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SCOTTISH RUGBY UNION
SC748672

MINUTE OF MEETING OF THE BOARD OF SCOTTISH RUGBY UNION
HELD ON WEDNESDAY 31 MAY 2023 AT 2PM

BOARDROOM AND BY TEAMS AUDIOVISUAL PLATFORM

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
Colin Rigby	(CR)	President and Custodian Director

In Attendance:

Shona Bell	(SB)	SRL Chief People and Engagement Officer
Mark Dodson	(MD)	SRL Chief Executive
[NAME REDACTED] (by Teams AV)	()	Johnston Carmichael Auditors (<i>Item 6.1 only</i>)
Robert Howat	(RH)	SRL General Counsel & Company Secretary
[NAME REDACTED] (by Teams AV)	()	Johnston Carmichael Auditors (<i>Item 6.1 only</i>)
John McGuigan	(JM)	SRL Chairperson and Non-Executive Director
Angela McCracken	(AMc)	SRL Head of Legal & Governance – <i>Note Taker</i>
[NAME REDACTED] (by Teams AV)	()	Johnston Carmichael Auditors (<i>item 6.1 only</i>)
Hilary Spence	(HSp)	SRL Chief Financial Officer

Apologies:

Keith Wallace	(KW)	Vice-President and Custodian Director
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ACTION

1. Introduction

The Chair noted that a quorum was present and opened the Quarterly Reporting Meeting of the Scottish Rugby Union (SRU).

The Chair noted that, as of 22 May 2023, C Black had resumed her position as Custodian Director following her time as Interim Chair and Non-Executive Director of Scottish Rugby Limited (SRL).

The representatives of SRL were welcomed to the Meeting and the Chair noted that representatives of Johnston Carmichael, the organisation's auditors, would join the meeting by Teams AV for Item 6.1.

Apologies had been received from the Vice-President, who was unable to attend due to a prior commitment and the rescheduling of the Meeting.

2. Approval of Minutes

2.1 The Minutes of the SRU Quarterly Reporting Meeting of 27 March 2023 were **APPROVED**.

3. Action List & Matters Arising

(i) *Emerge Report – Terms of Reference and Chair of Joint Working Group*

DG, as Chair of the Joint Working Group, provided the Meeting with an update on the work of the Group. It was confirmed that the Terms of Reference for the Group had also been approved by the SRL Board.

DG advised that Group had met and agreed a work plan. They had also met with the Complainant to better understand her position and encourage her to share her lived experiences. The Complainant did not otherwise have a formal role with the Working Group. The possibility of speaking with her again in due course had been left open.

The Board would be kept up to date as the work of the Group progressed.

(x) *L Thomson resignation letter response*

It was noted that the previous SRL Chair had spoken with L Thomson acknowledging her resignation.

All other action points or matters arising were either completed or covered under an Agenda item at the Meeting.

4. SRL Update

4.1 *SRL Chair Report*

CB, as the Interim Chair of SRL in the most recent period, provided the Meeting with an overview, under reference to the SRL Chair Report circulated with the papers. The Report was taken as read. The following key points were highlighted:

- *Financial performance* – the cyclical nature of the organisation’s finances over a four-year period, with substantial fluctuations during a Rugby World Cup year, was highlighted. It was noted that there was an intention, subject to approvals, to move the reporting year end for 2023/24 from 31 May to 30 June to align Scottish Rugby with the year ends of other key partners and player contracting periods.
- *Stadium Development* – It was noted that SRL had recently successfully held four concerts within 10 days. While it was acknowledged that the stadium was continuing to attract global artists and events, it was ageing, and it was expected that a significant capital investment of up to [NUMBER REDACTED – COMMERCIALY CONFIDENTIAL] was likely to be required to create a state-of-the-art venue. Initial approaches had been made to various consultants in relation to commissioning a full feasibility exercise. No appointment had been made yet.
- *Sponsorship* – the SRL Board had approved the terms for a material sponsorship with a new partner.
- *Senior Men’s National Team Head Coach* – a contract extension for the Senior Men’s National Team Head Coach had been finalised and announced.

- *Board Composition* – There had been significant recent recruitment activity. The Chief People & Engagement Officer confirmed that A Whelan had accepted a position as an Independent Non-Executive Director of SRL, following a lengthy recruitment process. The new SRL Chair and the Chief People & Engagement Officer were now working with SRL’s Nominations Committee to appoint three further SRL Independent Non-Executive Directors. It was hoped that, subject to candidate availability, the majority of the recruitment would be carried out over the course of June 2023.
- *Strategic Priorities KPIs* –the Board Papers contained a RAG tracker showing progress towards the year’s goals. Not all of the KPIs had specific measurements and there was a desire to tighten these up. It was suggested that this be considered when SRL were looking at future strategy plans. The Company Secretary would comment on the status of the KPIs later in the Meeting.

