

Dons Trust Board (DTB)

Minutes of discussion following presentation by students at Imperial College Business School (ICBS) held at 7.30pm on 15 July, 2020

Meeting was held virtually and recorded via Microsoft Teams

DTB members

Mark Davis (Chair)
Tim Hillyer
Anna Kingsley
Hannah Kitcher
Edward Leek
Jane Lonsdale
Luke Mackenzie
Graham Stacey
Anne Williams

In attendance

Joe Palmer (Club CEO)
Ivor Heller (Club Commercial Director)
David Grows (Secretary)
Jatin Lodhia (ICBS)
Dan O'Connor (ICBS)
Julio Millan (ICBS)
Sebastien Vidal (ICBS)
Xabier de Aretxabala (ICBS)
Graeme Price (Observer)

1. Introduction and apologies

Mark introduced the students to all attendees on the call.

PART 1 – WITH ICBS REPRESENTATIVES

2. Introduction and apologies

Students from ICBS presented their slides (attached) on their project and the recommendations for a reformed governance structure. Q&A followed the presentation, a summary of which follows.

Graeme asked whether costs for the proposed next steps had been considered and asked the students to offer some thoughts on the costs of added professional involvement. The students were unsure without access to the club's budget but acknowledged that the exercise would increase total costs.

Graeme asserted that the report needed to be phased in with a roadmap put together first and then costs confirmed at the end. Graeme went on to ask why no separate finance and remuneration committee had been proposed. The students responded that this work would be completed by a finance committee and that this would be responsible for audit-like work including monitoring financial statements. Graeme said that looking at financial statements was not the same work as the finance committee and that clear distinction and differentiation was needed between audit and how the club pays for things, including refinancing. The students felt

that this was a fair point with regards to remuneration and that reviewing this when paid positions were developed may make sense.

Graeme asked a question relating to establishing the club's mission or vision and wanted to confirm whether it was intended to always ask for assistance within the club's fan base first, before looking externally. The students agreed that was right and that it was clear that there is abundant talent within the club, willing to volunteer.

Alastair asked whether, were the club to have achieved a better ranking on the governance matrix, the proposed restructure to the two board format would be different. Alastair went on to ask whether some of the governance shortfalls could be addressed prior to a restructure. The students confirmed that these were not mutually exclusive and that the areas of improvement on governance would require attention regardless of any restructure.

Mark followed up by asking whether governance could be improved whilst work on a long-term vision was ongoing and wanted to know whose responsibility the students felt that it was to create the strategy. The students noted the difference between vision, as a long-term goal, and strategy, which is about how you got there. They considered that vision was the responsibility of the DTB, as it had been previously and that strategy sat with the FCB. The students felt that it would be possible to do this in parallel.

Hannah recognised the talent and willingness in the club's fanbase and asked whether the students had seen any examples of other sports clubs or organisations with a mixture of paid and voluntary board members and how this was managed. The students had not come across one and acknowledged that managing the two-tier employment would be challenging. However, it was felt that, regardless of the challenges, professionalisation could help address the perceived skills gap. Hannah further asked the DTB and FCB whether, by relying on volunteers, the optimal pool of individuals was being drawn on.

Hannah asked a separate question on the report's suggestion of increasing board members' tenure to four years and the timeline for implementing this. With an election coming up where five or six individuals would be running, Hannah asked how the students proposed to mitigate the potentially high levels of disruption that would come with any significant overhaul of the DTB. The students responded that longer terms would increase board stability and that elections could overlap so that concentration risk of a board overhaul was reduced. The students felt that recommending to increase the terms could be done at the upcoming elections. The students encouraged the DTB to telegraph any potential changes in advance.

Luke considered that two parts had been missed from the analysis. Firstly, that the DTB operates with very restrictive guidelines in its constitution that have proven difficult to change historically and secondly that it was critical to engage the fans with the reforms. Luke said that he agreed with the comments on setting goals and a vision as had been done previously and that as a collective, all boards needed to consider what the fans want. Luke noted that seeing the reporting structure of AFCW PLC had been illuminating and that the number of direct reports to Joe was too large.

Tim was interested in the LSE criteria that the students had used for assessing our governance and asked where the work to close the gap in performance sat. The students noted that the assessment was subjective but that the criteria were available publicly. They pointed Tim to the recommended best practice criteria listed in the report which is where the club should be aiming. As regards getting there, the students felt this was up to the DTB and the FCB.

Jane noted the decision by the students to use the LSE governance criteria and asked why the students had chosen these and whether alternatives had been considered. The students responded that they had referenced the OECD criteria (which were also publicly available). They noted that criteria were chosen with the subject matter in mind in order to generate specific areas for improvement.

Jane asked a question on four-year terms, which she felt would materially unbalance and undermine diversity (young women in particular) and wanted to know whether any research had been undertaken on this. The students responded that across their research as well as internal and external interviews, it was felt that shorter terms led to an exhaustion of those involved with being 'always on' election. The students felt that longer terms would better facilitate governance stability so that long-term plans could be created but had not considered wider impacts and imbalance.

Jane asked another question on the subject of the 'German 50%+1' model and whether there was any regulation in place domestically to support it and how it could map to the club's situation, where this does not exist. The students replied that the model had been implemented by the German FA but was currently being challenged by Martin Kind, a minority investor at Hannover 96. An initial case had found against Martin Kind in domestic courts, but this could be appealed to the European Court of Justice (ECJ).

