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**SCOTTISH RUGBY LIMITED
SC132061**

**MINUTES OF MEETING OF THE BOARD OF SCOTTISH RUGBY LIMITED
HELD ON 29th AUGUST 2024 AT 14:00 – 16:30**

PRESIDENT’S SUITE AND BY TEAMS AV PLATFORM

Present:

John McGuigan	(JMcG)	Chair & Independent Non-Executive Director
Shona Bell	(SB)	Chief People & Engagement Officer
Ruth Davidson	(RD)	Independent Non-Executive Director
Mike Soutar	(MS)	Independent Non-Executive Director
Hazel Swankie	(HSw)	Non-Executive Director
Alex Whelan	(AW)	Independent Non-Executive Director
Stephen White	(SW)	Independent Non-Executive Director

In Attendance:

Oliver Colling	(OC)	Finance Consultant & Interim CFO
Gerry Devine	(GD)	Head of Stadium Operations (Item 4.2)
Matt Horler	(MH)	Director of Communications
Robert Howat	(RH)	General Counsel & Company Secretary
Al Kellock	(AK)	Managing Director, Glasgow Warriors (by Teams)
Angela McCracken	(AMcC)	Head of Legal & Governance
Laura Mahadea	(LM)	Paralegal & Executive Assistant
Gav Scott	(GS)	Director of Rugby Development
Doug Struth	(DS)	Managing Director, Edinburgh Rugby

Apologies:

Chris Healy	(CH)	Interim Commercial Director
Chris Stewart	(CS)	Independent Non-Executive Director

ACTION

1. INTRODUCTION

1.1 Welcome, Quorum & Apologies

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

S White was welcomed to his first Board Meeting as an Independent Non-Executive Director.

Apologies were received from C Stewart who had a prior engagement and C Healy who was on annual leave.

No conflicts or interests were declared.

2. MINUTES OF PREVIOUS MEETINGS – 21 June and 2 August 2024

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AW commented on the 21 June Board Minutes and the reference to the turnaround initiatives should make reference to the fact that alternatives would have to be delivered rather than if. JM confirmed that an adjustment would be made to the draft Minutes, which were then **APPROVED**, as adjusted. **RH**

The Minutes of 2 August 2024 were **APPROVED**.

3. ACTION LIST & MATTERS ARISING

- (i) *New NED briefing session on Risk* – RH would talk through current risks with any of the Board Members who requested this. Otherwise this action would be removed.
- (ii) *KPI Tracking* – There was an updated version in the papers with an action to consider and agree what approach should be taken on KPIs / OKRs ahead of meeting with the Remuneration Committee to formulate a mechanism to measure performance.
- (iii) *Key Projects* – OC and GD would keep the Board updated on projects and status as these progresses.
- (iv) *Board Effectiveness* – Agenda item for discussion.
- (v) *Capex spend – project management* – OC would comment on this during the Meeting.
- (vi) *Redundancy Consultation* – SB would comment on this during the Meeting.
- (vii) *Committee Memberships* – On Agenda for discussion.

JM commented on several matters:

- The preparation and significant work put into various Sponsorship deals making reference to Arnold Clark who were delighted with the launch day. Good coverage was also noted on the recent Vodafone deal.
- His recent trip to the US during the summer tour. Conversations had taken place with a number of expatriates who may be interested in supporting rugby in Scotland in some way. The commercial team would be asked to formulate a proposition.
- Liaison with the Cattigan family was now being undertaken by Graham Law. The working party's remit had been completed.
- Commercial discussions within 6 Nations in connection with the Nations Cup.

4. KEY TOPICS**4.1 Player Contracting 25/26 Season**

The Chair welcomed the Managing Director of Edinburgh Rugby (DS) and the Managing Director of Glasgow Warriors (AK) (via Teams) to the Meeting.

DS presented a number of slides that had been prepared and circulated to Board Members in advance of the Meeting. The topic had been discussed with the Remuneration Committee in advance of the Meeting.

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The circulated paper was taken as read. Questions were taken from Board Members throughout, with the following key points noted.

- The Pro Teams were entering the negotiation stage for player contracts for the 25/26 season. This involved making financial commitments ahead of the overall budget for FY25/26 being prepared and approved.
- Setting the Pro-Team budgets at [FIGURE REDACTED- COMMERCIALY CONFIDENTIAL] per year created challenges over retention of key players for the 25/26 season in an already inflationary environment, with consequent financial, rugby performance and reputational risk if those players left, including some who were important to the Scotland National team. Comparator information on funding models in other leagues and clubs and current player wage levels and renewal demands was presented.
- It was therefore being proposed that the wage budget level for each Pro Team for FY25/26 be set at up to [FIGURE REDACTED- COMMERCIALY CONFIDENTIAL] per team (which is higher than the [FIGURE REDACTED- COMMERCIALY CONFIDENTIAL] per team used in FY25/26 financial projections) but with the difference funded by the Pro Teams committing to deliver increased commercial revenues, or costs savings or a combination of both.