The new SRL Chair noted his thanks to CB for her time as interim SRL Chair. He expressed his gratitude to both SRU and SRL for his induction to the organisation and he noted that he was looking forward to working together, with a move to more strategic thinking and reporting.

4.2 *SRL CEO Update*

The CEO then provided an update on recent activity of SRL . The following points were flagged:

- G Fay had been appointed to the World Rugby Council, following L Thomson’s departure. It was noted that G Fay’s knowledge and skills would further strengthen Scottish Rugby’s voice in relation to the development of the Women’s Game.
- The launch of the new major sponsorship deal had been rescheduled to July 2023 to allow time for both parties to better separate the launch from other business and refine the planned announcement. External consultants were assisting with the planning. The CEO then confirmed the brand names that would appear on the various assets.

It was noted that other sports had seen a backlash for partnering with energy companies as it could be perceived as “greenwashing”. The Board discussed the communications approach that would be required to appropriately convey the narrative of the partnership and the ESG benefits that there would be for both Murrayfield Stadium and also for Scottish Rugby’s member clubs. DG offered to assist in this process.

- In relation to the Pro teams’ performance in the 2022/23 season, Glasgow had done well to reach the final of the EPCR Challenge Cup but their performance in the final had been disappointing . The need to maintain the progress they had made throughout the season was highlighted.

Edinburgh Rugby had not had a successful season on the pitch which had also been affected by the Head Coach’s decision earlier in the season to step down. The first stage interviews for the replacement Head Coach would take place over the coming days.

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- In relation to the financial performance of the organisation, it was noted that the CFO would provide more detail later in the meeting but the respective Boards understanding the budgeting process and the background to achieving a 4-year sustainable business model that took account of the financial impacts of RWC years and the 6 Nations home game cycle would be key.

The SRL Board would also be considering treasury matters, including whether an early repayment of the Scottish Government loan made during Covid was feasible or appropriate. It was highlighted that before deciding on the next steps, there were a number of matters to consider, including the possibility of significant future development of the stadium and the potential need to seek Government support for that. External advice may be needed. Once the SRL Board had identified an intended course of action, the SRU Board would be updated.

HSp

- The critical need to consider the redevelopment of the stadium was reiterated. The absence of significant improvements to the current stadium would pose a significant risk to Scottish Rugby's ability to generate and grow healthy income streams in future. It was noted that external expertise was needed in exploring the feasibility of various options and funding models for the redevelopment project, as mentioned earlier in the Meeting. Rebuilding the stadium entirely could cost [NUMBER REDACTED – COMMERCIALY CONFIDENTIAL], with perhaps [NUMBER REDACTED – COMMERCIALY CONFIDENTIAL] needed for a full upgrade. The focus was on redevelopment at the existing site, which was recognised as being iconic, with good infrastructure and proximity to the city centre, and not relocating to an alternative venue.

Interviews were being progressed with four firms with the feasibility stage of the project expected to take around 6 – 8 months.

- The Super6 tournament was reaching the end of its initial term. A review of the tournament was commencing in June 2023, to be carried out by the High-Performance department with input of the Rugby Development Department. As part of the review, feedback from clubs of all levels would also be taken into account to understand the impact of the tournament on the club game. The Club Rugby Board would be fully involved in the review process.

The President noted that Super 6 was a standing item on the CRB agenda.

The CEO was thanked for his Report.

4.3 SRL CFO Update

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

The following summary points were highlighted from the Report:

- The importance of the base business being sustainable in a four-year cycle was highlighted. The four key rugby-related financial elements which affected the cycle were outlined: being the Rugby World Cup (RWC) and preparation for it - for example in the course of the year the Men's National Team were spending 26 weeks in camp, a player bonus may be due and World Rugby grant funding; the contrast between

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revenues from Summer Tests and Autumn Tests; the number of home 6 Nations matches played in a year (there being a [NUMBER REDACTED – COMMERCIALY CONFIDENTIAL] profit for each home match) and revenue from the British and Irish Lions.

