

PRIVATE & CONFIDENTIAL

**SCOTTISH RUGBY UNION
SC748672**

**MINUTE OF MEETING OF THE BOARD OF SCOTTISH RUGBY UNION
HELD ON THURSDAY 27 JUNE 2024 AT 1:30 PM**

BOARDROOM, SCOTTISH GAS MURRAYFIELD & TEAMS AV PLATFORM

Present:

Lorne Crerar	(LC)	SRU Chair and Custodian Director
Ian Barr	(IB)	Immediate Past-President & Custodian Director (Online, Items 1-4.2.1)
Cheryl Black	(CB)	Custodian Director
David Grevemberg	(DG)	Custodian Director (Online, Items 1-4.5)
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:

John McGuigan	(JM)	SRL Chair (Items 1-4.3)
Shona Bell	(SB)	SRL Chief People & Engagement Officer (Items 1-4.3)
Oliver Colling	(OC)	Financial Consultant & SRL Interim Chief Financial Officer (Items 1-4.5)
Matt Horler	(MH)	SRL Director of Communications (Item 4.5)
Robert Howat	(RH)	SRU & SRL Company Secretary
Laura Mahadea	(LM)	SRL Paralegal & Exec Assistant
NAME REDACTED	()	Partner, [NAME OF FIRM REDACTED] (Online) (Item 4.2(part))
NAME REDACTED	()	Partner, [NAME OF FIRM REDACTED] (Item 4.2(part))
NAME REDACTED	()	Director, [NAME OF FIRM REDACTED] (Item 4.2, (part))

Apologies:

None

1. INTRODUCTION

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

No conflicts of interest were declared.

Those attending were welcomed. Representatives from [NAME OF FIRM REDACTED], external financial consultants, would join the Meeting for the discussion on the budget proposal.

2. MINUTES

The Minutes of the previous Meeting (28 March 2024) had been approved previously.

3. ACTION LIST & MATTERS ARISING

The Action List from previous meetings was considered.

PRIVATE & CONFIDENTIAL

- *SRU Nominations – VP skillset* - the nominations process and 31 August deadline had been communicated. The names of nominees would then be published, with personal statements/ CVs and the election conducted at the AGM in November. Candidates would arrange their campaigns and hustings with clubs and forums. Neutrality applied to members of the SRU Board, SRL Board, CRB and Scottish Rugby employees.

All other actions had been addressed or were included within other agenda items.

4. SRL CHAIR REPORT

4.1 SRL Chair Overview

JM referred to the circulated Report, which was taken as read. Additional details were also contained in the SRL Executive Report.

Key points highlighted by JM or covered in the Report were:

- *Cattigan Family* – JM provided an update on his ongoing discussions with Mr and Mrs Cattigan.
- *Commercial* - several commercial sponsorship agreements approved by the SRL Board had been signed. The financial success of the recent Taylor Swift concert series was noted.

JM commented on [CONFIDENTIAL AND LEGALLY PRIVILEGED]

Consideration of the remaining items from the SRL Chair's Report was paused to enable financial matters to be discussed in detail with the external consultants present. (See *Item 4.2*)

4.2 SRL CFO Update

4.2.1 FY 24/25 Budget Process & Approval

Budget Process and Content

OC, SB and MH had attended a separate lengthy briefing session on the proposed budget with the Custodian Directors on the evening of 25 June. The presentation made at that Meeting would be taken into account in the discussion on the budget proposal.

The representatives of [NAME OF FIRM REDACTED] joined the Meeting at 1.45pm (NAME online, NAME and NAME in person).

[NAME REDACTED] referred to the detailed Report provided by [NAME OF FIRM REDACTED] shortly in advance of the Meeting, the very detailed analysis conducted earlier in the year and recent work. This had included a meeting with the external turnaround specialist engaged by SRL, review of their report, updates from the finance team on costs and revenues and the budget paper itself. The resultant Report had been provided to both Boards.

[NAME] summarised [NAME] analysis under reference to their Report:

PRIVATE & CONFIDENTIAL

- *FY23/24* – 13 month outcome to 30 June 2024 forecast (before any exceptional costs for restructuring) to be a loss at EBITDA of around £9.7m, c£1m better than the February review, with a net loss of c£10.2m, c£3m better than the February review position.

