

SCOTTISH RUGBY UNION
SC748672

MINUTE OF MEETING OF THE BOARD OF SCOTTISH RUGBY UNION
HELD ON FRIDAY 28 JULY 2023 AT 1:05 PM

MONCRIEFF SUITE, SCOTTISH GAS MURRAYFIELD

Present:

Lorne Crerar	(LC)	SRU Chair and Custodian Director
Ian Barr	(IB)	Immediate Past-President and Custodian Director
Cheryl Black	(CB)	Custodian Director
David Grevemberg	(DG)	Custodian Director
Maxine Manditsch	(MM)	Custodian Director
Alison Milne	(AM)	Custodian Director
Colin Rigby	(CR)	President and Custodian Director
Keith Wallace	(KW)	Vice-President and Custodian Director

In Attendance:

Shona Bell	(SB)	Chief People & Engagement Officer (<i>Items 5-7</i>)
Mark Dodson	(MD)	SRL Chief Executive (<i>Items 5- 7</i>)
Robert Howat	(RH)	Company Secretary
John McGuigan	(JM)	SRL Chair and Non-Executive Director (<i>Items 5-7</i>)
Hilary Spence	(HSp)	SRL Chief Financial Officer (<i>Items 5-7</i>)

Apologies:

None

ACTION

1. INTRODUCTION

The Chair noted that a quorum was present and opened the Meeting. There were no apologies.

The primary purpose of the Meeting was to consider the budget proposal and strategy for SRL's financial year 2023/24, in accordance with the parameters of the Relationship Management Agreement, for which several SRL directors would be attending later.

Some other SRU-related business could also usefully be considered meantime, with the Agenda then reordered.

2. APPROVAL OF MINUTES

The Minutes of the Meeting of 31 May 2023 were **APPROVED**, together with the identified redactions for a publication version.

It was agreed that minutes of Reporting Meetings should be produced and approved within 10 days of the Meeting, with a further 4 days allowed for the respective SRU and SRL Chairs to identify and agree potential redactions. **RH**

3. ACTION LIST & MATTERS ARISING

REDACTED – FOR PUBLICATION

This was postponed until later in the Meeting, once the SRL Directors were present.

4. OTHER SRU MATTERS

4.1 Standing Committee On Governance – Amended Terms Of Reference

The circulated draft was taken as read.

The Company Secretary confirmed that this s had been discussed with the Chair of SCOG (R Frazer). Minor amendments had then been made and had been marked on the draft. Confirmation had been received earlier that day from Mr Frazer that he had circulated the updated draft to the SCOG members, who had no further amendments.

The Directors discussed the draft in detail. Following that discussion, the Terms of Reference of the Standing Committee on Governance were **APPROVED**, as tabled.

The first workstreams for the Committee were identified as:

- (i) considering and making recommendations to the SRU Board, after consultation with the Company (SRL) and the SRU Board, on the suitability of various governance codes for potential application to or adoption by the Union, whether in whole or in part; and
- (ii) advising the SRU Board periodically with respect to significant developments in the law and practice of corporate governance and corporate governance reporting.

The Chair of SCOG was to be informed.

RH/LC

The Meeting adjourned at 13:35 and resumed at 14:00.

JMcG, SB, MD, and HSp joined the Meeting and were welcomed by the SRU Chair.

5. ACTION LIST & MATTERS ARISING (Resumed)

5.1 Action List

- i) *CLG/ Governance Costs methodology meeting* – carried forward. CR, KW and HSp were still to meet. **CR, KW, HSp**
- ii) *Super 6 franchise review* - scheduled for 19 October 2023 meetings.
- iii) *RemCom update* – scheduled for 29 August Quarterly Reporting meeting.
- iv) *Update on treasury matters* – considered later in the Meeting.
- v) *Year-end change to constitutional documents* – this was an AGM-related matter. Carried forward to 29 August Reporting Meeting.
- vi) *Budget approval* – discussed later in the Meeting.
- vii) *23/24 KPI alignment* – scheduled for 29 August Reporting Meeting.
- viii) *Year-end sub-group meeting with CoSec* – sub-group had met earlier that day with the Company Secretary and CFO.
- ix) *Year -end – further discussion with auditors* - to be arranged. **RH**
- x) *Sign audit engagement letter* – completed.
- xi) *SRU Nominations Committee to meet* – completed. Final Custodian appointments had been made.