- In relation to the potential redevelopment of the Stadium, there was a window of opportunity where strategic monies could be used for seed funding but if redevelopment was not underway within the next 4 years, those funds would then be needed for an increasing numbers of repairs, rather than future-proofing the Stadium asset. The feasibility study to be commissioned would examine Stadium and revenue projections and how that might then be taken to potential development funders.
- During questions about strategic initiatives other than the Stadium, the CEO confirmed that the main areas related to investment in the Pro teams and the Women's Game, with it being recognised that Women's Game funding would not generate a financial return in the short term. Investment in academies and pathways was also part of the longer term approach, but yet to be fully formulated.
- The current financial year Outlook was presented. Revenue performance had been positive and better than budget but costs had also increased and were posing a challenge to the overall financial position. Some of the increased costs were out with Scottish Rugby's control i.e. hyper- inflationary elements, and some were one-off exceptional costs, for example governance restructuring. Others arose from widening of investment in the age grades. Improved cost management could be achieved by addressing the underlying mindset and changes in purchase order management.

An outcome range was still being presented, pending confirmation of revenue from external key partners with a differing year end, and treatment associated with an unbudgeted tax refund.

- It was noted that the year-end of many of Scottish Rugby's key partners (for example 6 Nations, URC, EPCR and SRH) was 30 June and player contracts routinely ran to that date. To assist with addressing the discrepancy in year- ends and improve the accuracy of financial reporting, it was proposed that the year - end for SRU FY23/24 be changed to 30 June. It was recognised that this may also need a change in the SRU constitutional documents before it could be formally approved and applied. After consideration, the Board confirmed its support, in principle, for the proposal. Formal approval would be dealt with later in the year, if the necessary changes to constitutional documents were approved by the Union's members.
- In connection with the budget process, the SRU Board were asked to approve a budget for the month of June 2023. The full detailed budget for the period to 30 June 2024 would be presented to the SRU Board on a separate date.

RH

The June 2023 budget was then presented. It was explained that the June 2022 budget had been used as a base and adjusted to reflect the changes in activity for June 2023, which were then explained. A move to an accruals-based accounting method, rather than cash-based, for ticketing income had been included.

It was also highlighted that there was an apparent increase in professional team costs but this was due to the year-end move and the timing effect of the increase in player

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wage budgets implemented in prior years flowing through (contracting being done in advance) for the month, before reducing again in due course.

For the purpose of statutory accounts, FY23/24 would become a 13-month reporting year, being the period from 1 June 2023 through to 30 June 2024, if the necessary approvals were granted in due course.

Following consideration and discussion, the June 2023 budget was **APPROVED**.

It was agreed that the SRU Board would meet again in July and the full budget would then be presented for approval at that time. **ALL**

4.4 *Progress Update on Strategic KPIs*

The Company Secretary referred to the RAG tracker of the KPIs which was contained within the Board Pack. The following points were highlighted:

- Two of the KPIs were listed as red. One was in relation to the investment into Edinburgh Rugby and Glasgow Warriors. It was noted that the appetite to buy into the professional clubs had diminished due to the financial situation some of the English clubs in the PRL had found themselves in. The other was due to Edinburgh Rugby not reaching the top 8 of the United Rugby Championship.
- Various of the KPIs had been highlighted as Amber because there had been some progress made but without all elements of the target achieved yet. These were largely expected to change once a full assessment was conducted post year-end.

The Board discussed the need for clear KPIs from the outset of the new strategy. The KPIs should be aligned to the strategy and be clear on what the organisation was aiming to achieve. **MD**

4.5 *Material Matters*

The Material Matters section of the Report was taken as read. The following points were flagged:

- The SRU Board were provided with a confidential and legally privileged update on an ongoing potential litigation. [REDACTED – CONFIDENTIAL & LEGALLY PRIVILEGED]

5. **Custodian Feedback**

The SRU Board expressed its thanks to the Company Secretary for collating the extensive and informative Board Pack for the Meeting.

The SRU Chair thanked JMcG, MD, SB and HSp for their attendance and contributions and advised that they were welcome to remain for the rest of the Meeting if they wished.

JMCG, MD, SB and HSp thanked the Chair for the invitation then left the Meeting.

6. **SRU Business**

6.1 FY22/23 Year End procedures

Reference was made to the note provided by the Company Secretary. It was agreed that the SRU Chair, President and Vice-President would form a sub-group to consider year-end processes and matters with the Company Secretary. **Sub-group**

6.2 Grant of Authority

Under reference to the circulated paper, it was explained that due to the separation of companies and with no common directors, where SRU needed support from employees of SRL and those employees were willing to do so, they would still require some form of authorisation from SRU to be able to act on its behalf.