The extra month (June 2024) was loss-making, contributing £3.3m of the overall loss for the 13 month period. 23/24, as a RWC year, was historically the worst performing year in a 4 year cycle, due to the absence of Autumn Test revenues.

Forecast closing cash position - c£3.5m better than previously, driven by P & L improvements and advance season ticket sales.

- *FY24/25 budget* - the budget process had been bottom – up, thorough, detailed and delayed in order to obtain information on potential turnaround initiatives.
- *Turnaround initiatives* – without the turnaround initiatives the projected EBITDA loss for FY24/25 was around £5.7m, in line with the initial February sensitized case. With the initiatives applied, the EBITDA loss was projected to fall to c£1.7m, with cost savings of c£2.3m included from headcount reductions as well as other revenue generating and cost reduction initiatives. With the addition of non-cash items, largely depreciation, the statutory loss for FY24/25 was projected as c.£3.1m. The process for consultation on redundancies had commenced on 26 June. The expectation was a return to balance in FY 25/26.
- The right steps were being taken, however the achievability of the costs savings and revenue initiatives was critical. Some analysis was still to be done on a segmental basis. It was essential that there was an ongoing assessment of progress to cost savings and results of revenue initiatives.
- *Club Rugby* – further to the detailed questioning and request for confirmation of financial data at the briefing meeting with the SRU Board on 25th June, it was explained that the budget proposal for the Rugby Development Department fell below the 15% benchmark, by around £800k. The approach to the club rugby component of the budget had been to seek savings in year 1 and moderate increases in future years. Further analysis could usefully be done on the composition of the 15%, including the approach to pass-through costs.
- *Outlook for future years* - the budget had been extrapolated at a high level, showing a return to profitability at the end of FY25/26 with reduced Pro Team wage budgets, reduced agent commission and increased revenue from hospitality and other projects, including a columbarium/ memorial garden. If these initiatives were delivered this would create a sustainable position, grow cash and return the business to profit. However, the initiatives needed to be delivered; there was less control and greater risk around generation of commercial revenues than on cost reduction. Ongoing review of progress would be important.
- *Capex* - enhanced in the budget from £10m over 2 years to potentially £17m over 2 years, of which £10m was estimated as essential maintenance and £7m on strategic spend and hospitality projects. There had been an increasing view following further assessment that essential works needed to be accelerated.
- *Reporting* - enhanced reporting and oversight were critical to ensure continued scrutiny of the turnaround plan and delivery of the identified financial objectives.

PRIVATE & CONFIDENTIAL

Questions and comments arising from the Report were taken from SRU Board members and addressed by JM, OC and SB. The questions and answers are summarised as follows:

- *Cost reductions* - those mentioned in [NAME OF FIRM REDACTED] report had been included within the proposed budget. Headcount savings being sought were greater than those identified by the external turnaround specialist due to the risk around deliverability of increased revenues.
- *At risk positions/ salary levels* - the positions identified as at risk were all below the £70k level – a blended position on eventual cost outcomes was likely taking account of the delays in the recruitment of the new High Performance Director and CEO. SB advised this matter was under regular review.
- *Balance of risk between revenue growth and cost saving* - had been a challenge. Variable cost was limited and deeper savings were difficult to achieve without halting core rugby activity. Building future revenue streams was important for long term sustainability and growth.
- *SRL Board position* - the SRL Board had approved the budget as a whole - the approach put forward was clear, concise and more straightforward to grasp than previously. The SRL Board recognised that some potential revenue projects - particularly the columbarium suggestion - were more uncertain than others. If not progressed alternatives would need to be identified. Some additional sponsorship opportunities were being explored and the SRU Board would be kept advised as matters progress.

No account had been taken of potential upside from projects such as the Nations Cup and most of the revenue estimates were considered to be conservative.

