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**SCOTTISH RUGBY LIMITED
SC132061**

**MINUTES OF MEETING OF THE BOARD OF SCOTTISH RUGBY LIMITED
HELD ON FRIDAY 21 JUNE 2024 AT 10AM**

MONCRIEFF SUITE, SCOTTISH GAS MURRAYFIELD & BY TEAMS AV PLATFORM

Present:

John McGuigan	(JM)	Chair & Independent Non-Executive Director
Shona Bell	(SB)	Chief People & Engagement Officer
Ruth Davidson	(RD)	Independent Non-Executive Director
Alex Whelan	(AW)	Independent Non-Executive Director
Mike Soutar	(MS)	Independent Non-Executive Director (By Teams)

In Attendance:

Oliver Colling	(OC)	Finance Consultant & Interim CFO (By Teams)
David Edge	(DE)	National Team Manager (Item 4.1)
Robert Howat	(RH)	General Counsel & Company Secretary
Matt Horler	(MH)	Director of Communications
Al Kellock	(AK)	Managing Director, Glasgow Warriors
Mark Laidlaw	(ML)	Dir. of Stadium Development & Operations (By Teams)
Laura Mahadea	(LM)	Paralegal & Executive Assistant
Angela McCracken	(AMcC)	Head of Legal & Governance
Gav Scott	(GS)	Director of Rugby Development
Doug Struth	(DS)	Managing Director, Edinburgh Rugby
Gregor Townsend	(GT)	National Team Coach (Item 4.1)
[NAME REDACTED]	()	[NAME OF FIRM REDACTED](By Teams – Items 4.2 and 4.3)
[NAME REDACTED]	()	“
[NAME REDACTED]	()	“

Apologies:

Chris Stewart	(CS)	Independent Non-Executive Director
Hazel Swankie	(HS)	Independent Non-Executive Director

ACTION

1. INTRODUCTION

1.1 Welcome, Quorum & Apologies

The Chair noted that a quorum was present and opened the Meeting. Apologies were received from CS and HS, due to the adjusted meeting timing.

Due to the potential of a conflict of interest AW would recuse herself if any discussions took place in connection with the Nations Cup.

2. MINUTES OF PREVIOUS MEETING – 3 May 2024

The Minutes of the SRL Board Meeting of 3 May 2024 were **APPROVED**.

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Due to the number of presentations, the Action List would be dealt with at the next Meeting. Regular reports were all taken as read.

4. KEY TOPICS**4.1 Men's National Team**

The Chair welcomed the National Team Coach (GT) and National Team Manager (DE) to the Meeting.

GT commented on Men's National Team performance in the recent 6Ns tournament.

- Highs and lows from each game were identified, together with areas for where improvement.
- The team had been competitive, with narrow margins where there had been defeats but the outcomes against France and Italy had been disappointing. The comeback against England had been positive, securing a 4th consecutive win, and a reflection of the Team's focus and determination.
- A key learning was to have a more physical and pragmatic game plan, with greater focus on mindset, working with the Mental Skills Coach.
- Leadership changes had been implemented by introducing a co-captaincy system. These would also change on the forthcoming Summer Tour.
- A stable player group had been created but with a number of new and uncapped players joining the squad for the Summer Tour.

Comments and questions were taken from those present, covering mindset, leadership skills and how these could be assessed and monitored, consistency of performance, squad depth in key positions, how the Pro Teams could support the National Team more and how the Board could also assist.

A more collaborative partnering approach with the Pro Teams on player development and improving relationships with foreign clubs to encourage earlier player release would be helpful steps.

DE then commented on the Oriam High Performance Centre.

- An opportunity to relocate the High-Performance Department to Oriam had arisen. If progressed, this would improve alignment and collaboration across the various national teams, with permanent office space at the facility. Existing relationships with Oriam and Heriot Watt University could also be enhanced. This could also facilitate the creation of a National Development Academy for the best young players.
- Oriam were planning to invest in improved facilities, including the synthetic surfaces and pitches, upgrading the gym and recovery facilities and creating additional high-performance spaces to increase capacity.

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- Space taken could bear Scottish Rugby branding and present opportunities for commercial partners.
- There was the possibility of access to additional sports science facilities and education services at the University.
- Indicative structures for a National Youth Academy were outlined, using existing National Team coaches and personnel for coaching and ancillary services.