After consideration it was **AGREED THAT:**

Under reference to the Scottish Rugby Union Articles of Association, the Relationship Management Agreement, Intra-Group Services Agreement and Intra-Group Loan Agreement dated on or around 2 November 2022, authority is hereby granted by the Custodian Directors of Scottish Rugby Union (SC748672) ("**SRU**") to those officers and employees of Scottish Rugby Limited (SC132061) ("**SRL**") identified below to undertake the functions specified, on behalf of SRU and where appropriate, SRU and its subsidiaries (the "**Group**")

1. for the **Chief Financial Officer** to:
 - 1.1. create and maintain books of account and financial records for SRU;
 - 1.2. prepare, for the approval of the Custodian Directors (in addition to the approval of SRL), the Group's annual budget;
 - 1.3. apply the Group's approved accounting policies and internal financial controls to the affairs of SRU;
 - 1.4. make payment by SRL, for the account of SRU, of amounts due by SRU including professional fees, honoraria and expenses and other costs authorised by or on behalf on SRU, and to record such payments in SRU's books of account, all in accordance with the Relationship Management Agreement, Intra Group Services Agreement, Intra Group Loan Agreement, accounting policies and applicable accounting standards;
 - 1.5. make any deductions required from, and make payment to relevant authorities required in respect of, any fees, benefits or honoraria of SRU Custodian Directors or office bearers;
 - 1.6. negotiate the terms of engagement and fees of SRU's auditors and tax advisers, for approval of the Custodian Directors;
 - 1.7. liaise with and assist SRU's auditors in the preparation of the SRU and Group audit plan, for approval of the Custodian Directors;

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- 1.8. liaise with and assist SRU’s auditors with the conduct of SRU’s annual audit, including the implementation of the approved audit plan and the provision of financial information and access to SRU’s financial records;
 - 1.9. liaise with SRU’s auditors in the preparation of the SRU and Group interim and final financial statements including the notes to the financial statements, for approval of the Custodian Directors;
 - 1.10. include SRU in Group tax groups including for corporation tax, capital gains tax, stamp duty, VAT, PAYE and National Insurance, and to complete such registrations and returns as may be necessary for those purposes, in accordance with the Group’s tax elections and policies, and to authorise the Group’s tax advisers to submit such returns on behalf of SRU and the Group;
2. for the **Company Secretary** to:
- 2.1. undertake the functions set out in the Company Secretary’s appointment letter, on behalf of SRU; and
 - 2.2. include SRU and the Custodian Directors in relevant Group insurance policies including in particular Director’s and Officers’ Liability Insurance, and to provide the Group’s brokers and insurers with such information, including personal data relating to Custodian Directors, as may be required for that purpose;
3. for the **Chief People & Engagement Officer**:
- 3.1. to negotiate, for approval by the Custodian Directors, the terms of engagement and fees for any external consultants to be appointed to assist the Custodian Directors with the recruitment of future Custodian Directors; and
 - 3.2. as the SRL director responsible for external communications, to prepare and issue media releases on behalf of SRU, subject to obtaining the prior approval of SRU;
4. the individuals named above have discretion to delegate the performance of the functions outlined to suitably qualified and experienced individuals employed by SRL and reporting to them;
5. this authority shall not affect any authority already granted by or available from SRL to the individual as a result of any office or employment held within SRL by that individual; and
6. the authority granted in this Resolution may be amended or withdrawn at any time by resolution of the Custodian Directors.

6.3 FY22/23 – Audit Plan & Auditor Engagement Letter

The representatives of Johnston Carmichael joined the Meeting by Teams AV call and reference was made to the circulated papers.

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The proposed Audit Plan and the terms of the auditors' engagement were outlined. The following key points were noted:

- The audit plan was consistent with the approach taken in the prior year, with a set of consolidated company accounts to be prepared and approved and signed by the Custodian Directors.
- Reference was made to the scope of the audit and the entities covered, intended approach, the change in auditing standards since the previous year, the reporting and substantive work that would be done by the auditors and that narrative would be needed for the strategic and directors' reports.
- The auditors confirmed that they were aware of the governance changes that had occurred in the course of the year. At the auditors' request, the Custodian Directors confirmed that they were not aware of any other significant changes in the corporate environment.
- The approach to the giving of a letter of representation was explained. Confirmations in connection with instances of fraud and susceptibility to fraud would be needed but could be addressed later in the process.
- There would be a closing meeting where the findings of the audit would be presented, with the Custodian Directors then considering the consolidated accounts for the Group as well as the company's own balance sheet. The consolidated accounts would include the accounts of SRL and The Thistle Rugby Trust, which the Custodians would need to review along with the Company's own accounts and balance sheet.

The Directors then discussed what undertakings or reassurances might be required or requested from the SRL Directors in connection with that company's accounts and how they might satisfy themselves in connection with those, coming to a true and fair view on the consolidated accounts and going concern.