- *Implementation* – recognised by the SRL Board as critical. Authorisation was being given by the SRL Board through the budget process for the main cost reduction initiatives, particularly potential headcount reduction and decreased Pro Team wage budgets in future. Revenue projects would be reported to the SRL Board with authorisations on projects as required.
- *Hospitality areas*- as well as improvements and reconfiguration there was a need to tighten up on the number of complimentary seats, avoid there being unused seats and introduce some paying guests in areas such as the President’s Suite to assist in revenue generation.
- *Financial reporting* – recognised that this needed to improve and was being examined by OC over the Summer. Feedback was being sought from SRL directors on the information they wished to see reported and for monitoring corrective actions. The SRU Board would also be consulted.
- *Deeper savings, including headcount* – examined as part of the process but it had been concluded that this would impact negatively on core rugby activities and competitiveness.

PRIVATE & CONFIDENTIAL

- *National Youth Academy* - the SRL Board had approved the concept but costs for this would need to be met from reallocation of other elements of the proposed National Team budget.

JM, expressing a contrary view to that of KW, did not consider the National Youth Academy concept to be a departure from the overall strategic plan, being intended to be part of the pathway to the National Team. It was agreed JM and KW would discuss separately with the aim of reaching consensus and report back. **JM,KW**

- *Other costs areas not majorly impacted* – travel costs did not appear to be significantly reduced. Explained that the bulk of travel costs related to rugby activity. The success of the Men’s National Team in particular drove revenues and driving costs too far down in that area could then impact negatively on performance levels. There was a perception that National Team budgets were not being affected by cost reductions but this was not the case.
- *Segmental analysis* - once approved, the budget would be operationalised and examined on a segmental basis. **OC**
- *Club rugby 15% benchmark composition* – LC observed that the 15% measure had been intrinsic to the governance reforms in 2022 and the expectation of stakeholder clubs. Any consideration of reduction below the benchmark would as a starting point require to be fair, proportionate and reasonable compared to other areas of the business of Scottish Rugby.
- *6Ns central costs* - noted the figure had increased significantly on prior years dating back to FY21/22. Explained that the unions accounted differently for these, with some reporting gross revenue and 6Ns costs, as Scottish Rugby did, and others only reporting net revenues. No uplift in 6Ns costs was expected in future years beyond that identified in the papers/budget unless there was structural change in the 6Ns.
- *Further [NAME OF FIRM] involvement* – not expected at the moment although future review and validation may be requested depending on progress made.

The representatives of [NAME OF FIRM] were thanked by LC for their Report and contributions and left the Meeting at 2.45 pm The Meeting was paused briefly and resumed at 2.50pm.

Budget Approval - Discussion & Request

Key points arising from the discussions with the external consultants earlier in the Meeting were considered and further questions also taken, under reference to the circulated budget proposal and presentation provided to the Custodian Directors on 25 June.

- *Salary reductions* - not proposed, having taken the decision to consult on sizeable headcount reductions. Wage budget reductions were being planned for FY25/26 for the Pro teams. There was a need to retain existing talent and a limited cost-of-living increase had been included. Benchmarking was conducted across all non-playing/ coaching roles.

PRIVATE & CONFIDENTIAL

- *Approach to Club Rugby Budget element* – taking account of earlier comments and discussion:
 - The 15% measure was recognised by the Custodian Directors as a benchmark and part of the DNA of the governance reforms. As an intrinsic part of the governance reforms and member expectations, any suggestions to move away from the 15% benchmark would need to be demonstrated to be fair, reasonable and proportionate compared to other areas of Scottish Rugby business. Further work was needed on its detailed composition and implications.
 - Applying a reduction for FY 24/25, when the Rugby Development budget was absorbing other costs and clubs would already have likely set their own budgets for the coming financial year was problematic.
 - As a solution the 15% benchmark level should be maintained for the Rugby Development budget for FY24/25, with the impact of that being estimated to be between £600k-£700k.
 - Some reduction on the following year (25/26) could be considered further to previous discussion and communicated ahead of time to enable clubs to adjust budgets accordingly. Freezing the amount in future years, when revenues were projected to increase over 4 years, was not considered appropriate.
 - OC, KW and Gav Scott to work together on further detail around the composition of the 15% and treatment of pass through costs to make this clear and be capable of communicated in a straightforward way. **OC,GS, KW**

JM suggested that KPIs be used to measure what benefits flowed to the game from clubs in return for the direct funding. A similar approach was being adopted for the Pro Teams.