Comments and questions were taken.

Costs - estimated to be c £[REDACTED – COMMERCIALLY CONFIDENTIAL] in year one, to include rent/ facility use fee, costs for players, kit and equipment and expenses. There were no additional staff costs - this would be delivered through reallocating the time of existing National Team personnel.

The facilities fee element of the cost was included in the Budget proposal for 24/25. The remaining costs would need to be found from other elements of the National Team budget or through sponsor / partner backing.

The importance of working with parents, schools and local authority Heads of Education was highlighted, taking account of the potential time commitment for young players during term time.

Alignment with the Pro Teams as part of the pathway programme was stressed, with further work to be done with the Executive to enable the project to progress and the various strands of the pathway to link as suggested.

Gaining an additional presence at Oriam, with upgraded facilities, a deeper link with the University, commercial branding/ sponsorship and education opportunities were seen as positive developments. The Board confirmed its support in principle for the Oriam and National Youth Academy initiatives outlined.

The Chair thanked GT and DE for their presentations.

Kit designs for the National Team kits 25-26 (Men & Women RWC) were displayed.

GT and DE left the Meeting.

4.2 FY24/25 Budget Proposal

The representatives of [NAME OF FIRM REDACTED] joined the Meeting.

OC referred to the circulated Budget paper and appendices, which were taken as read. Separate informal briefings with non-executive directors had taken place in advance of the Meeting. Reference was made to a slide presentation.

Key points were flagged.

- A plan had been created to restore the business to a sustainable position, capable of future growth and supporting the new 10-year Strategic Plan. Reaching breakeven

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over one year, without a creating a significant negative impact on core rugby activities, had been extremely difficult.

- Breakeven could be achieved over a two-year period and the proposed budget was structured on that basis. If approved and implemented successfully this would reduce the loss from FY23/24 year of c£10m to a statutory loss of around £3m in FY 24/25, and EBITDA loss of c.£1.7m for that year, with the business then reverting to profit by the end of FY25/26, and cash generative.
- The business had a healthy cash position at the moment which would remain strong over a 4 year period if the plan succeeded.
- Various revenue opportunities had been included, as had headcount reductions. People costs were a very large part of the cost base. The suggested approach to headcount reduction, if implemented, would contribute savings of around [REDACTED – COMMERCIALY CONFIDENTIAL]. More radical options had been considered but would have damaged rugby capability and on-field performance.
- Pro Team wage budgets were not affected in FY24/25 due to contracting already having been completed for that season but would be reduced for FY25/26 onwards.
- There was consistent support for the community game but more efficient ways of delivery had been examined. GS confirmed that the community rugby element incorporated various aspects of the pathway proposals announced earlier in the year and should lead to a more integrated approach. Adjustments to the regional delivery model had also been included.
- Capex - a spend of [REDACTED – COMMERCIALY CONFIDENTIAL] divided between strategic investment for improvements in hospitality facilities to increase revenue generation and maintenance/remedial works. FY24/25 anticipated [REDACTED – COMMERCIALY CONFIDENTIAL] of strategic capex and [REDACTED – COMMERCIALY CONFIDENTIAL] on maintenance, with FY25/26 including [REDACTED – COMMERCIALY CONFIDENTIAL] on further strategic spend and [REDACTED – COMMERCIALY CONFIDENTIAL] on maintenance/ remedial work. This did not include longer-term plans for more substantial stadium development.
- Various risks and opportunities were identified, with risks including delay in filling vacant roles during the consultation process affecting new business generation, risk of leavers, and potential threat to rugby competitiveness in future years through reduced Pro Team budgets, contrasted with opportunities for better financial outcomes due to revenue estimates being conservative and costs also treated conservatively.

SB then commented on the following:

- Tough decisions were essential to return the business to a sustainable position and enable it to grow. There was a need to act now.
- Operational costs had been examined in detail, with some efficiencies identified but fixed costs, the largest of which was salaries, needed to reduce to contribute to the objective of breakeven/ surplus by end of FY25/26.