The Company Secretary observed that there may be some limitations on the reassurances that could be given, due to the separation between the companies, with no common directors - SRL directors would only be able to comment in connection with SRL's activities, rather than those of SRU. [NAME REDACTED] advised that SRL's numbers presented should not simply be taken as read and would need to be considered carefully. The SRU Board should consider how they would satisfy themselves as to the content of the accounts. It was agreed that this should be discussed in more detail and further advice taken.

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Grp**

- Materiality, key audit risks and litigation matters were all part of the programme of work. Group and Company cost occurrence and recharging would form part of the audit.
- Reference was made to auditor independence and non-audit services, as disclosed in the Audit Plan.
- Field work was due to commence in 2 weeks' time, with SRL and reporting and signing in October.

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- Cost allocation needed to be discussed further with SRL’s CFO. In connection with a question about that and materiality, it was explained by [NAME REDACTED] that the costs falling to be allocated to SRU were not likely to be material for SRL in the context of its materiality level (a % of revenue) applicable. However, SRU as a standalone entity, had a different and lower materiality level.

There was an outstanding question on the allocation of costs between the SRU and SRL. The SRU Chair, President and Vice-President were due to meet SRL’s CFO to discuss this.

Following the discussion, it was **AGREED THAT** the terms and conditions of the Engagement Letter between the Company and Johnston Carmichael LLP be and are approved in the form tabled and that the Company Secretary be authorised to sign the letter on behalf of the Company; and (ii) the proposed Audit Plan for the Company (SRU) for the financial year ending 31 May 2023 be approved.

RH

The representatives of the auditors were thanked for attending the Meeting and left the call.

6.4 SRU Committee/Working Group Business

6.4.1 CRB Report

It was noted that as the Vice-President and the Director of Rugby Development were unable to attend the Meeting, a written Club Rugby Report had been submitted. The Report was taken as read.

6.4.2 CRB Election Rules Update

It was noted that feedback had been gathered from CRB Members and a new set of election rules was being drafted. Once the CRB had reviewed an initial draft the proposed rules would be referred back to the SRU’s Nomination Committee for approval.

SRU
Noms

6.4.3 Custodian Recruitment Update

The President updated the SRU Board on the lengthy and detailed process that had been undertaken to recruit the remaining two Custodian Directors, with assistance from the CPEO and support from external recruitment consultants. He noted that there had been a high calibre of applicants applying for the posts.

48 applications had been received and 10 candidates were short listed. IB, KW, LC and the President had been involved at various interview stages.

Two candidates had been selected to be put to the SRU Nomination Committee for consideration.

6.4.4 SRU Nominations Committee

The Chair noted the requirement for the Board to create a Nominations Committee and referred to the circulated papers containing draft Terms of Reference.

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The Terms of Reference of the Nominations Committee were considered and it was **AGREED THAT:**

- i) a Nominations Committee of the Board be formed;
- ii) the draft Terms of Reference for the Nominations Committee be approved in the form tabled, with the inclusion of the wording providing for the Committee Chair to have a casting vote;
- iii) the SRU Chair be appointed as a member and as the Chair of the Committee; and
- iv) the other members of the Committee shall be Colin Rigby, Ian Barr and Cheryl Black.

It was confirmed that the Nominations Committee should meet the next day to consider the two proposed Custodian Director candidates and any other relevant business, then make recommendations as appropriate to the SRU Board. **Noms C'ttee**

6.5. *SCOG Terms of Reference*

It was noted that after review by the Legal Department a series of amendments was being suggested to the Standing Committee on Governance's Terms of Reference, in order to bring them into line with the Articles of Association and address various other matters.

A copy had been included in the papers. It was agreed that prior to the SRU Board considering the amendments, the Chair of SCOG should be requested to review the suggested changes. **AMc/ RHt**

7. **Group Risk Register**

The contents of the papers in connection with the Risk Register were noted, with no changes suggested.

8. **Other Matters**

8.1 *Directors' & Officers' Liability Insurance*

It was noted that the organisation's D&O liability insurance had been updated in order to include the Custodian Directors.

8.2 *Benefits Declarations*

A form had been prepared for use by Custodian Directors in connection with benefits declaration. Some work was still needed on attribution of value, if considered appropriate.

9. **AOB**

A request was made for Custodian Directors to be included on the circulation of media clippings. The Company Secretary agreed to pass the request to the relevant SRL department. **RH**

The Chair thanked all involved for attending and their contributions and closed the Meeting at 5pm.

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**APPROVED BY THE SRU BOARD
28 JULY 2023**