REDACTED – FOR PUBLICATION

- xii) *SCOG Chair to review Terms of Reference* – completed. Discussed and approved earlier in the Meeting.
- xiii) *Media clippings request* – discussed under AOB.

5.2 Matters Arising from Minutes of 31 May 2023 Meeting

i) Joint Working Group

DG updated on the work of the Joint Working Group on Inclusion & Diversity. The Group had met earlier that day. A list of people to interview and guiding questions had been agreed. The JWG would conduct meetings in September with a target of providing a report and recommendations for the end of the calendar year. **DG**

ii) SRL Board composition

JMcG updated the Custodian Director on SRL Board composition.

Current recruitment had been completed, with Alex Whelan, Mike Soutar and Ruth Davidson bringing new skills and experience to the SRL Board.

Bob Richmond was due to retire from the SRL Board in November. Thought was being given to 1 or 2 additional non-executive directors being recruited. Co-opting for a limited period was also an option to be considered. The process to be followed would be finalised with the Chief People & Engagement Officer and Nominations Committee.

It was confirmed that the Custodian Directors would not be exercising the right under the Relationship Management Agreement to nominate a replacement to the SRL Board on Mr Richmond's retirement.

iii) Cattigan Family – CONFIDENTIAL & PRIVILEGED

JMcG updated on the recent press release and associated discussions. [REDACTED – CONFIDENTIAL AND LEGALLY PRIVILEGED]

A sub-group comprising members of each of the SRL and SRU Board had been formed and was due to meet in the coming week.

6. BUSINESS/ CEO UPDATE

J McG commented on his first few weeks in the role as SRL Chair and provided some initial views on strategic planning:

- a strategy for a 10 year period was needed
- the process should be inclusive, running until the end of the calendar year
- external support may be needed to facilitate
- a 4 year operating plan, with accompanying financial plan and organisational plan to ensure the right people were in place, should be part of the approach
- this would inform KPIs
- thought was being given to potential themes.

The SRL Board would be repopulating its Board Committees within the next several weeks.

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The Men's National Team Head Coach would be attending the SRL Board meeting on 17 August to brief on RWC preparation.

The CEO then referred to the circulated paper and provided an update on recent activity, highlighting:

- *Summer events* – successful concerts and football events over the Summer with a further concert series in Summer 2024.
- *Global calendar* - discussions had progressed with a Nations Cup statement now released.
- *EPCR* – discussions continued over format for season 24/25 onwards.
- *Financial performance* – year end performance was in line with expectations.
- *Strategic planning 2024 onwards* - would commence in August, with input needed from the CRB on the community game aspects.
- *Super 6/ Super Series* – review and consultation underway.
- *Scottish Gas* - a positive launch with Scottish Government ministerial support and very committed approach by Scottish Gas to activation.

7. BUDGET & STRATEGY FY 2023/24

7.1 CEO Overview

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 discussions at future meetings.

Questions and comments were then taken from the Custodian Directors, noting:

- in connection with global reach, potential funding may be available from foundations and other organisations in other territories if applying rugby's values in communities;
- the importance of a good culture and of thinking and moving quickly; and
- the significance of the US / Americas market and including that in the long term approach, as well as the short term element involving Old Glory.

A copy of the slides was to be circulated after the Meeting.

RH

7.2 Strategy Progress Update & Plans

The CFO then referred to the circulated papers, which were taken as read. These included a detailed Report setting out activity in the first 2 years of the current 3-year strategic plan (FYs 21/22 and 22/23) and planned activity for FY 23/24, and an executive summary of 23/24 activity supported by the budget.

Questions arising were taken as part of the budget discussion

7.3 Budget proposal FY23/24

The CFO referred to the circulated paper setting out key elements of the proposed budget for the period 1 July 2023 to 30 June 2024.

The proposed budget and remaining strategy workstreams in 23/24 had been reviewed and approved by the SRL Board and was now being submitted to the Custodian Director for approval, as required by the RMA.