- *Revenue deliverability* – the SRL Board were committed to achieving the proposed financial outcomes. Some revenue generating initiatives had been kept in the proposals despite some doubts but if not progressed after assessment, other initiatives would be identified to replace those. The SRU Board would be regularly updated.
- *Descriptors for line items* - the separate descriptor of finance expenses and staff costs included finance charges and the costs of the CEO, directors and other senior management. It was suggested that these may benefit from being broken down in future proposals, for clarity.
- *Restructuring costs and disclosure* - the forecast out-turn figures for FY23/24 included the costs of the departures of the CEO and CFO earlier in the year. There would be disclosures in the director remuneration note in the accounts. The CEO and CFO costs would not be included in the restructuring costs from the redundancy programme. Redundancy-related costs had not been included in the 23/24 forecast so far and would be additional to the figures provided but were expected to be treated as exceptional costs applicable to FY23/24. This would be discussed with the auditors. **OC**

Following on from the presentations and discussions earlier in the Meeting, JM requested on behalf of the SRL Board that the Group Budget for FY 24/25 be approved,

subject to adjustment to maintain the 15% benchmark for the club rugby budget and the updated budget document being circulated.

Taking account of the process followed, including the involvement of external financial advisers, their comments on the budget process, the recognition of risk around deliverability of revenue streams and the importance of monitoring and oversight, and the answers and assurances provided on behalf of the SRL Board, the Custodian Directors **APPROVED** the request, subject to the reinstatement of the Rugby Development Department element of the budget to the 15% benchmark level being incorporated for FY24/25 and the circulation of the updated budget. **OC**

IB left the Meeting at 3.25pm.

4.2.2 Management Accounts – period to end May 2024

OC referred to the circulated accounts for the period to 31 May 2024, which were taken as read. Key points were then highlighted:

- Project Pentagon adjustments had been removed from management account reporting to make the accounts clearer and simpler to understand.
- The outlook for the year end was better than initially expected, albeit still with a significant loss. Merchandising revenue upside of around [REDACTED – COMMERCIALY CONFIDENTIAL] was expected from the recent Taylor Swift concerts.
- Benefits from R&D tax credits were close to £1m.

JM observed that on a 12-month comparative basis, after excluding one-off items, the improved cost control and additional revenue generation in the course of the year had otherwise made a substantial difference to the historic overspend.

Questions and comments were taken from Custodian Directors on the management accounts.

- *Data and digital investment and the website* - confirmed that investment in the website and other digital projects had still to be scoped. Revenue generation was being prioritised. The Head of Data was examining how SRL might work more collaboratively with 6Ns and URC.
- *Format* - the layout on Headline Costs in the Headlines Report would benefit from identifying variances to what had been approved. OC confirmed quarterly forecasting was being introduced including against 3 month actuals.
- Ideas on additional revenue generating initiatives were invited.
- *Execution* - the importance of project management and execution of the identified initiatives for 24/25 was emphasised – some individuals had been identified internally to assist in leading but the Executive Team were very aware of the need for focus in this area. A common methodology and approach to project management, and measuring and reporting on progress and cost was part of that.

4.3 SRL Chair Overview (resumed)

JM resumed his regular Report.

Commercial Matters (cont.)

[REDACTED – CONTRACTUALLY CONFIDENTIAL]

- *Financial Matters* - these had otherwise been fully covered under Item 4.2.
- *Strategic Planning* - covered later in the Meeting (Items 4.5 and 4.6).
- *Rugby* - the National Team Head Coach had presented a review of rugby performance to the SRL Board and would follow up with the SRU Board as soon as time allowed. The coaching team and squad were leaving on 29 June for their Summer Tour to North and South America.

The Men's U20s were playing in the World Rugby Junior World Trophy at Scottish Gas Murrayfield in July, with the Women's U20s squad heading to Italy for 3 matches.

Glasgow Warriors had won the URC Grand Final in Pretoria on Saturday 22 June.