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- Subject to Board approval to proceed, a collective consultation process would commence in which 35 roles were currently identified as at greatest risk of redundancy. A larger number of posts would be included in the consultation process due to pooling of roles.
- A voluntary redundancy scheme would be offered. This would not impact on the numbers proposed for compulsory redundancies.
- The process and timelines for the collective consultation and potential redundancy process, headcount movement and breakdown (excluding players) and salary ranges for affected roles were explained.

The Chair thanked OC and SB for their presentations. Questions and comments were taken after Item 4.3 .

4.3 Update from [NAME REDACTED]

The Chair welcomed the representatives of [NAME REDACTED] to the Meeting.

[NAME REDACTED] updated the Board on the analysis conducted by [NAME REDACTED]

- [NAME REDACTED] acknowledged the work that had been done by the Executive since [NAME REDACTED] earlier report. A more detailed report would follow but initial observations were outlined.
- A turnaround plan had been developed, identifying short term revenue initiatives and cost savings. The process followed had been sensible.
- The updated budget model was much improved, being more granular in its detail with a clear analysis. FY24 forecasts had moved on since February, ending the current financial year slightly better than forecast, with incremental revenue from ticket sales and R&D tax credits.
- A risk to sponsorship and commercial revenues for 24/25 had been reduced with the new contracts entered into and the organisation better placed than before.
- Looking at FY 24/25, if turnaround initiatives were stripped out, performance would be in line with the earlier sensitised forecast. If the initiatives identified were implemented as planned the organisation would return to profitability by the end of FY25/26. Organisational change would be essential in contributing to this. The importance of delivery of these initiatives was stressed.
- Capex proposals differed significantly from those earlier in the year, with the budget proposing a spend of [REDACTED – COMMERCIALLY CONFIDENTIAL] reflecting prioritisation of essential maintenance and remedial work. This could create additional pressure on revenues and turnaround plan delivery and should be monitored closely.

Detailed discussion followed with questions and comments taken and key points as follows:

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- *Capex spend – project management and mechanism for scrutiny* - OC advised one or two individuals in the business had been identified in the business to take on an element of programme management and execution with oversight and authority from the Executive to ensure projects were executed to time and standard. This was to be confirmed once in place. **OC**
- *Mitigation of potential impact on Pro Team rugby performance* – acknowledged by the Pro Teams’ managing directors as challenging. Player wage budgets would decrease in FY25/26, which presented some extra risk to Pro Team performance and the National Team if international players were not retained. The Board observed that care would be needed around particular positions and stressed the importance of monitoring and reporting on these risks.
- *Balance of capex spend between strategic projects and maintenance/ remedial* - acknowledged as influenced by external studies conducted and the importance of upgrading essential safety systems which were nearing end of useful life. Some improvements would be more obvious than others.
- *Impact of capex spend on timing of wider redevelopment plans* - confirmed as having been considered. Safety systems were being prioritised, mostly within years 1 and 2. This was not expected to impact on wider redevelopment, with a clear objective of avoiding abortive costs. A minimum of 2 years was likely to be needed to properly scope and design any more significant redevelopment. External funding would be required for that and would take time to source.
- *Detail on employee numbers and average salary banding* - to be broken down in more detail for future reporting. **SB**
- *FY23/24 performance* - a breakdown against FY22/23 performance on a like- for -like basis would be helpful **OC**
- *Turnaround initiatives – deliverability* – some recognised as more viable than others. Additional revenue streams were needed. If any of the suggested initiatives were not progressed or did not deliver the anticipated benefit (some doubts were expressed over the [REDACTED – COMMERCIALLY CONFIDENTIAL] project) alternatives would have to be delivered.
- *Communication with employees* - suggested that this should acknowledge the difficult decisions being made but also the positive opportunities that change would bring. Reorientation as a sustainable business, evolving over time, would create opportunity for future investment, with positive progress aligned to the strategic direction that Scottish Rugby wished to take.

Messaging was important for those with roles at risk and those who were not.

Following the discussion, the Board:

- (i) **AGREED** that headcount reductions were likely to be needed to help restore the organisation to a sustainable and profitable position. Authority was given to move forward with the proposals presented for consultation with affected employees; and **SB,OC**

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- (ii) **APPROVED** the proposed Group Budget for FY24/25 on the part of the Company and **AUTHORISED** it being presented to the SRU Board for discussion and approval at the Quarterly Reporting Meeting scheduled for 27 June. OC and SB would be meeting informally with the Custodian Directors on 25 June to provide an additional background briefing. **JM, OC, SB**

The Chair thanked the Executive team for the work that had been carried out and expressed his appreciation to [NAME REDACTED] for the analysis and support provided.