The Directors discussed the proposal in detail, noting that both professional teams had delivered commercial growth in recent seasons. It was recognised that an unintended consequence of the SQ policy was the risk of additional inflation in the Scottish market, due to perception of a need to satisfy a high percentage of the Pro team player base being Scottish qualified.

Regularly monitoring and evidencing progress on revenue generation would be critical if the proposal was to be approved. Mechanisms for doing so were then discussed.

Following discussion the proposal was **APPROVED**, subject to a number of guardrails:

- The difference between the [FIGURE REDACTED- COMMERCIALY CONFIDENTIAL] per team that had been included within future projections at the time of 24/25 budget approval and the [FIGURE REDACTED- COMMERCIALY CONFIDENTIAL] level per team requested must be made up through additional commercial revenues generated by the 2 Pro Teams beyond the level assumed within the budget projections, or equivalent costs savings so that the overall effect for FY25/26 was budget neutral.
- The additional [FIGURE REDACTED- COMMERCIALY CONFIDENTIAL] was to be calculated net of the cost of sales.
- Progress on enhanced revenues was to be evidenced on a continuing basis. This is to be monitored by the interim CFO and reported to the SRL Board.
- Player contract approval requests taken to the Remuneration Committee for approval are to be accompanied by reporting on the enhanced commercial revenue requirement, with the Committee having to be satisfied on progress on additional revenue generation as part of the approval process.

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- If there was insufficient progress evidenced on commercial revenues, operational budgets within the Pro Teams for FY25/26 would be reduced to maintain budget neutrality.

A mechanism for tracking progress was to be created. The responsibility for evidencing the ability to hit the desired numbers would remain with OC, AK and DS. Incremental revenues or savings achieved in the remainder of the current season could be used to assist in satisfying the additional revenue target. The Board would be happy to work with both AK and DS to support them in achieving this. **OC**

It was noted that as the proposal related to an advance approval on an element of the FY25/ 26 budget the SRU Board's approval would also be required, and would be sought at their meeting scheduled for 20 September. **AK, DS**

The Chair thanked DS and AK for their detailed presentation.

AK left the Meeting.

4.2 Potential Future Capex Request – Stadium Development

GD joined the Meeting to update the Board generally on the status of the short-term remedial works being carried out in the stadium:

- Wrenbridge Sport were assisting with the next phase of stadium remedial works, principally scoping on life systems and refurbishment projects.
- The main areas identified for refurbishment were the Executive Boxes, The President's Suite, main reception area and gatehouse as well as the Up & Under Bar which would also be used as a breakfast and lunch and breakout area for employees, catered for by Elixir.
- Installation of new big screens and scoreboards ahead of the Autumn Tests.
- Repainting of various areas within the stadium including road markings.

GD then displayed a sample stair-tread cover which was being considered as an alternative to stair painting. This included a non-slip surface, which could be sponsor branded or made bespoke Scottish Rugby. The cost to maintain the steps through repainting was circa £200k, and done every 3-4 years, with the product being considered having a 15 year lifespan. Discussions were taking place with the manufacturer on pricing and warranty terms.

No Board approval was requested at this stage but might be sought at a future point. OC noted that the commercial revenue opportunities were currently being reviewed.

The Chair thanked GD for his detailed presentation and overview. GD was asked to consider wheelchair access improvements as part of refurbishment proposals.

GD left the Meeting.

5. REGULAR BUSINESS

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The contents of the Report were taken as read. The Autumn Test tickets sales figures were healthy and it was noted that sentiment analysis may be helpful in promoting revenue generating activity and external communications, moving away from traditional press data analysis.

5.2 Finance**5.2.1 Year end and July 2024 management accounts**

OC referred to the circulated paper which was taken as read and commented on the following:

- FY23/24 – year end - anticipated outcomes were in line with the previous forecasts. Excluding restructuring costs and subject to audit the statutory loss for the 13 months was expected to be around [FIGURE REDACTED – COMMERCIALY CONFIDENTIAL PENDING AUDIT] with an underlying EBITDA loss of c[FIGURE REDACTED – COMMERCIALY CONFIDENTIAL PENDING AUDIT]
- Comparator figures to the prior year on a 12-month basis were also provided, with that demonstrating an improvement from 22/23.
- The audit was progressing with no major issues identified to date requiring escalation. Some non-material adjustments were expected in connection with revenue classifications and timing.
- Particular attention was being paid to director emoluments and those of the highest paid director due to the inclusion of contractual pay in lieu for the departure of the CEO and severance payment for the CFO. The separate terminal payment for the CEO which had related to the previous LTIP scheme had been provided for and reported in the prior year.
- Recent upsides had included enhanced revenues from the Taylor Swift concerts, which particularly in connection with merchandise with some downside impacts from brought-forward costs of Super 6 (now fully closed out) and the net impact for Glasgow Warriors of winning the URC (largely player bonus payments).