The Custodian Directors congratulated Glasgow Warriors on their achievement and both Pro teams on their improved commercial performance off-field.

- *Super 6 & Pathway* - Super 6 had concluded at the end of the Sprint Series. The domestic season structure for 25/26 was in place. The new High Performance Director, once appointed, would have a key role in finessing the pathway structures for the longer term.
- *SRL Board Composition* - the SRL Board had agreed to invite [REDACTED – NAME OF INDIVIDUAL] to join the SRL Board as an independent non-executive director, with effect from 29 August, and to Chair the SRL Audit & Risk Committee. The SRL Board would then comprise 7 NEDS and 1 Executive Director for a period before Hazel Swankie retired at the SRU AGM on 27 November.
- *International Representatives*- the Nomination Committees of SRU and SRL met on 13 May 2024 to discuss several of the international representative appointments. Their recommendations had been accepted by the SRL Board. These were noted under Material Matters (Item 4.5).

JM and SB were thanked for their reports and contributions to the Meeting.

LC advised that the SRU Board had approached 2 former players – Stuart McNally and Megan Gaffney – to act as advisers on rugby matters to assist the SRU Board in its education and understanding of the high-performance game, with the objective of enhancing the oversight by SRU of the activities of SRL.

JM and SB left the Meeting at 3.59pm.

4.4 SRL Executive Report

The paper provided was taken as read. The main items had already been commented upon by the SRL Chair or considered elsewhere in the Meeting.

4.5 Strategy & Budget Outcomes - Communication Planning

MH joined the Meeting at 4 pm.

Under reference to a slide presentation MH suggested an approach to communication of the financial reset being conducted.

The Directors agreed with the proposed approach of taking a proactive stance, emphasising that the financial reset underpinned the new strategy and that a prudent, responsible and strategic approach was being adopted. Adjustments were suggested to a draft media statement for release early the following week. **MH**

Further detail on implications for stakeholder clubs would follow later.

MH, OC and DG left the Meeting at 4.15pm.

4.6 Strategy Plan Approval

Reference was made to the detailed internal Strategic Plan document circulated. And request for approval. The Plan had formed part of the materials for the strategy session with the Custodian Directors held in March and had been updated slightly following that.

A high level summary had been presented to the SRU Board previously and to SRL's employees. The detailed Strategic Plan document had now been approved by the SRL Board.

In accordance with the Relationship Management Agreement between SRU and SRL, on behalf of the SRL Board, RH proposed that the detailed Plan now be approved by the Custodian Directors as the 10 year Strategic Plan.

Taking account of the earlier discussions and presentations in which the Custodian Directors had participated, the Custodian Directors **APPROVED** the Strategic Plan in the form tabled. Any suggested minor language changes were to be passed to the Company Secretary.

Public communication on the key elements would follow in due course.

4.5 Material Matters

Reference was made to the circulated papers, with the following highlighted:

(i) Acquisition or disposal of any interests in any real estate

There had been no acquisitions or disposals of any real estate since the last Reporting Meeting.

For awareness:

- Heads of Terms with Glasgow Life for Scotstoun stadium lease had now been signed.
- [REDACTED – COMMERCIALY CONFIDENTIAL]

- [REDACTED – COMMERCIALY CONFIDENTIAL]
- Future investment or development on the Murrayfield estate formed part of strategic planning. There were no specific proposals to share at the moment.

(ii) *Acquisition or disposal of any interest in any equity or debt securities in any company*

[REDACTED – COMMERCIALY CONFIDENTIAL]

(iii) *Material changes in remuneration policy or incentive schemes*

No material changes in remuneration policy or incentive schemes since the last Reporting Meeting were reported. A limited cost-of-living increase had been included in the FY24/25 Budget proposal.

(iv) *Any ongoing or threatened litigation or arbitration, over £125k or material in nature*

The Cattigan family matter had been commented on earlier in the Meeting.

The financial reset programme discussed earlier in Meeting created the potential risk of employment-related claims if redundancies took place. If that was the case, individual claims were unlikely to reach the £125k level.