The [NAME REDACTED] representatives left the Meeting.

The Agenda was reordered to enable other business to be completed.

5. APPROVALS

5.1 National Team Kit Designs

The kit designs displayed earlier in the Meeting were **APPROVED**.

5.2 Appointment of INED

Stephen White, COO of Santander UK had been appointed as an informal adviser earlier in the year, with a view to becoming a Non-Executive Director at a later point. The Chair proposed that Mr White be invited to join the Board as an Independent Non-Executive Director, with effect on 29 August 2024 and that he should join the Audit and Risk Committee as its Chair, given his financial background.

Following discussion, the Board **AGREED THAT** Stephen White be invited to join the SRL Board as an Independent Non-Executive Director, for a period of up to 3 years, commencing on 29 August 2024, and that he be appointed as Chair of the Audit & Risk Committee from that date.

The Company Secretary would speak with Mr White regarding other Committee membership positions. **RH**

Due to further changes anticipated later in the year the Chair and Company Secretary would revert to the Nominations Committee with proposals on other Committee memberships. **JM, RH**

5.3 International Representatives

The Nominations Committees of SRU and SRL had met recently to discuss possible future changes to several international Representative positions. Recommendations had been set out in the papers.

Following discussion, the Board **AGREED THAT**, taking account of the length of service of the respective incumbents:

- (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 Jan 2016), with Mr Rankin to then step down; **RH**

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- (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 intention of John Halliday (served since 2019) then stepping down; and **RH**
- (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 identified, and Mr Jeffrey then stepping down. **RH**

5.4 Glasgow Warriors Sponsorship Agreement

The circulated paper was taken as read. AK briefed the Board on the background to the proposals to [REDACTED – COMMERCIALLY & CONTRACTUALLY CONFIDENTIAL]

Following discussion, the Board **AUTHORISED**:

- (i) the Managing Director of Glasgow Warriors to finalise the detailed terms and conditions of an agreement with [REDACTED – COMMERCIALLY CONFIDENTIAL] based on the terms set out in the accompanying paper; and **AK**
- (ii) any 2 Directors, or any Director in the presence of a witness, or any Director and the Company Secretary to sign the agreement on behalf of Scottish Rugby Limited.

AK was thanked for his overview of the sponsorship proposal.

5.5 Regulations

The Company Secretary referred to the proposed regulatory changes covering the Scottish Rugby Disciplinary Rules for Season 24/25 and an accompanying Memorandum on Match Official Abuse, amendments to SDR 21.2 (Illicit Drugs) and amendments to SDR 22 (Artificial Turf).

Attention was also drawn to the proposed changes to SDR 21.1 (Anti-Doping) and the accompanying note included with the papers, and the updated Pregnancy in Rugby Policy (SDR 10.4) which had been reviewed by the ESG Committee and was recommended by that Committee for approval.

Following consideration, the Board **APPROVED** the following, with effect on 1 July 2024:

- (i) the Scottish Rugby Disciplinary Rules 2024/25;
- (ii) the Match Official Abuse Memorandum 2024/25;
- (iii) SDR 21.1: Anti-Doping (as amended);
- (iv) SDR 21.2: Illicit Drugs (as amended);
- (v) SDR 22: Artificial Turf (as amended); and
- (vi) SDR10.4: Pregnancy & Rugby (as amended),

each in the form tabled and **AUTHORISED** the Company Secretary to make any minor changes required for the purpose of numbering, formatting and correcting typographical or grammatical errors.

5.6 Bank Mandate Amendment

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Additional cover was needed to assist with bank payments, particularly over the Summer period. It was proposed that [NAME REDACTED], be added as a “B” signatory.

The Board **AUTHORISED** [NAME REDACTED] to be added to the list of bank signatories as a “B” signatory. RH

5.7 Transfer Pricing Proposal

The Company Secretary provided the Board with some background to the proposals set out in the Board paper.