The Board members emphasised the importance of setting out the year-end financial information clearly and on a like-for-like basis, with accompanying analysis to aid understanding of the position and demonstrate that the Company was on the path to financial sustainability.

Current trading – reference was made to the circulated management accounts for July 2024, being the first and least active month in the financial year, with the contents noted.

5.2.2 Long Term Cash Deposit Approval

OC referred to the circulated paper seeking approval to place sums on long term deposit. The funds involved were currently in a separate escrow account, being proceeds from the

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earlier private equity transactions. More beneficial rates of interest could be achieved by placing these on longer term deposits, as outlined in the paper.

In response to questions from Board members, the use of those funds to date was outlined. A conservative view on cash requirements was being taken, recognising the fluctuation in revenue during the year. Approval was also being sought to set up a US dollar account due to some revenues of 6Ns from broadcast contracts being received by them in dollars, and the Company then having to incur transaction fees and exchange rate risk. The Company had some US dollar outgoings which could offset this.

The current banking arrangements were also explained, including the pooling which enabled matching of the working capital facility balance with sums on deposit. Historically a very cautious approach had been taken but there was an opportunity to achieve better returns on the cash balances.

Following discussion the Directors approved the request and **AUTHORISED**:

- (i) [FIGURE REDACTED – COMMERCIALY CONFIDENTIAL] of funds from the Strategic Account to be placed on short term deposit for 4 months, maturing in January 2025;
- (ii) a further [FIGURE REDACTED – COMMERCIALY CONFIDENTIAL] of funds from the Strategic Account Authority to be placed on deposit for 10 months;
- (iii) delegated authority be given to Executive management to place monies on short term deposits (< 1 month) and overnight deposit without the need for approval of each transaction;
- (iv) conversion of existing current account facilities to interest bearing current accounts with Bank of Scotland (BoS); and
- (v) the opening of a US Dollar (USD) current account with BoS.

5.3 Turnaround Initiatives Update

OC advised that GD was working on a list of stadium related initiatives and a list would be provided at the next meeting, with a view on risks to delivery. The columbarium remained on the list meantime, noting that SRL currently has a memorial area and that at least part of the concept was not entirely new. **OC**

6. COMMITTEE & WORKING GROUP REPORTS

6.1 Nomination Committee

The work of the Nomination Committee since the last Board Meeting had related to the appointment of the new CEO and participation of the Committee members in the Joint Meetings with the SRU Nomination Committee on International Representative appointments.

6.2 Remuneration Committee

MS, as Chair of the Remuneration Committee, confirmed that the recent work of the Committee had related to player contracting, as discussed earlier in the Meeting and consideration of the remuneration package for the incoming CEO.

6.3 ESG Committee

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No approvals were required by the Committee and the decision was taken to remove the Meeting from the diary. The next ESG Meeting would take place ahead of the SRL Board Meeting on 31 October.

6.4 Working Parties with SRU**6.4.1 Cattigan Family**

This had been discussed earlier in the Meeting.

6.4.2 Diversity & Inclusion

A report was in the process of being finalised with David Grevenberg (Chair of that Working Group) ready to be reviewed by the SRU Board and would be circulated to the SRL Board at their October Meeting, if available.

SB/RH**6.4.3 Joint Meeting of Nominations Committees on International Representatives**

JM confirmed that the 2 committees had met earlier that day to discuss appointments at Rugby Europe and URC and John Jeffrey's candidacy for Chair of World Rugby.

It had been agreed that Scottish Rugby would not put forward a candidate to join the Board of Rugby Europe. Ian Rankin would continue meantime on the Board of URC (CRDAC) but would step down when required. A new specification for that role was being developed with input from him. A final conclusion on John Jeffrey's potential candidacy had still to be reached.

6.5 Board Committee Membership

RH commented on the significant changes that had taken place on the SRL Board over the last 18 months. Board Committees had been populated as these changes had taken place. SW had joined the Board and HS was due to retire at the AGM in November, which would create vacancies on several of the Committees.

RH would provide a list of which Board members were currently on each Committee.

RH

JM asked LM to assist in organising Board Effectiveness Reviews with each of the Board Members. Views on Committee membership would be requested as part of that.

LM**7. SRU QUARTERLY REPORTING MEETING**

There were no specific points to flag for the SRU Quarterly Reporting Meeting, beyond those already mentioned.

8. AOB & CLOSE

[REDACTED – COMMERCIALY CONFIDENTIAL]

JM

New CEO - JM was due to meet with the new CEO again shortly. He was also in discussion with MH in connection with timing and content of an announcement.

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There was no other business. The Chair thanked those attending for their contributions and closed the Meeting.

APPROVED BY THE BOARD**31 OCTOBER 2024**