(v) *Any other transaction or events which are likely to be material*

JM had commented on significant potential commercial initiatives earlier in the Meeting (Items 4.1 and 4.3).

(vi) *Appointments to regulatory, representative, regional or international body(ies)*

The SRL Board had approved temporary appointments to several external bodies due to vacancies created by the departure of the former CEO. These would be reviewed by the SRL Nomination Committee within 6 months and had been communicated to the SRU Nomination Committee at the Joint Meeting of the SRU and SRL Nomination Committees held on 13 May:

PRIVATE & CONFIDENTIAL

- John McGuigan, to join the 6Nations Council, and become a director of New Six Nations Union Limited, New Six Nations Limited and British & Irish Lions DAC;
- Robert Howat, to become a director of Celtic Rugby DAC and a member of the Board of Managers of Washington DC Professional Rugby LLC;
- Alastair Kellock to become a director of Pro Rugby Championship DAC; and
- Douglas Struth to join the Sporting & Regulatory Committee of Pro Rugby Championship DAC.

Taking account of the length of service of incumbents, changes to other international representative appointments were anticipated in the coming months, following on from recommendations made at the Joint Meeting. These had been approved by the SRL Board on 21 June:

- (i) a new role specification be finalised for the representatives on the CRDAC Board and an open process be conducted for a successor to Ian Rankin (served since January 2016) with Ian Rankin to then step down;
- (ii) a new role specification to be finalised for the Rugby Europe representative, in conjunction with the new CEO and High Performance Director (when appointed), with the prospect of John Halliday (served since 2019) then stepping down; and
- (iii) a new role specification be finalised for the representatives on the 6Nations Council and the Board of New 6 Nations Union Limited, a timeline established for succession to the position currently occupied by John Jeffrey (served since May 2012), potential candidates to be identified and Mr Jeffrey then stepping down.

No other material matters were reported.

5. COMMITTEES AND WORKING GROUPS

5.1 SRL Nomination Committee Report

A Report had been provided with the papers. Discussion was carried forward to the next Meeting. **RH**

5.2 CRB Update

KW, as Chair of CRB, referred to the circulated Report, highlighting:

- the CRB were not progressing with the club player payment review for Season 24/25 but would examine this for Season 25/26;
- the “State of the Nation” document circulated with the papers was a helpful summary, which would be tidied up and published;
- his appreciation to the Rugby Development team for their effort, skill and teamwork during a challenging period.

5.3 Inclusion, Diversity & Complaints Working Group

Draft recommendations had been prepared by the Chair of the Working Group (DG) and had been passed to the Legal Department for comment.

5.4 Cattigan Family Working Group

Covered earlier in the Meeting.

5.5 SRU Nomination Committee - Update

LC, as Chair of the SRU Nominations Committee, confirmed that the Committee had approved the skillset for the position of Vice-President. (See Item 3 above.)

5.6 Joint Meeting of Nomination Committees on International Representatives

A copy of the draft Minutes from the joint meeting held on 13 May 2024 had been circulated with the papers and outcomes commented on earlier in the Meeting. (Item 4.5)

5.7 Standing Committee on Governance (SCOG)

LC noted that within the objects and purposes set out in the SRU Articles of Association was the need to prepare and agree, through the SRU Board, a code of conduct for the Group. He proposed that SCOG be tasked with making recommendations to the SRU Board on a new Code.

Following discussion, the proposal was **APPROVED**, with the work to be undertaken and ideally, proposals to have been made to the SRU Board, ahead of the AGM in November 2024.

LC would inform the Chair of the Standing Committee.

LC

The President and Vice-President reported that SCOG had conducted some initial research, including through a detailed questionnaire sent to CRB members seeking feedback on various aspects of the CRB.

The Company Secretary advised that if changes to the CRB structure were ultimately suggested, the SRU Articles of Association and other documents such as the Memorandum of Understanding would need to be amended. Changes to the Articles would require a special resolution at a general meeting of the Union. In the circumstances, it would be advisable for the SRU Board to provide a specific direction to SCOG on this work and for consultation processes with the membership to be considered.