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 [NUMBER REDACTED – COMMERCIALY CONFIDENTIAL] of profit.
- Revenues and costs - fluctuating revenues combined with a static cost base drove fluctuating profitability over the 4 year cycle.
- Financial systems had been restructured and improved Savings on utilities had been made, with additional savings coming from the new arrangements with Centrica and the voluntary redundancy scheme.
- The assumptions made as part of the budget process. This included a cost-of living salary increase for eligible employees and the inclusion of the new Centrica /Scottish Gas sponsorship deal.
- The Club Rugby budget was included as 15% of the average of the last 4 years' statutory revenues, with no apportionment of central costs to that element.
- Women's game funding continued, at c£4m overall, of which around £2.5m was being applied as strategic investment.
- Capex included at a total [NUMBER REDACTED – COMMERCIALY CONFIDENTIAL] with the intended high-level allocation set out in the papers and a place holder of [NUMBER REDACTED – COMMERCIALY CONFIDENTIAL] in relation to data and digital projects and IT infrastructure works. The remaining [NUMBER 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.
- Stadium development was the biggest opportunity for revenue growth. Without further investment the costs of maintaining the stadium would become an increasing burden. [NUMBER REDACTED – COMMERCIALY CONFIDENTIAL] of the private

REDACTED – FOR PUBLICATION

equity investment proceeds had been set aside as potential seed funding for future development of the stadium

Questions, answers and comments were taken in the course of the presentation and collated below.

- The restructuring of financial systems had involved the introduction of new electronic systems, the creation of P &Ls for each division and templates for each major event, a largely new finance team, and new approaches to cost monitoring and control.
- The consultants to be engaged for the stadium development feasibility study were also being tasked with identifying indicative funding routes.
- Assessing the effectiveness of player investment. Confirmed that one of the workstreams for the year was to create a player investment model demonstrating the cost of developing a player throughout their career so as to provide more accurate data and metrics on investment and return through playing success.
- The sustainable model outlined for 23/24 related to the core business, without additional stadium development applied. The budget reflected only the remaining FY23/24 workstreams from the 3 year strategic plan.
- Savings included in 23/24 by comparison to 22/23 included utilities, reduced events costs and the savings from headcount through the VR scheme and other headcount control. Some were “one-off” and others recurring.
- The differential in events costs took account of the fact that a match fee had been payable in 22/23 for the 4th Autumn Test, cost recharges to promoters on concerts and efficiencies in event staging costs.
- The effect of the outcomes of the voluntary redundancy scheme would be commented on further at the August Reporting Meeting. **HSp**
- A summary of insurance coverage was requested. **RH**
- In connection with capex and digital projects, the importance of ensuring appropriate IT infrastructure was in place before launching new services was highlighted.
- Further detail was available to any Custodian Director who wished it. The focus was not on removing costs entirely, bearing in mind the cyclical nature of the organisation’s business but there was a clear emphasis on cost control.
- Reporting on progress through the year would be done at the quarterly Reporting Meetings and include any deviations from the plan.

Following the detailed presentation and discussion, the Custodian Directors **APPROVED** the SRL Budget and Strategy for the period 1 July 2023 to 30 June 2024.

7.4 Cash Forecast & Treasury

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The CFO referred to the circulated paper commenting on the cash position and a request made to and approved by the SRL Board to place the most recent payment from the Project Light transaction on a 12 month deposit at an enhanced rate of interest. This had been an action point from an earlier meeting to explain the policy being adopted.

The contents of the paper were noted and the action closed.

JMcG, SB, MD and HSp were thanked for their presentations and contributions and then left the meeting.

8. OTHER SRU MATTERS (Resumed)

8.1 Club Rugby Board Update

The Vice -President had circulated a Report, which was noted, with no questions.

8.2 Nominations Committee Matters

This had been covered earlier in the Meeting.

8.3 Expenses Policy

A copy of the current SRL Expenses Policy and Probity Policy had been circulated. The Expenses Policy was under review by the SRL Finance team. Custodian Directors had been provided with and had been asked to complete and return a benefits declaration form to assist with year-end information and accounting.

All

8.4 Year End Matters

The sub-group had met with the Company Secretary and CFO earlier that day and had discussed various issues including AGM timing and arrangements, outline structure and contents of the Annual Report, financial reporting and allocation of tasks.

8.5 2024 Board dates

These had been circulated.

9. AOB

Media clippings - the Custodian Directors confirmed their request to be included in the media clippings service, noting that there would be an additional cost involved.

RH

Advance warning of social media and press releases was also requested.

There was no other business. The Chair thanked those attending for their contributions. The Meeting closed at 16:30.

APPROVED BY THE SRU BOARD

14 August 2023