- A services agreement had been put in place at the time of the governance reforms permitting SRU to charge SRL for the services of the Custodians.
- No value had been attributed so far to those services.
- A transfer pricing evaluation had been performed by external advisers, and charging range identified. The suggested charge, including an additional fee for time spent on working groups, had then been calculated for the period from 2 November 2022 (the inception of the governance reforms) to 30 June 2024.
- The proposed charges would deal with the initial requirements of the services agreement and help to reduce the inter-company loan balance.
- The proposal included a suggested future approach using the identified rates 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 considered by the SRL Audit & Risk Committee at its most recent meeting and was recommended by the Committee.

Following discussion, the Board **APPROVED** the proposed approach to transfer pricing and fee for services between SRU and SRL and, subject to SRU Board agreement, **AUTHORISED**:

- (i) the Company Secretary to prepare an updated fee schedule to be appended to the Inter -Company Services Agreement; and
- (ii) any Director 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.

6. STRATEGY PLAN

SB referred to the detailed internal Strategy Plan document included with the papers and the extensive discussions with the SRU and SRL Boards earlier in the year. The document circulated had been part of the strategy session with the SRL and SRU Boards in March 2024 and incorporated the changes discussed at that meeting. Formal approval of the Strategy Plan by the SRL Board was requested.

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Following discussion, the Board **AGREED THAT** the Scottish Rugby Strategy Plan 2024-2034 be approved as tabled, subject to final approval by the SRU Board. **SB**

7. COMMERCIAL UPDATE

CH provided the Board with an update on activity within the Commercial Department. The following points were noted, with questions taken throughout:

- The Peter Vardy sponsorship deal would conclude at the end of June with Arnold Clark becoming the new front of shirt sponsor on 29 July 2024, as previously approved. [REDACTED – COMMERCIALLY CONFIDENTIAL]
- Vodafone would become the new back of shirt sponsor, replacing BT, on 1 August 2024.
- CH and others had visited Macron facility in Bologna, following the contract renewal, which would now run until 2031. The new kit would be launched one week after Arnold Clark announced its new relationship with Scottish Rugby.
- Skyscanner had recently become the new travel technology partner, with a focus primarily on digital and social content and worth [REDACTED – COMMERCIALLY CONFIDENTIAL] per year.
- Widening and deepening the sponsor pipeline was a key objective. Opportunities to source business from sports marketing and advertising agencies would be pursued. There was a focus on providing gold standard experiences for sponsors to underpin the new business sourced. The organisational design programme created some challenges on deploying the resource needed to deliver on these.

In relation to a question about tiering and segmenting, CH confirmed that mid - tier partnerships in the c£500k per year bracket were a particular target for official partner status in various categories. Consideration was being given to repurposing and activating under-utilised assets. Several pipeline leads were noted.

The Chair thanked CH for his presentation.

8. REGULAR BUSINESS UPDATES

The summary report from the Executive was taken as read. Several points were highlighted.

- *Events/ stadium* – ML advised of an approach from [REDACTED – COMMERCIALLY CONFIDENTIAL]
- *Data/ digital* - AW highlighted the importance of having a clear understanding of the use of data within the business and thanked the Head of Legal & Governance and Head of Data Insights for the report and recommendations provided on the recent data audit.
- *ESG Committee* - RD, as Chair of the ESG Committee commented on business covered at the Committee's meeting on 6 June, including the recommendation to approve the

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updated Pregnancy in Rugby Policy. She expressed the Committee's appreciation for the work done on finding a solution to proposals for charging for PVG applications. This would otherwise have created a significant financial burden on Scottish Rugby and club applicants.

- *Audit & Risk Committee* – the summary of business conducted at the Audit & Risk Committee on 4 June 2024 was noted, including the approval of the audit plan and timetable and recommendation of the transfer pricing proposal.

9. AOB & Close

While recognising the potential for diary conflicts when meetings were held at short notice or re-arranged, the Chair encouraged all Board Members to make additional efforts to attend meetings, whether by Teams or in-person, given the current workload of the Board.

The Company Secretary would check Board Member availability ahead of identifying Board dates for 2025.

RH

The Chair thanked the Board Members for their contributions and closed the Meeting.

**APPROVED BY THE BOARD
29 AUGUST 2024**