meeting, highlighting the following:

- The audit plan, engagement letter and timetable had been reviewed and approved by the Committee.
- The updated Risk Register had been reviewed by the Committee.
- The CFO would be speaking with the auditors on inter-company re-charging to ensure the process was conducted appropriately.
- There were some concerns regarding stock control for kit. The spend on kit was substantial - in the region of £1m per year across all teams. There was no electronic stock control system. The CFO would keep the Committee updated on plans to introduce a more efficient way of ensuring stock was tracked and accounted for.
- Payroll. The core payroll was relatively straightforward but was more complicated in connection with match and event days, when a high volume of casual staff were deployed. The system currently used was inefficient, making it more difficult to process and track this area as accurately as desired. The Finance Team were examining how best to address this.
- The Committee had met with the auditors, without the Finance Team members present. The auditors had been happy with the work being carried out by the Finance Team in supporting the audit process, highlighting clear communication and transparency.

8.2 Nominations Committee

Recent business undertaken by the Committee had been commented on earlier in the Meeting.

Approval had been granted separately by the SRL Board for Gemma Fay to become a Scottish Rugby representative on the World Rugby Council. Congratulations were expressed.

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BR, as Interim Chair of the Nominations Committee, expressed his thanks to all those involved in the recent SRL Board recruitment processes.

9. AOB

A separate paper had been circulated in connection with utilities procurement for the coming year, for which Board approval was needed. Directors were requested to respond **ALL** by email.

There was no further business and the Meeting closed, with thanks for attendance and contributions.

APPROVED BY THE BOARD

12 July 2023