The Custodian Directors:

- (i) endorsed the exploratory steps undertaken by SCOG so far; and
- (ii) confirmed that SCOG be requested to consider options and make recommendations to the SRU Board on potential alternative structures for the Club Rugby Board and proposals on a consultation process to be followed. Their review should take account of work undertaken by the Rugby Development Department on new regional models.

Ideally recommendations would be made by SCOG ahead of the November AGM, in sufficient time for the Board to have considered and reached a view before the date

when notice of the intended AGM business had to be issued (at least 6 weeks before the date of the AGM).

It was recognised that implementation of any changes then authorised might need to take effect at a later date.

LC would inform the Chair of SCOG.

LC

6. CUSTODIAN FEEDBACK AND DISCUSSION

Custodian discussion and feedback on SRL reporting items had been provided throughout the course of the Meeting.

7. SRU BUSINESS

7.1 Communications – Director profiles

Directors were reminded to provide individual background information for inclusion in director profiles.

7.2 2024 AGM Planning

Reference was made to the note provided by RH with the papers, setting out the key dates for approvals and notifications to members ahead of the AGM.

7.3 Risk Register Update

The Company Secretary referred to the circulated Report, which was taken as read. There had been no change in the scoring of risks allocated to SRU in the period.

The Report commented on an increase in risk scoring on several SRL risks, arising from the continued absence of a Chief Executive and other senior vacancies, and pressures anticipated for the workforce from the proposed financial reset programme, including an increased risk of stress and burnout and difficulties in retaining and attracting employees.

7.4 SRU Membership Changes

The CRB had recently approved the following membership changes:

- Glasgow Clan becoming an Associate Member (Glasgow North)
- Heriot Watt University Men's and Women's teams merging under the existing full membership. (Heriot Watt University Women then ceasing to be an Associate Member).

7.5 SRU/SRL Transfer Pricing/ Recharging

RH referred to the detailed paper, which was taken as read.

The background to the proposal was explained, noting in particular that the Relationship Management Agreement between the Company and SRL and accompanying Intra-Group Services Agreement envisaged SRU providing services to SRL and SRL paying a fee for

PRIVATE & CONFIDENTIAL

those services. The Services Agreement set out an illustrative list of services but had left the rate of charge to be agreed between the two companies.

A transfer pricing exercise had been undertaken by independent external advisers. Their report had been circulated.

Applying the range identified in the report, the charges due by SRL to SRU for the period from 2 November 2022 (the inception of the new governance arrangements) until 30 June 2024 had been calculated. An additional fee had also been calculated reflecting the extra time commitment from Custodian Directors serving on joint working parties.

If approved, this could be used to reduce the inter-company loan between SRL and the Company.

The proposal also included a suggested approach for the future using the identified charge rate as a base position, provision for an annual inflationary increase using CPI but capped at 5%, review of underlying rate and services every 2 years and invoicing every 6 months.

The proposal had been recommended by the SRL Audit & Risk Committee to the SRL Board and then approved by the SRL Board, for its part.

Following discussion, the Custodian Directors **APPROVED** the proposed approach to transfer pricing and fee for services between the Company and Scottish Rugby Limited ("SRL") and **AUTHORISED**:

- (i) the Company Secretary to prepare an updated fee schedule to be appended to the Intra-Group Services Agreement; **RH**
- (ii) any Director or the Company Secretary in the presence of a witness, or any 2 Directors, or any Director and the Company Secretary, to execute the amended Agreement on behalf of the Company; and
- (iii) SRL's Chief Financial Officer to apply SRL's payment of the Charges to reduction of the inter-company debt balance between the Company and SRL. **OC**

7.6 Custodian Director Declarations - year to 30 June 2024

The Directors were reminded to submit declaration forms. These were to cover the period from 1 June 2023 to 30 June 2024. **ALL**

7.7 Date for Meeting with Auditors

Diaries were being checked for a preliminary meeting with the auditors.

8. AOB

The Chair thanked those attending for their contributions.

There was no other business. The Meeting closed at 4.30 pm.

Next scheduled SRU Board Quarterly Reporting Meeting - 13 September 2024.

**APPROVED BY THE SRU BOARD
22 JULY 2024**