Alastair asked whether the students had considered some of the downsides of the alternative fans owned club models. The students

responded that interviews had found little support for existing structures. The students added that one of the case studies operated a single board due to its size but intended to add a second as it grew; at another, the third board is honorary. The Green Bay Packers operated an executive committee within a board, effectively creating a two-tier structure.

Alastair noted that Brentford FC operate two boards and asked whether the students saw any downsides to this. The students replied that, with respect to Brentford FC, the downside was not in the number of boards but the composition and power dynamics given Brentford FC's high level of dependence on a single external investor. The students clarified that they had not spoken directly to Brentford FC but had based their analysis on a 2013 paper outlining pros and cons.

Graeme asked a follow-up to the earlier discussion of the German model, noting that the UK would shortly not be subject to the jurisdiction of the ECJ, and asked what UK company law said on the subject? The students responded that they did not have legal expertise within the group and felt that the issue fell outside the scope of the project.

Hannah asked how many times per year a board of the nature proposed should meet. The students saw commonality across clubs that they researched at quarterly, with a lean towards more often than that.

Luke asked what the next steps were for the DTB and the FCB. The students said that the first step would be to define a revised strategy given that the previous one would shortly be fully met. They noted that the interview process had generated a broad distribution of views with regards to vision but that four main points were repeated: 1. Financial solvency 2. Fan involvement 3. Clear delegation of responsibilities from board to management and 4. Reorganisation of corporate structure with clear purposes and objectives.

Mark questioned whether this view conflicted with the proposal from the students previously. The students established that governance reform should not be touched until a vision had been agreed upon. Joe added that it was critical that the strategy was set first and then a structure to get there could be agreed, encompassing items such as governance and the executive team.

Tim asked how the students derived the proposal for the revised governance structure. The students responded that it was the product of interviews; research; academic study and input from Joe. The students noted the complexity attached to moving from the CEO having 12 direct reports to having five direct reports.

Jane asked the students whether, as part of vision-setting, there should be short, medium and long-term strategies and vision. The students responded that this was up to the DTB and that the review had only confirmed the need for a revised long-term vision. However, they acknowledged that part of that could be to decide whether this was a five or 10-year vision or whether it was staggered. Alastair noted that he felt that vision was a 'five to 10-year thing'.

Alastair asked the students what profile, with regards to professional skills, they felt that the DTB members should have. The students replied that they were reluctant to prescribe this necessarily but that broad skills related to finance, operations and management would always be valuable. Alastair noted that the co-option process was designed to address skills gaps but asked whether guidelines should be set out on it. The students responded that professional enhancement is a single area and that a balance needed to be struck between the need to address skills and to drive inclusion and participation.

Graeme picked up on a point made earlier by Mark and challenged the view of the students that governance changes could not be made until a vision had been agreed. Graeme offered the example of any new, high-growth start-up that would set-up a governance structure from inception. The students replied that insights from their interviews and recommended best practices from the LSE and OECD had underlined that part of governance is to set vision as well. Graeme followed-up by asking whether the club's existing structure could deliver this vision. Mark noted that it was important to set-up the governance of the club in such a way, that the vision could be delivered. The students replied that the vision needed to rely on common sense but that the question of how to set the vision fell outside the scope of their project. Necessarily, the students felt that this would need to be answered by the DTB alongside the possibility of a new form of fan involvement.

Mark asked whether the unified board proposal should apply to the ladies set-up as well. The students responded that the research project had not looked at that particular topic but that it was important that both boards needed to account for the diversity of the club.

Ivor stated that he felt that it was critical to set the vision and begin work moving towards it. Ivor noted that holding a workshop on a Sunday had been helpful for reaching agreement in the past. He recalled that previous strategy sessions had concluded that the club would be a club that moved up and down the league pyramid. Ivor added that he felt that this would require stakeholder input from across the club, not solely by the DTB.

At this stage, Mark invited questions in return from the students and for reflections on how they felt that the project had gone. The students

responded that they felt that the right questions were being asked and that there was good alignment across teams.

Edward asked whether there was any vision or strategy that the group felt that the members would opt for, that would mean no changes to the governance structure. Edward made clear that his personal view was that reform should progress in parallel.

The DTB and the FCB congratulated the students on their efforts and wished them well ahead of the completion of their studies.

The students left the meeting.

PART 2 – DTB, SECRETARIAT & FCB OFFICIALS ONLY

3. Discussion

- Joe requested that the DTB review the e-mail that he had sent on the subject of where the Football Club would begin the forthcoming season. Mark noted the 21 July deadline for confirming to the EFL where the club would be playing.
- Mark asked Joe for an update on the debentures. Joe confirmed that some additional adjustments were required to be made in light of newer understanding of the system's capabilities. Luke asked when sales could commence. Joe replied that the platform would be ready by 4 August but that hospitality sales could begin prior to that date. Joe requested final comments on the proposed communication prior to the upcoming weekend.
- Mark concluded the meeting by thanking Ivor for setting up the engagement with ICBS and noted that the findings had been very interesting.

Actions: DTB to review Joe's communication on Football Club's playing arrangements for commencement of season. DTB to provide comments on Joe's proposed communication on debentures before 19th July

The meeting concluded at 9.27pm.

Signed on behalf of the DT Board



.....
Mark Davis, Chair